



**IPCS**  
**SPECIAL**  
**REPORT**

No. 46, July 2007

**India Thailand Relations**  
**IN SEARCH OF NEW HORIZONS**

Yogendra Singh

**INSTITUTE OF PEACE AND CONFLICT STUDIES**

B 7/3 Safdarjung Enclave, New Delhi 110029, INDIA  
Tel: 91-1151652556-9; Fax: 91-11-51652560  
Email: [officemail@ipcs.org](mailto:officemail@ipcs.org); Web: [www.ipcs.org](http://www.ipcs.org)

# INDIA THAILAND RELATIONS

## In Search of New Horizons

*Yogendra Singh, Research Scholar, Jawaharlal Nehru University*

The end of the Cold War led India towards a strategic realignment in its foreign relations. India initiated new endeavors in its foreign policy to deal with the changing global and regional environment and the ASEAN region, which had not figured prominently in India's foreign policy making, became one of the top priority areas from the early 1990s. In order to share in the advantages of the booming ASEAN economies, India launched its 'Look East' policy in 1991. ASEAN member states also responded to India in a positive manner owing to the economic reforms that were being undertaken in India. The launching of a 'Look West' policy by Thailand is the manifestation of ASEAN members' changing perceptions towards India. This policy was crafted with a vision of developing relations with the countries of the Indian subcontinent, particularly India. While India has had diplomatic relations with Thailand since Independence, bilateral ties have certainly been revitalized by the complementary nature of their respective 'Look East' and 'Look West' policies. Subsequently, leaders and policy makers of both sides have been involved in regular interactions to explore new areas of mutual cooperation.

The first remarkable high level interaction between India and Thailand was started when Indian Prime Minister Rajiv Gandhi paid a visit to Thailand in 1986. His visit was reciprocated by the Thai Prime Minister Gen. Chatichai Choonhavan's visit to India. Prime Minister P V Narasimha Rao also paid an official visit to Thailand in April 1993. This visit further stimulated the process initiated by Rajiv Gandhi. Then, after a gap in time, Thai Prime Minister Thaksin Shinawatra paid a state visit to India in November 2001, followed up by another visit to India in 2002. During his visit, the two countries decided to set up a

Joint Working Group (JWG) on security issues. Thereafter, Indian Deputy Prime Minister L K Advani's visit to Thailand in 2003 provided a platform to discuss security issues of mutual concern. During the visit both sides agreed to institutionalize the JWG on security cooperation. Prime Minister Thaksin Shinawatra again paid a working visit to India in 2005. During Prime Minister Atal Bihari Vajpayee's Thailand visit in 2003 five bilateral agreements were concluded. Prime Minister Manmohan Singh paid a visit to Thailand in 2004 to attend the first BIMSTEC summit in Bangkok from 29-31 July. On the sidelines of this summit the Prime Ministers discussed a wide range of bilateral, regional and international issues of common concern. In 2007, the Thai interim Prime Minister, Gen. Surayud Chulanont paid a visit to India that contributed to breaking the deadlock in India-Thailand FTA negotiations. During the visit both countries agreed to accelerate negotiations on pending defence and security-related agreements and MoUs. Two MoUs on renewable energy and cultural cooperation were also signed during his visit.

### INVESTMENTS AND JOINT VENTURES

India is the thirteenth largest investor in Thailand and of late has been extensively dispersed in the areas of chemicals, pharmaceuticals, textiles, nylon, tyre cord, real estate, rayon fiber, steel wires and rods, paper-grade pulp and so on. However, the manufacturing and IT services sector are the main focus areas of Indian investments in Thailand. The Aditya Birla Group was the first Indian company to set up a joint venture in Thailand and there are now 33 Indian joint ventures that are involved in various projects. These include the Rayon Group, Usha Martin Industries,

Ranbaxy Laboratories and Lupin Chemicals. Indian investments in Thailand touched a landmark when Tata Steel of India acquired Millennium Steel from Siam Cement Group for US\$175 million. Tata Steel had earlier acquired the Siam Industrial Wire Co. Ltd. Meanwhile, the Tata Motors joint venture with Thonburi Automotive Assembly Plant, with a startup capital of 500 million Baht (US\$13.8 million), will manufacture approximately 40,000 pickup trucks a year.

Indian IT giants are also looking at available opportunities in Thailand. Indian companies such as NIIT and APTECH already have their operational bases in Thailand in software development and computer education. Satyam Computer Services Limited established a subsidiary in Thailand in 2004 and 3I-infotech (Thailand) Ltd. has also been functioning since 2006.

