



## The Kra Canal conundrum

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### ABSTRACT

The article briefly delves into the historical inception of the idea of the Kra Canal, an artificial navigational waterway, and also address the importance of the matter in the light of its recent reposition for revival. The proposed canal is envisioned as an alternative transit route bypassing the Malacca Strait Dilemma, in turn, having profound repercussions for both the regional and the world order. This article, therefore, highlights the implicit and explicit geo-political and geo-strategic implication of the Thai Canal. It will examine the implications and grey areas for Thailand, China, and the Indian State. In finality, it proposes that the construction of the Kra Canal could not only destabilise the security of the Thai State itself but also threaten the regional order of the region.

### KEYWORDS

Kra Canal; Thailand; India;  
China; 9A; Malacca Dilemma

A recent proposition of a canal on the Isthmus of Kra, has urged many maritime and political analysts from across the world to raise apprehensions on both geo-strategic and geo-political front. The development of this artificial navigational waterway will have profound repercussions not only on the South-East Asian region, but on the global world order. This short commentary will delve into its implications and drawbacks for India, China and host nation-Thailand, itself.

### Inception of the Kra-Canal dialogue

Historically, this canal conundrum, can be traced back to the late 1670s when the Siamese monarch – King Narai, vocalised the idea of linking its countries from the east coast to the west coast. Though, that idea dissipated due to the political and economic constraints of the time, it wasn't until the nineteenth century when the two colonial competitors French and British raised this issue once again for the sake their own gains strategic and economical.

The late 20th and early twenty-first century witnessed an onset of dialogues and discussions regarding the Kra Canal once again in the public arena. Many, if not all are of the belief that this Canal has the potential to strengthen the slow-paced struggling Thai economy, and additionally buttress its swing power potential amongst its neighbours.

### Proposal for the Kra Peninsula Canal

The mega-project, called the “Thai Canal”<sup>1</sup> now, wants to run a 102-kilometer<sup>2</sup> man-made canal on the specific 9A route<sup>3</sup> that could possibly connect a navigational shipping route

directly from the Andaman Sea in the Indian Ocean to the Gulf of Thailand in the South China Sea, bypassing the overcrowded Straits of Malacca<sup>4</sup> and Singapore.

As reported, in 2015, two private entities, Kra Infrastructure Investment and Development Company and Asia Union Group, signed a Memorandum of Understanding in Guangzhou.<sup>5</sup> The governments of both nations have distanced themselves from the official agreement.

Recently, the Thai state, under Prime Minister Prayut Chun-Ocha, has organised the National Economic and Social Development Board along with the National Security Council to conduct a feasibility study on the potential of the Kra Canal.<sup>6</sup> The former was to conduct study and examine the economic implications, while the latter the security implications.

### **Thailand's interests to overcoming the fault-lines?**

There have been exhaustive speculations regarding the profit and losses for countries across the board, particularly in the case of Thailand if the "Thai Canal" is given a green signal and it comes to fruition. The implications of this canal are briefly stated below:

First and foremost, in political terms, Thailand seeks to benefit with regards to its sway in diplomacy. The contentious model of development as popularised by the Chinese is that of infrastructure propelling economic growth. The act of statecraft the Thailand envisions to replicate is of the same model, which they hope will boost the Thai's economic and commercial diplomacy amongst its regional competitors as power and wealth can be used as leverage at the international arena. It's ambition to become a regional leader that makes an impressionable impact through its policy and agenda in the region seems a possibility with Thai Canal, as per the current government. On the contrary, in achieving economic diplomacy, there is always a likelihood, that this shift of trade affects the region's balance of power, creating unnecessary friction amid the nations. The maritime natural trade route was a strategic gain for the rest of South-East Asian states, that would be under threat – strategically and economically – once the new landscape of maritime transportation is evolved and built. In addition, according to wide held beliefs, the Kra Canal proposal does assist the country's blueprint of the 20-year National Strategy Plan (NSP) that aims for the Thai state to become a developed nation by 2037. Prime Minister Prayut, hopes to progress on the 20-year NPS, that focuses on "security, prosperity and sustainability in accordance with sufficiency economy philosophy", through a deepening of the comprehensive strategic cooperative partnership between Thailand-China. The Canal can be a geopolitical game-changer, for both nations, as it looks to establish new yet vital trade and navigational roots that in turn strengthen their respective economic growth. Although, voices of dissent speculate that the government is undermining the ability of this canal to cause dis-unity and dis-harmony not only by creating inequalities, but also environmental degradation.

