

# Strategic Implications of the Possible Construction of the Thai Canal

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*Oil supplies coming from the Red Sea and the Persian Gulf to South East and East Asia are mostly shipped through the Strait of Malacca. There has been a long-standing idea to dig a canal through Thailand's part of the Malay Peninsula, the so-called Thai Canal, which would create a new sea lane of communication. It would allow ships to move between the Indian and Pacific Oceans without having to pass through the Strait of Malacca. The Canal would not just relieve pressure on the Strait in terms of maritime security, but would also cut transportation costs significantly. Despite the economic advantages, the possible construction and use of the Thai Canal could pose certain political and security concerns.*

**Key words:** Thai Canal, transportation, energy, security, cooperation.

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## 1. Introduction

Southeast Asia is a region of strategic importance to many countries from all continents because of its huge concentration of industrial, technological and military power, as well as globally important sea lanes of communication. There is also a wide spectrum of other stake-holders involved, primarily various multinational corporations. Today, the economy in the South East Asia region maintains an unprecedented momentum of growth while a framework of open, mutually beneficial cooperation between countries is taking shape in various forms. As a result of enhanced multilateral security dialogue and cooperation, the overall security environment remains stable.<sup>1</sup> Although some differences and contradiction of interests continue to exist, in general the countries of the region increasingly share the view of a new political and security concept of mutual

trust, mutual benefit, effectiveness, coordination and equality in negotiation. Maritime security is of particular strategic importance because this is essentially a maritime region, so the unimpeded transit of goods is vital for the prosperity of all countries concerned. Inevitably, it requires and will continue to require continued bilateral and multilateral cooperation.

It is expected that in the 21st century two-thirds of the world's population will be concentrated in the western Pacific and East Indian Ocean area, which makes the need for efficient and effective trade all the more necessary. At present, Asia buys roughly two-thirds of all the oil produced in the Persian Gulf, and by 2010 that rate will increase to approximately 75 percent.<sup>2</sup> Oil supplies coming to South East and East Asia are shipped from ports in the Red Sea or the Persian Gulf. The sea lanes of communication there converge into the Arabian Sea, then pass through the Gulf of Mannar and curve off the western, southern and southeastern coast of Sri Lanka. This sea lane then turns northeast through the Bay of Bengal towards the Strait of Malacca.

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This is the most frequently used lane, circling all the way around the Malay Peninsula. The alternative lanes passing through Sunda and Lombok are even longer, adding approximately up to four days to the journey.

There has been a long-standing idea to dig a canal through Thailand's part of the Malay Peninsula, the so-called Thai Canal, which would create a new sea lane of communication in South East Asia, similar to the Panama Canal in Central America or the Suez Canal between Africa and the Middle East. It is also known as the Kra Canal or Kra Isthmus Canal, named after a narrow neck of the Malay Peninsula which was identified as one of the most convenient sites for a canal.<sup>3</sup> The canal is projected to be wide enough to accommodate two ships. It would allow ships to move between the Indian and Pacific Oceans without having to pass through the Strait of Malacca.

It is estimated that such a canal would shorten the journey, for example, of a supertanker filled with oil heading for Japan from the Middle East by at least 700 nautical miles (about five days' sailing time).<sup>4</sup> At the same time, it is expected that the Thai Canal would not just relieve pressure on the Strait of Malacca, but also cut transportation costs by millions of U.S. dollars, which represents an important issue for the energy sector.

Despite the unquestionable economic advantages, however, history has shown that both the Panama and Suez Canals were sometimes objects of some vital political and security concerns with wider international implications, occasionally even bringing states to the edge of war. Similarly, the possible construction and use of the Thai Canal could also pose certain political and security concerns.

## 2. Safety and Security Challenges in the Strait of Malacca

The Strait of Malacca is one of the busiest sea lanes of communication in the world, with 30 percent of total world trade and almost 80,000 commercial ships passing through it each year.<sup>5</sup> It is estimated that one third of the world's trade and half of the world's oil supplies pass through the Strait of Malacca, including some 80 percent of China's and Japan's oil supplies, which makes shipping in the Strait extremely crowded. Oil tanker traffic through the Strait of Malacca is projected to grow to 20 million barrels a day in 2020, compared to 10 million barrels a day only five years ago.<sup>6</sup> On the other hand, the Strait is almost 1,000 kilometers long but just 25 meters deep at its shallowest point, and it is narrow, presenting the potential for collision (the Philip

Channel, a natural bottleneck near Singapore, is only 2,5 km wide).