Though the political situation in Thailand does not seem stable after the bloodless military coup on 19 September 2006, its Prime Minister, during his recent visit to India, has assured that political uncertainty would be resolved soon and democracy would be restored by the end of 2007. Despite the proposed change in Thailand's Foreign Business Act and the rise of the Thai Baht against the US dollar, Thailand, as Southeast Asia's second largest economy, has succeeded in attracting FDI worth US\$7.9 billion in 2006. The United Nations Conference on Trade and Development (UNCTAD) places Thailand as East Asia's leading alternative to China.

Thailand ranks as the third largest investor in India from the ASEAN region after Singapore and Malaysia, and 19<sup>th</sup> in the list of countries in terms of cumulative FDI approved from August 1991 to December 2006. However, while the total FDI approval from Thailand stands at US\$831.3 million, actual FDI inflow is only around US\$77.6 million. Major Thai investments in India are made by companies such as C P Aquaculture Ltd., Ital Thai Development Pcl, Krung Thai Bank Pcl.,

Charoen Pokphand Private Limited and Stanley Electric Engineering.

## **TRADE RELATIONS**

India's export basket to Thailand includes items such as gemstones, primarily diamonds and emeralds, other metal ores, metal waste scrap and products, chemicals, iron and steel products, vegetables, machinery and parts, medicinal and pharmaceutical products, yarn and fibres, vehicle parts and accessories, and so on. India's major imports from Thailand are polymers of ethylene and propylene, radiobroadcast receivers, television receiver and parts, iron and steel products, motor cars, car parts and accessories, machinery and parts, automatic data processing machines, chemical products, air-conditioners and parts, and so on.

Total trade between India and Thailand increased from US\$1.05 billion in 2001-02 to US\$2.28 billion in 2005-06 and grew to US\$3.4 billion in 2006. Both countries are hopeful of achieving the target of US\$4 billion by 2007 since bilateral trade has crossed the mark of US\$1.3 billion during the first four months of this year. Such encouraging trade figures indicates that there is ample scope for further growth in bilateral trade relations but the delays in the conclusion of the proposed Indo-Thai FTA reveal another story. India and Thailand had signed a framework agreement for establishing an FTA in 2003. Both sides had agreed that tariffs on a select list of 82 "early harvest" items would be reduced by 50 per cent in 2004-05, by 75 per cent in 2005-06 and completely eliminated thereafter in the hope of putting in place a comprehensive FTA by 2010, covering all items.

Both countries had reduced the tariff on 82 items under the early harvest scheme in 2004. However, further negotiations on the FTA did not progress in accordance with the scheduled deadline of March 2005 due to a clash of interests on the issue of the "sensitive list." Items in the sensitive list

would not be subject to any tariff cut and both countries have their own sensitive lists. India has a thousand items in its list while Thailand's sensitive list contains a hundred items. Thailand demands a heavy reduction in numbers of items included in India's sensitive list, as is evident from Thailand's deputy chief negotiator Chana Kanaratanadilok's statement that "If the sensitive list covers 1,000 of the 5,000 items that are currently traded, how could we call it a free-trade agreement?"

Meanwhile a survey conducted by FICCI raised the odds further on a successful conclusion of a FTA. According to this report "domestic manufacturers in India especially the three sectors, namely the color picture tube industry, the color television industry and the auto component industry are facing problems due to cheaper imports from Thailand." The National Council of Applied Economic Research (NCAER) also pointed out in its report that when the FTA was signed, Thailand did not figure among India's top 20 trading partners and accounted for only 1.4 per cent of India's total merchandise exports and 0.7 per cent of its imports. India, according to NCAER, had been doing just fine in its trade with Thailand from 2000 to 2003, three years preceding the Framework Agreement. India's exports to Thailand grew at an average 16.6 per cent from 2000-01 to 2002-03, compared with 13.3 per cent growth in India's exports to the rest of the world. Imports from Thailand over the same period grew at only 6.8 per cent, lower than the 7.6 per cent growth in India's non-oil imports from other parts of the world. India was performing relatively better in its bilateral trade with Thailand, both when compared to Thailand's trade performance with India as well as India's trade performance on the global level.

Since then, things have been different as the India-Thailand trade statistics for the year 2005 show. Imports from Thailand of the 82 "early harvest" items were worth US\$104.84 million for just the April-December 2005 period as against

US\$84.44 million for the same basket of commodities for the whole of 2003-04. In contrast, exports from India of the items included in the list have not shown a similar trend. While exports of these items were valued at US\$64.22 million in 2003-04, it was only US\$24.54 million in April-December 2004-05. Some sectors of the Indian industry soon came under the grip of a Thai-phobia. The combined result of such factors has led to a deadlock in the finalization of the Indo-Thai FTA.