The next question delves into the notion of national security and sovereignty of the Thai state. The politicians and economists of the country are of the opinion that this infrastructural development will result in solidifying civil and institutional stability. However, even if we take that assumption to be true, that infrastructural development and investments will facilitate growth in Thailand, then who will be the true beneficiaries of this large-scale project?

Also, what will be the future of Thailand in case this project fails to show growth of their economy as speculated? It is important to address that a physical demarcation of North and South Thailand can lead to civil unrest, and it is likely that the already deeply polarised ethnic societies of the state will make a reconciliation between the two groups impossible. The Thai government supplementary to the issue of social fabric needs to consider the economics. The Canal requires enormous investment, and if loaned by the Chinese consortium can give way to the infamous Chinese “Debt Trap”. There have been numerous sovereign nations across the globe that have fallen to the debt of the Chinese, despite the feasibility reports.

Economically, there will be obvious reduction in the costs, both – operational and voyaging, – for logistical and shipping companies. The initiation of Special Economic Zones (SEZs), tariff reduction or elimination for goods, e-commerce services, and development as logistical and financial hubs will increase prospects of job opportunities for its citizenry and boost growth. However, there have been voices of divergence as the region proposed for the SEZ is solely devoted to agricultural production for the country that has a limited scope to reap gains for this proposal. Also, trend has emerged in developmental projects within the Belt and Road Initiatives (BRI) that are often taken over by the Chinese companies that tend to utilise their own domestic resources and labour for initiatives that often undermine projects viability. Lastly, the Thai’s economic relation with the United States of America and Singapore can potentially become strained, limiting its foreign exchange flow. The cost of this project is estimated to reach 63\$ Billion US Dollars, and financial burden can soon become a reality.

The environmental aspect is often not taken into account. It is believed the 9A route does rectify the previous speculated levels of destruction of wetlands, flora and fauna that were estimated, but marine ecology can still be hampered and the economy that relies mostly on tourism can also be under threat. In 2018, World Travel and Tourism Council (WTTC) estimated that tourism and travel contributed to nearly 6 million jobs in the state of Thailand that can suffer a fate as frightening as the ecology. To rebuild the Thai’s ancient “sea-power”, the government is placing the economy engine of Thailand under threat, which could derail their aspirations of transforming the country into a developed nation. In positives, according to few, is the reduction of carbon footprint since the travel time is cut-short for ships. But is it really true? Shipping also has a hidden environmental cost. In the long run the devastation caused due to introduction of invasive species to the Thai seas, potential oil or chemical spills, and so on can be disastrous.

The promises from the deal seem much more far-fetching and unrealistic. Hence, it would not be wrong to state that this 28 Billion Baht shortcut might just be the Thai’s shortcut to descent, that can put in a shamble the already fragile economy. Also, the government might want to re-visit feasibility and its contractual liabilities amidst their partners “China first” policy and its “mixed credibility” as a loaner and collector. The Thai government must gauge and deliberate whether this highly lucrative project is worth the risks that come with it, that already seem to outweigh the benefits.