Non-traditional threats in the region such as terrorism, separatism, extremism, piracy, transnational crimes and arms proliferation are growing rampantly. Its strategic importance makes the Strait of Malacca an extremely attractive target for terrorist groups that are seeking to achieve large-scale political success. For example, if a tanker sank or were attacked, especially in the narrowest parts of the Strait, world trade and energy supplies would be affected because other ships could be forced to take long detours, thus holding up shipments for weeks.

Although the primary responsibility for the overall safety and security in the Strait lies with the littoral states, i.e. Indonesia, Malaysia and Singapore, a new trend of merging non-traditional threats, in the sense that international terrorism, extremist forces and pirates collude with and exploit one another, makes security a common issue to be dealt with by all countries concerned.<sup>7</sup> Also, as the repercussions of any maritime accident or attack in the Strait of Malacca could go far beyond the region's boundaries, a wider approach in terms of the inclusion of all interested countries is required not just with regard to maritime safety and security in the Strait of Malacca, but also with regard to any effort aimed at creating an alternative sea lane of communication, such as the possible construction of the Thai Canal.

## 3. Plans for Constructing the Thai Canal through History

As the Malay Peninsula significantly enlarged the shipping routes around Asia, a canal was proposed as early as 1677, when the Thai King Narai the Great asked the French engineer de Lamar to explore the possibility of constructing a canal to connect Songkhla with Marid, now Myanmar. However, it turned out to be too impractical with the technology of the time. In 1793 the idea was revived by Rama I, the younger brother of King Chakri, who suggested a canal to better protect the western coast with military ships. Also in the early 18th century, the British East India Company became interested in a canal. During the reign of King Rama IV, around 1858, England applied for the King's permission to dig the canal along the Ranong-Langsuan route, which is the shortest route. The King approved but the funds ran out before the dig could be completed. In 1863, after Burma became a British colony, England surveyed the shortest route (with Victoria Point opposite the Kra estuary as its southernmost point), but came to a standstill after not having enough tools to dig through the mountain ridge. From 1866-1868,

France – after completing the Suez Canal – negotiated to dig the canal across the Malay Peninsula. King Rama IV did not approve for reasons of the Kingdom's security. In 1882 the constructor of the Suez Canal, Ferdinand de Lesseps, visited the area but was not allowed to explore in detail by the Thai king. Finally, in 1897 Thailand and the British Empire agreed not to build a canal in the Malay Peninsula in order to protect the regional dominance of the port of Singapore.

In the 20th century the idea was revived several times, this time moving the preferred route further to the south of Thailand (to connect Bandon Bay near Surat Thani with Phangnga). One study conducted in 1970 indicated that the optimum route is the Satul-Songkla route. The latest proposed route is across the Nakhon Si Thammarat and Trang provinces. Depending on the route chosen, a canal would be 100-120 km long. It is expected to take up to 10 years to complete and cost around 23 billion USD.

#### **4. International Law with Regard to the Construction on and Use of Artificial Waterways**

Under international law, states are free to build artificial waterways on their territory, including waterways that connect two seas and thus shorten the distance between them (for example, the Corinth Canal built by Greece), and even to shorten the distance between two distant parts of the world. Such canals fall under the exclusive jurisdiction of the country whose territory is concerned. Of course, such a general rule does not prevent any country from determining the special legal status of a canal by an international agreement, which is usually the case when a canal holds particular importance as a waterway and there are numerous countries, or at least some very influential countries, interested in its construction. For example, such circumstances led to the construction and designation of special legal status to two very important artificial waterways in the world – the Suez Canal and the Panama Canal. It is important to emphasize, however, that in both cases there were some specific circumstances that were decisive in determining special legal status – a canal was built on a territory of an undeveloped country that had no expertise or funds to build a canal on its own. Under such circumstances, a developed and influential country stepped in and used its influence to enable its capital to obtain a concession and, finally, to take control over the canal thus limiting the exclusive jurisdiction of the host country. On the other hand, an influential country would not just manage to spread its influence but would also achieve

its particular political goals based on the existence of a canal and its control over it.