Thus in order to create a positive environment in favor of this FTA it is necessary to address the problems of some domestic Indian manufacturers whose interests could be hurt due to cheaper imports from Thailand. Such problems are related to the higher import duty, strict labour laws, and cumbersome government procedures among other things. However, during Gen Cholanont's visit India initiated the process to break this deadlock. Negotiations are on track again to conclude an agreement for establishing a FTA regarding trade in goods by 2010. During the visit both sides decided to resume talks on FTA in goods in July 2007 and to finish them by September 2007. Both have also agreed to begin simultaneous discussions on a FTA in services and investment.

## SCIENCE AND TECHNOLOGY COOPERATION

Science and technology (S&T) cooperation between India and Thailand has gained momentum with the signing of a bilateral agreement on Scientific, Technical and Environmental Cooperation and Transfer of Technology in 2002. An Indo-Thailand, Program of Cooperation (POC) in Science and Technology has been signed in February 2006. It facilitates bilateral cooperation between scientists and researchers of the two countries through bilateral exploratory visits, joint R&D projects, joint seminars and workshops, training, fellowships, and participation in international conferences. The Department of Science and Technology under the

Ministry of Science and Technology of India and the Ministry of Science and Technology of Thailand are the nodal agencies for implementing the program in India and Thailand respectively.

The two countries also signed a POC in Biotechnology in 2003 that provides a kind of institutional arrangement to facilitate developmental cooperative activities in the field of biotechnology through exchange of required information and joint research programs. In the same year, both countries also signed a MoU on Cooperation in the field of Agricultural Science, Technology and Economy identifying the dairy sector as an area for mutually profitable cooperation. In the area of space technology, India and Thailand signed an Agreement on Cooperation in Exploration and Use of Outer Space for Peaceful Purposes in 2002. India has also provided images from the IRS satellite to Thailand on a commercial basis. The second meeting of the Joint Committee on Cooperation in Science and Technology was held on 8 November 2006 in New Delhi. In this meeting both sides agreed on the need for more collaborative activities in the areas of advance technologies in order to strengthen the India-Thailand cooperation in S&T. The third meeting of the Committee will be held in Bangkok in the final quarter of 2007. India is also providing the financial and technical assistance to Thailand for science and technology development as in the case of assistance to set up an electronics design laboratory at Chulalongkorn University in Bangkok. Adding a new dimension in bilateral cooperation in S&T India and Thailand have signed a MoU for enhancing cooperation in the area of nonrenewable energy in 2007. This MoU envisages joint R&D, information networking and exchange of information in the areas of photovoltaic cells, solar thermal energy, biogas, small hydro and wind energy.

### **CULTURAL COOPERATION**

India-Thailand relations are rooted in shared historical, cultural and religious ties.

There has been a long history of cultural exchange between India and Thailand. Buddhism in Thailand was introduced during the period of the great Indian king Ashoka. Besides, Thai architecture, literature, and culture have also been influenced by Hinduism. Historical and cultural connections are also revealed in the various royal ceremonies that are conducted with Indian brahmanical rites and the use by Thai monarchs of the current Chakri dynasty of the title of "Rama" on ascending the throne. From ancient times, students from Thailand have come India to learn Indian culture, arts and the Sanskrit language. Sustaining this legacy in 20<sup>th</sup> century, India and Thailand signed a cultural cooperation agreement in 1977.

The Indian Council for Cultural Relations (ICCR) has started a General Cultural Scholarship Scheme for ten Thai students to pursue their undergraduate, postgraduate and PhD studies in various courses in India. In order to spread awareness about India and promote cultural cooperation, Thailand has also established the India Studies Centre at Thammasat University and a Sanskrit Studies Centre at Silpakorn University. Recently, India also offered 10 million Baht for the construction of the new building of the latter centre during the visit of the Thai Prime Minister in June 2007 in addition to signing a India-Thailand MoU for enhancing cultural cooperation.

### **CONCLUSION**

On reviewing the important aspects of the India-Thailand cooperation, the present level of growth seems satisfactory. However, in order to make the relationship more dynamic there is a need to diversify areas of common interests. Thus apart from bilateral ties, both have to search for new horizons of cooperation under the framework of regional and sub-regional groupings. Fortunately, both countries have plenty of such opportunities to cooperate at various multilateral organizations like ASEAN, BIMSTEC, ARF, and Mekong-Ganga Cooperation (MGC), among others.

Participation in such organizations provides India and Thailand the opportunity to extend their collaboration in areas where they have not been able to get involved bilaterally. Domestic production of gas in both countries does not meet their energy demands and they are dependent on import of gas. However, while bilateral cooperation is limited in this sector due to the lack of complimentary interests, participation in sub-regional groupings like

BIMSTEC provides them an opportunity to cooperate in the hydrocarbon energy sector because other members of BIMSTEC such as Bangladesh, Myanmar and Sri Lanka have enough potential to initiate joint ventures in this sector. Therefore, in order to come closer and evolve a deeper relationship, both India and Thailand have to explore new avenues of mutual cooperation.