## **The Chinese scheme**

The Chinese President Xi Jinping’s tenure has seen a paradigm shift from Deng’s philosophy of “Tao Guang Yang Hui” that literally translates to “Hide brightness, nourish obscurity”, to a new version of “Fen Fa You Wi” that Beijing interprets as “Striving for

achievement”. For that, revival of the string of pearls became instrumental. The string of pearls that falls under the Maritime Silk Route are part of the One Belt, One Road (OBOR) initiative, that is now called the Belt and Road Initiative. Orientation of scholars and politicians from across the world have been divergent, with regards to the Belt and Road Initiative (BRI). There is one school that is of the understanding that the BRI scheme is only limited to economic cooperation and connectivity, whereas the other school is of the opinion that this scheme is part of the larger Chinese Grand Strategy that aims for global domination, by reviving the great Chinese nation.

For the Chinese within the Maritime Silk Route strategy, there exists is a “Malacca Dilemma”, a strategic vulnerability that plagues Beijing. To counter this strategy, the “Thai Canal” was proposed. They have also taken the initiative of China–Pakistan Economic Corridor (CPEC) to further secure their energy security from the Middle East, which is contended by India on the grounds of sovereignty. Although, China claims that the BRI scheme is predicated wholly on the premise of trade and commerce, with its shift in strategy the world and particularly states in ASEAN have becomes wary of its actions, and examine it as a measure and active play to gain foothold – regionally.

China’s Indo-China – Peninsular Economic Corridor consists of numerous facets – the high-speed rail lines, Thai Canal and finally Chiang Rai’s evolution to a Special Economic Zone. There have been efforts made to convert Chiang Rai as a hub for industries. The Chinese state is estimated to reap the most benefit from the fruition of the Thai Canal by 2030. For China to possibly promote their agenda, it needs to re-adjust its policies, using organisations that are regional and multi-lateral in nature. Alongside, it needs to give to the South-East Asian nations the impending boons of this man-made canal. There is also the question of South China Sea’s ownership that poses as an obstacle to the Chinese grand strategy. For consequential power shifts, cartographic adjustments along with physical land possessions become instrumental, which seems to be supported with the supposed peaceful development of China military as interpreted in from China’s white papers of 2019.

Due to its the Canal’s painstakingly slow progress, China has started to work on alternative trade routes (both on land and sea), that in times of conflicts perhaps will not hinge upon its energy flows and strategic war capabilities. The expanding demand of hydrocarbons from West Asia, are secured through Kra Canal against the over-burdened Strait of Malacca.

Finally, it is vital to note here, that China currently remains a global actor, not a global power. Perhaps in time, with its grand scheme it can move towards the position of a global power. The scheme is to establish its domination and recreate Pax-Sinica in South East-Asia region, and well in time over the world. The Belt and Road Initiative (BRI) is a grand plan to strive towards the Chinese dream of great rejuvenation and of achieving the Chinese nation. The Kra Canal, hence, is the stepping stone to the end goal, which can through its success help China emerge as a globalised trendsetter. Internationally, we can witness a Sinicization of the world and Kra Canal be turned into the tool for “making the world more suitable to China and the Chinese”.

### **INDIA’S gain or loss?**

The redux of the string of pearls will impact India both negatively and positively. India does stand to reap profits from the Canal. As estimated, India will potentially be the

second-largest economy with numbers reaching approximately US \$17.7 billion. There is also remarkable potential to lessen India's carbon footprint, time, energy and increase markets further.

On the security front, there needs to be an in-depth analysis to understand the nuances and counter the potential threat to India's maritime security. If China tomorrow potentially gains control of the Thai Canal port, it can compromise India's advantage of possession of a strategic military base in Port Blair. Is economic security more important for a state, or is it the territorial security? On the contrary, if China was to face backlash against its "Debt Trap" policy from the ASEAN states, India can act as an external counter-balance force to mediate between the nations.

Around the world many scholars have regarded China's expansive New Silk Route initiatives as unworkable, but India needs to assess the Chinese cabbage strategy, that is, to slowly surround an area by non-threatening individual "leaves" – coast-guard police, ports control, so on – until the area is fully wrapped in layers, like a cabbage. The Indian Ocean particularly has seen the same scheme in play. India needs to pro-actively counter these security concerns from the get-go. Apart from becoming an investment stakeholder with the Thai Canal project, it should strengthen bilateral ties.