The significant international importance of some artificial waterways, as well as the fact that freedom of passage through them is guaranteed by international agreements, led some to the conclusion that such freedom of passage is a reflection of common international law which would oblige countries to respect such a freedom despite the obligations taken on by the signing of the respective international agreement. For example, in the 1923 case of the ship "Wimbledon," the Permanent Court of International Justice in issuing its ruling on the freedom of navigation through the Kiel Canal in Germany, basically based its decision on the international legal status of the Suez and Panama Canals: "Moreover, they (the Suez and Panama canal regimes) are merely illustrations of the general opinion according to which when an artificial waterway connecting two open seas has been permanently dedicated to the use of the whole world, such waterway is assimilated to natural straits in the sense that even the passage of a belligerent man-of-war does not compromise the neutrality of the sovereign State under whose jurisdiction the waters in question lie."<sup>8</sup> However, such an opinion cannot be accepted because there is no rule in contemporary common international law which would impose such an obligation on any country, unless a country should specifically obligate itself by signing some international agreement or by some kind of unilateral legally binding act which provides for the full freedom of navigation of other countries' ships, including warships.<sup>9</sup>

It is also possible that international agreements prevent a state from exercising its right to build a canal on its own territory. On 1 January 1946, an agreement was signed in Singapore between the United Kingdom, India and Thailand. By Article 7 of that agreement, the Government of Thailand obliged itself not to allow the construction of a canal across the Kra Isthmus, which would connect the Gulf of Thailand and the South China Sea. Singapore was a British colony at the time. However, the agreement was cancelled in 1954 and Singapore gained its independence in 1965.

#### **5. From Thailand's Perspective**

The idea of the Thai Canal is revived with each new government that is formed in Thailand, mostly as a part of efforts to solve economic difficulties in the country.<sup>10</sup> Common terms of reference include sovereignty over the canal and the utilization of Thai labor and construction materials.<sup>11</sup> There is an opinion among some that Thailand needs a new vision of

belonging to the global economic community by gaining new access to oil and financial resources.<sup>12</sup> It is expected that a canal would not only jump-start the economy in the country as a whole, but would create prosperity particularly in the south by introducing a new dynamism along the waterway. There is a hope that a canal will turn Thailand into a regional commercial and financial hub, even if only one-fourth of the ships currently passing through the Strait of Malacca used the Thai Canal.<sup>13</sup> Among the opinions in favor of constructing a canal, there is a notion that a canal would finally help Thailand realize and exercise its power over the sea because the country is on both the Indian and Pacific Oceans. Although such a project should facilitate the Thai Navy's modernization programs to improve its existing contingent of battleships, frigates and patrol boats, it is questionable whether the country could afford it without relying on foreign military assistance. This also means that the Thai Navy's pivotal role in providing maritime security both in the Gulf of Thailand and in the Andaman Sea is not very likely to become a reality without reliance upon some other country's navy. While keeping in mind the traditionally strong bilateral ties between Thailand and the U.S., it should not come as a surprise if the U.S. Navy plays an important role on both sides of the canal. Of course, that would also bring into question the overall feasibility of the Thai authorities' declared desire for sovereignty over a canal.

China has offered Thailand a plan for the construction of a canal over ten years, employing roughly 30,000 Chinese workers and costing between 20 and 25 billion USD, including Chinese port facilities, refineries, warehouses and other infrastructure.<sup>14</sup> Thailand's position with regard to China's offer, however, is still non-committal because its acceptance would contradict the basic Thai principles for the construction of a canal, i.e. no foreign funds and labor, full control over the canal, etc.