### **BILATERAL TREATIES AGREEMENTS**

|   |      |
|---|------|
| Trade Agreement   | 1968 |
| Bilateral Air Services Agreement  | 1969 |
| Maritime Boundary Delimitation Agreement  | 1969 |
| Cultural Agreement  | 1977 |
| Agreement on the Delimitation of Sea Bed Boundary in the Andaman Sea  | 1978 |
| Double Taxation Avoidance Agreement   | 1985 |
| Establishment of Joint Trade Committee  | 1985 |
| Protocol for Scientific & Technical Cooperation between Thailand Institute of Scientific & Technological Research (TISTR) and Centre for Scientific and Industrial Research (CSIR).                               | 1986 |
| Agreement between Government of Thailand and the Government of India on the Maritime Boundary in the Andaman Sea from Point 7 to the Trifurcation Point Between Thailand, India and Myanmar, initiated in Bangkok | 1989 |
| Establishment of Joint Commission   | 1989 |
| MOU between ONGC and Petroleum Authority of Thailand for mutual cooperation in the field of exploration and exploitation of petroleum resources and for training of personnel                                     | 1989 |
| Agreement on Cooperation between the Federation of Indian Chambers of Commerce & Industry (FICCI) and the Board of Trade of Thailand  | 1990 |
| Cooperation Agreement between the Federation of Thai Industries and the Federation of Indian Chambers of Commerce & Industry (FICCI)  | 1991 |
| MOU between the Indian Council of Agricultural Research (ICAR) and the Asian Institute of Technology (AIT)  | 1992 |

|  |      |
|--|------|
| Agreement on Peaceful Uses of Atomic Energy  | 2000 |
| Bilateral Investment Promotion and Protection Agreement (BIPPA)  | 2000 |
| MOU on Cooperation in Information Technology   | 2001 |
| Agreement on Cooperation in the Exploration and use of Outer Space for Peaceful Purposes   | 2002 |
| Agreement on Scientific, Technical and Environmental Cooperation and Transfer of Technology  | 2002 |
| Agreement for Exemption of Visas for Diplomatic and Official Passports (2003) MOU on Cooperation in the Field of Agricultural Science, Technology and Economy                                  | 2003 |
| Agreement on Tourism Cooperation   | 2003 |
| Framework Agreement for Establishing a Free Trade Area between Thailand and India  | 2003 |
| Program of Cooperation in Biotechnology  | 2003 |
| Framework Agreement on the BIMSTEC Free Trade Area   | 2004 |
| Mutual Legal Assistance Treaty   | 2004 |
| MOU between the Indian Navy and the Royal Thai Navy on Coordinated Patrol Procedures in the Areas Adjacent to International Maritime Boundary Line and Establishment of Lines of Communication | 2005 |
| MOU on Cooperation in the Field of Education   | 2005 |
| MOU on Air-Services  | 2006 |
| Program of Cooperation (POC) in Science and Technology   | 2006 |
| MOU on Cooperation in the area of Renewable Energy   | 2007 |
| MOU on Cultural Cooperation  | 2007 |

### **BIBLIOGRAPHY**

“Bilateral Relations,” Embassy of India in Thailand, [http://www.embassyofindia-bangkok.org/bilateral\\_relations.shtm](http://www.embassyofindia-bangkok.org/bilateral_relations.shtm).

“Joint Press Statement issued on the occasion of the state visit of the H.E. General Surayud Chulanont, Prime Minister of the Kingdom of Thailand to the Republic of India, 25-27 June 2007,” <http://mea.gov.in/pressrelease/2007/06/26pr03.htm>.

Arvind Sahay and Gordhan Kumar, "Indo-Thai FTA: Indian CTV/CPT and Auto Industry – A Desk Based Analysis," *Foreign Trade Review*, Vol. XLI, No. 3, October-December 2006, pp. 25-41.

Debashish Roy Chowdhury, "Free Trade for Thailand, free fall for India", *Asia Times*, 14 June 2005, [http://www.atimes.com/atimes/South\\_Asia/GF14Df01.html](http://www.atimes.com/atimes/South_Asia/GF14Df01.html). Faizal Yahya, "India and Southeast Asia Revisited," *Contemporary Southeast Asia*, Vol. 25, No.1, April 2003, pp.79-101.

Frederic Grare and Amitabh Mattoo (eds.), *India and ASEAN: The Politics of India's Look East Policy* (New Delhi: Manohar Publishers, 2001).

Man Mohini Kaul, "Regional Groupings: An Overview of BIMSTEC and MGC," *South Asian Survey*, Vol. 13, No. 2, September 2006, pp. 313-322.