One aspect that many undermine from the discourse is that on the notion of environment, over the years, voices from across the world have been raised in unison on matters of climate change. This Canal has the potential to create havoc in the already delicate eco-system that can have repercussions not limited to the national boundaries. Already, according to reports, more than two-thirds of the populations from countries of China, Bangladesh, India, Vietnam, Indonesia and Thailand are under threat to be submerged, along with irreplaceable damage and extinction to the native flora and fauna. The Kra Channel will cause devastation in terms of security not only in the traditional sense, but in terms of human security for India and its neighbours. As a signatory to the Paris Agreement and a responsible international player, India, must work in tandem with its Thai counterparts and re-analyse the cost-benefit of the initiative. India must bring forth the dangers that this man-made channel can pose to the world, not only the region.

There needs to be development, both in terms of ports particularly in the east coast and also certain low-cost technological skill enhancement. Partnership and allies become instrumental, U.S.A. and Japan are two countries that have the same outlook towards the issue. Ties should be deepened with them to increase cooperation.

A viable strategy for India could be to use its soft power, to pursue a "sea denial" plan. India must bolster its regional position with the doctrines of – SAGAR, BIMSTEC and Look East Policy. Each of these policies emphasises on immediate neighbourhood of India that wants to reestablish the valued partnerships with whom it shares bonds of history and culture. The doctrines can assist in cultivating a foreign policy through which India reaps extensive economic along with strategic relations with the nations that can balance the counterweight towards the Republic of China.

Today, the debate isn't whether the so-called bogus idea of string of pearls is a possible hindrance to India's geo-political and geo-security. The incremental question is when will India start to face its repercussions. Most importantly, will India counter them successfully or not?

## Challenges for the global world

Though the construction of the Thai canal seems to be a lucrative idea, it is not without the significant strategic implications and challenges for the global world. There has not been any report recently regarding the progress of the Kra Canal, however, the Chinese state has moved into Thailand's neighbour, Cambodia. The Wall Street Journal has published an article stating that the investment on Cambodia's Dara Sakor and Thai Kra Canal – together will help significantly improve the Chinese power projection and presence into the Indian Ocean Region (IOR). On the same question, India needs to strategize on its course of action. It is in Thailand's favour to tread cautiously on how it deals with China, and forge a plan with all potential stakeholders so that there is no threat or fear to its sovereignty and figure out a way to avoid the uncertainty over its economic viability. Will the tests posed against the Thai canal cast a shadow over its achievability?

## Notes

1. Proponents of the Kra Peninsula Canal called it the Thai Canal, hoping to bring wealth to the country and investors.  
Bangkok Post, "PM Mulls Kra Canal Plan," *The Phuket News*, October 30, 2018, <https://www.thephuketnews.com/pm-mulls-kra-canal-plan-69164.php#qLr5XFE9KY28iVie.97> (accessed June 9, 2019).
2. It will be a 2-ways, 20 m deep waterway, that is 102 km in length and 400 m wide.  
Shelly Mahajan, "Thailand's Kra Canal Projects Prospects and Challenges," *South Asia Program*, May 14, 2018, <https://www.southasiaathudson.org/blog/2018/5/14/thailands-kra-canal-project-prospects-and-challenges> (accessed June 9, 2019).
3. Post, "PM Mulls Kra Canal Plan".
4. Shortens the voyage by 1200 Nautical miles and the sailing time by 48 h.  
Mahajan, "Thailand's Kra Canal Projects Prospects and Challenges".
5. Part of the so-called Maritime Silk Road.  
P. Pookaman, "Thailand Kra Canal Economic Geopolitical Implications," *Asia Sentinel*, July 17, 2018, <https://www.asiasentinel.com/econ-business/thailand-kra-canal-economic-geopolitical-implications/> (accessed June 9, 2019).
6. In China's reports have claimed it to be the international golden waterway.  
Mahajan, "Thailand's Kra Canal Projects Prospects and Challenges".  
Post, "PM Mulls Kra Canal Plan".

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