From the internal security point of view, the issue of cutting a country in half by a canal appears to have many opponents in Thailand. Actually, there is heated debate across the nation, led primarily by those who are concerned about the possible loss of the southern provinces of Yala, Pattani and Narathiwat to separatists after a geographical division of the country into two parts. There are occasionally even accusations that project supporters receive money from Muslim countries.<sup>15</sup> On the other hand, many believe that with sufficient economic development the separatist threat could be effectively dealt with.<sup>16</sup> Among those in Thailand who oppose the idea of the Thai Canal are local environmentalists who are concerned about the impact of the canal

on the environment. There is also the issue of the social cost of relocating residents, depending on the route decided upon.<sup>17</sup>

For all these reasons the plan for constructing the Thai Canal has remained in doubt, as in years past.<sup>18</sup> Meanwhile, another Thai project has gradually emerged, aimed at making the need for a Thai Canal obsolete but also intended to reduce transportation costs and security risks for tankers in the Strait of Malacca. It is the idea of building a land bridge between the Gulf of Thailand and the Andaman Sea. The total distance would be 220 km and it would consist of a four-lane highway, with 150 m in the center to carry railway tracks and pipelines. The idea also includes the set-up of a refinery on both sides of the land bridge.<sup>19</sup> Two oil depots and one refinery would be built, and a petrochemical industry established.<sup>20</sup> The construction of a land bridge was actually started in 1993 but as the location of the harbors wasn't fixed the highway is currently the only completed part of the project although it does not reach the sea yet. As planned, the lanes of the highway were built 150 m apart to leave space for a railway and, eventually, also a pipeline. The project, however, has stalled mostly due to environmental concerns.<sup>21</sup>

## 6. From the Perspective of the Strait of Malacca's Littoral States

Although there is no such official position in Indonesia, Malaysia and Singapore, there is strong political opposition in these countries, particularly in Singapore, to the idea of the possible construction of the Thai Canal because it would inevitably create direct competition with the most important ports in the Strait of Malacca area, resulting in significant economic losses. If the Thai Canal project does proceed, however, there are indications that Indonesia and Malaysia would express interest in investing in the project.<sup>22</sup>

Opposing the plan for constructing the Thai Canal are particularly strong voices in Indonesia, Malaysia and Singapore that claim that maritime security has vastly improved in the Strait of Malacca and that the threat of pirate attacks is no longer serious. In support of this position is a network of bilateral arrangements between these countries, as well as some new arrangements of a multilateral nature such as the permanent "Strait of Malacca Coordinated Patrols" carried out by their navies. More recently, these countries also launched a joint air patrol arrangement for the Strait of Malacca, known as the "Eyes in the Sky" patrols. Under this arrangement, surveillance aircrafts from the Strait's littoral

states would patrol the Strait and report any suspicious activities to ground enforcement units for follow-up response if necessary. The "Eyes in the Sky" patrol is an open arrangement so non-littoral states concerned are also welcome to take part. It is also argued that digging a canal would be a very expensive solution to a problem that doesn't seem that severe.<sup>23</sup> There is also an opinion held by some that a canal would not be attractive for container ships, which travel quite fast, but only for slow oil tankers.<sup>24</sup> However, the unofficial, prevailing opinion in Indonesia, Malaysia and Singapore is that Thailand will never be able to build a canal across the Malay Peninsula under its self-proclaimed principles.

Still, according to some estimates, if built the Thai Canal would divert half the shipping tonnage now calling in at Singapore up north to Thailand, which would have a huge and permanent impact on Singapore's economy because its prosperity has always primarily relied on its position as a maritime port. Despite its relatively small territory and lack of natural resources, Singapore's strategic location along major sea lanes of communication has given the country a unique economic significance in South-east Asia.<sup>25</sup> Situated at the crossroads of international maritime and air routes, Singapore is the world's largest transit shipping port and second largest (after Hong Kong) port for containerized transshipment traffic.<sup>26</sup> For these reasons, those who think that Singapore should object if the construction of the canal commences advocate that Singapore should get a big stake in the project, in other words, that it should either be offered a part of the project or given substantial compensation. Finally, it must also be taken into consideration that in Singapore there are investments of more than 7,000 multinational corporations from the U.S., Japan and many European countries, accounting for more than two-thirds of manufacturing output and direct export sales in almost all sectors of the economy. The economic interests and influence of these multinational corporations should not be underestimated, either in terms of opposing the possible construction of the Thai Canal or advocating such an effort if and when accompanying economic factors become beneficial for them.

After his retirement, the former Malaysian Prime Minister Mahathir once said that the Thai Canal would be good for the region, even though Malaysia's own port business, particularly in Port Klang, would suffer if it went ahead. Consequently, a counter-project aimed at easing the congestion of the Strait of Malacca has been initiated by Malaysia. Actually, some say that lack of progress on the Thai Canal project sped up its initiation. It is the Trans-Peninsula pipeline (TRANSPEN), about 300

kilometers in length, which would cut across Malaysia's northern states of Kedah, Perak and Kelantan, avoiding Thailand by several kilometers just below the border. Support facilities for deep-draught tankers at either end are also planned. The main idea is to bypass the Strait of Malacca and divert some 20 per cent of oil flowing through the Strait. At the same time, the project is part of the Malaysian government's effort to develop the country's northern region. Agreements for the construction of the pipeline have already been signed by Malaysian, Indonesian and Saudi Arabian companies. The completion of the entire project is planned for 2014.

## 7. From China's Perspective

China's approach to bilateral and multilateral relations, as well as to security issues, reflects a new flexibility and sophistication stemming from a desire to both protect and promote Chinese economic interests and enhance China's security.<sup>27</sup> On the other hand, from the perspective of other Asian countries, making the best of China's development by expanding their cooperation with China has become the unanimous choice.<sup>28</sup> China's offer to Thailand to construct the Thai Canal partially arises from China's recognition of other Asian countries' views on its own development in terms of their mutual cooperation and interest.

According to the World Bank, in 2006 China became the world's fourth largest economy.<sup>29</sup> At the same time, China is the second largest consumer of oil in the world and the third largest importer of oil.<sup>30</sup> As China's economy grows, oil consumption is expected to grow at an average rate of 5.8 percent for the next 10 years, which means that foreign oil is gradually becoming a center of gravity critical to China's energy needs, while dependence on secure access to energy resources is becoming increasingly important.<sup>31</sup> At present, some 80 percent of China's crude oil imports come from the Middle East and Africa, transiting through the Strait of Malacca.<sup>32</sup> Conversely, China has had little success in developing reliable oil pipelines from Russia and Central Asia. It is expected, therefore, that China will depend on the Middle East for the vast bulk of its growing oil imports for the foreseeable future.<sup>33</sup> It is a vulnerability that the Chinese President Hu Jintao refers to as the "Malacca Dilemma," meaning that China will for the foreseeable future continue to depend heavily on international sea lanes of communication, including the Strait of Malacca, whose vulnerability is perceived as a geopolitical risk because China's current means of protecting sea lanes are quite limited.<sup>34</sup> There is no urgency on China's part,

however, because its dependency on foreign energy supplies is still at a comparatively low level - between 15 and 18 percent of total energy consumption - while output of China's crude oil can ensure nearly half of the oil supply.<sup>35</sup> Still, in terms of planning and working in the mid- and long-term, the Chinese offer to Thailand to construct the Thai Canal as an alternate way to ship oil is not surprising.<sup>36</sup>

There is also an opinion among some that China wants to bypass the Strait of Malacca because it is considered U.S.-influenced territory. From the Chinese perspective, having the Thai Canal built could reduce the prospects of a possible U.S. embargo or blockade on oil supplies shipped through the Strait of Malacca in case of any conflict over Taiwan.<sup>37</sup> Another similar Chinese opinion emphasizes that the history of capitalism and its spread globally has shown that it is often accompanied by cruel competition between states.<sup>38</sup> The bottom line of both opinions is that any substantial blockade of its foreign energy supplies and/or trade-dependent economy could gravely imperil China.

Meanwhile, a lack of progress and the questionable outcome of the Thai Canal project have accelerated China's efforts to conduct several other projects of strategic importance for its economy, for e.g. oil pipelines from Sittwe in Myanmar to the Chinese Yunnan province, as well as from Gwadar in Pakistan to the Chinese Xinjiang province.

With regard to the U.S.'s concerns about China's plans to strengthen its maritime capabilities to help ensure the safe passage of its resources through international waterways, the Chinese position is that a security boundary is the boundary of one's interests. Wherever China's interests lie, they must be followed by its respective capabilities to protect those interests, both in regional and global terms. In an era when development is a core Chinese national interest, China would secure nothing if it did not have a strong navy.<sup>39</sup> However, from the Chinese perspective, a strong navy should not be considered in the traditional, Western sense of a sea power - as one's ability to control the sea - but rather in the sense of equality of sea rights and sea power, where the application of power cannot exceed sea rights. From such a perspective China's notion of sea power is fundamentally peaceful and its naval build-up is confined solely to the role of providing self-defense and deterrence. The goal of a strong Chinese Navy is to provide China with the ability to independently stand up for its rights on an equal footing with others.<sup>40</sup>

## 8. From Japan's and South Korea's Perspectives

The Japanese and South Korean economies are heavily dependent on the passage of commercial traffic through the Strait of Malacca, so transportation costs represent an important issue for their energy sectors and industries in general. Only Japan is over 90 percent dependent on oil imports, and approximately 20 percent of its economy is dependent on foreign trade.<sup>41</sup> By using the Thai Canal, approximately 300,000 USD in crew and fuel costs would be saved on the individual voyage of one oil supertanker. Consequently, in 1990 Japanese companies expressed their readiness to support the construction of the Thai Canal.<sup>42</sup> Also, the company which conducted the Kra Canal study in the mid-90s, i.e. Phuket Pass Project Ltd., was partially financed by Japanese interests.<sup>43</sup>

## 9. From India's Perspective

Over a period of several centuries, the Indian Ocean was first controlled by Iberian countries and then by the British Empire which forced India to become a British colony due to its failed sea power. In India there is an opinion that even today, if India cannot establish an effective national security shield in the Indian Ocean as its geopolitical zone, then it will never have a secure future.<sup>44</sup>

The sea lanes of communication from the Arabian Sea pass through the Gulf of Mannar and curve off the western, southern and southeastern coast of Sri Lanka. In order to achieve a better strategic position, India has begun the so-called Sethusamudram project of deepening and widening the sea belt between its shore and Sri Lanka. The aim is to create an unavoidable bypass that would divert sea traffic coming from the Middle East through India's own maritime waters. The strategic importance of such a bypass is related to India's ambitions for becoming the Indian Ocean's predominant naval power and achieving important leverage in its relations with China, Japan and the U.S.<sup>45</sup>

In recent years India has also strengthened military cooperation with Thailand and Indonesia, particularly through naval exercises focused on ensuring security on sea routes linking the Indian and Pacific Oceans. Although India is not party to any security arrangement for the Malacca Strait, the immediate purpose of the joint patrols is to prevent smuggling, piracy, drugs and arms trafficking, poaching and illegal immigration in the region. Apart from the economic value, India recognizes a growing ne-

cessity to ensure the security of the world's shipping.

If the Thai Canal were built, all ships destined for the Canal would have to pass through the channel between India's Andaman and Nicobar island chains, which would make that project fully complementary with the Sethusamudram project, to the benefit of India's maritime interests. However, the risk of pollution from oil tankers around the Andaman and Nicobar islands could undermine India's plans to boost tourism there. Although the outcome of the Chinese proposal to Thailand for constructing the Thai Canal with Chinese funds and labor remains questionable, India has already achieved a lot with regard to its leverage with China by commencing the Sethusamudram project.

### 10. From the United States' Perspective

Since World War II, the U.S. has been an important political, military and economic stakeholder not just in South East Asia, but worldwide. As such, the U.S. has enabled much of Asia's free trade by guaranteeing freedom of navigation throughout Asia's major sea lanes of communication. During that time, no nation has had the naval forces necessary to adequately protect its own long-haul commercial shipping in the region or the capacity to assume the responsibility of protecting the sea in that part of the world in general. Not only does it benefit the U.S. to protect the vital interests of its close Asian allies, particularly Japan and South Korea, but the U.S. is bound by treaty to secure Japanese and South Korean sea lanes of communication for transit of their goods to market and for the flow of energy resources and raw materials.<sup>46</sup> The defining characteristic of the current relationship between the U.S. even with other Asian countries, including China, is strongly linked economies with robust trade.

At the same time, as the world's largest oil consumer the U.S. is accelerating its realignment of military deployment to enhance its military capability in the Asia-Pacific region.<sup>47</sup> Currently, the U.S. Navy's home port at Guam, with logistical support from Diego Garcia or another location with immediate access to the Indian Ocean, makes it that much easier. By holding frequent joint military exercises, providing military assistance and enhancing counter-terrorism cooperation, the U.S. has also achieved important tools for becoming involved in Asia-Pacific security affairs.<sup>48</sup> Although the U.S.'s initiative to deploy the Marine Corps and Special Forces to the Strait of Malacca in the name of counter-terrorism and eradicating piracy has suffered a setback due

to the strong opposition of Indonesia and Malaysia, the U.S. – in consideration of its own strategic interests – most probably will not give up easily on the issue in the future.<sup>49</sup> In a wider context, if the Thai Canal were built the U.S. would gain faster access from Guam to the Persian Gulf. It would also be of particular benefit with regard to a military base that the U.S. allegedly has been developing in Sri Lanka.<sup>50</sup>

It is highly questionable, however, whether the USA would in fact gain (or lose) more, perhaps not directly but indirectly, because of all the advantages the construction of the Thai Canal would bring to China as a potential strategic rival to the U.S.<sup>51</sup> There is an opinion among some in the U.S. that the Chinese offer to Thailand to construct the Thai Canal is only part of the wider Chinese so-called "String of Pearls" strategy of forward bases and diplomatic ties for its enhanced energy security, from the Middle East to South China, as well as part of China's wider and long-term military plans.<sup>52</sup> As a result, China's interest in constructing the canal has raised concerns at the Pentagon that its military build-up is not just aimed at the protection of Chinese economic interests, as has been repeatedly stated by Chinese officials, but that it is also aimed at a projection of force overseas and undermining the U.S.'s regional dominance.<sup>53</sup> From the U.S.'s perspective, the analysis of China's military acquisitions and strategic thinking suggests that China is generating capabilities not just with regard to the Taiwan Strait, but also for other regional contingencies, such as possible conflicts over resources or territory.<sup>54</sup> For example, concern over critical sea lanes for energy imports has been prompting China to pursue stronger maritime capabilities that would help it ensure the safe passage of resources through international waterways.<sup>55</sup> There is an understanding in the U.S. that China's strategy and policy, as well as its strategic behavior, are largely and will increasingly be affected by its reliance on foreign energy imports. For this reason, the expanding military capabilities of the People's Liberation Army (PLA), from the U.S.'s perspective, could easily become a major factor in changing East Asian military balances, while improvements in China's strategic capabilities have ramifications far beyond the Asia-Pacific region.<sup>56</sup> It has to be clearly noted, however, that China's development of the so-called strategic geopolitical "pearls" has so far been non-confrontational, with no evidence of imperial or neocolonial ambition.<sup>57</sup>

Within the wider context described above, if the Thai Canal were not in the interest of the U.S. because of the strategic benefits it could bring to China, it is to be expected that bilateral relations between the U.S. and its traditional ally Thailand

could also include (or already include) an "anti-canal" dimension. The U.S.'s efforts against the construction of the Thai Canal under Chinese influence also could be aimed at broadening and deepening American influence in some other ways that have wide appeal among other key states, particularly the Strait of Malacca's littoral states, i.e. Indonesia, Malaysia and Singapore, that are identified clearly by the U.S. National Security Strategy as "friends and allies."

## 11. Conclusion

Although the possible construction of the Thai Canal would not produce such a significant shortcut as was the case with the Panama or Suez Canals, there should be no doubt that it would shorten the duration and reduce the costs of maritime transportation of energy resources and raw materials from the Indian Ocean to the Pacific Ocean, as well as provide safer and more secure navigation conditions compared to those in the Strait of Malacca. However, with the exception of Thailand and indirectly Cambodia, Laos, Myanmar and Vietnam, the Canal would bring many more economic benefits to the countries of East Asia than to the countries of South East Asia. For this reason, the Strait of Malacca's littoral states, particularly Singapore, are cautious because the Canal could severely diminish their importance as transit points and thus affect their economies. As all the countries mentioned are members of the Association of Southeast Asian Nations (ASEAN), the possible construction of the Thai Canal is an issue that should also receive consensus among all these countries, in the sense that common economic interest for the construction of the Thai Canal has to be identified, regardless of the particular interest of Thailand.

Although there is no doubt that according to international law countries are free to build artificial waterways on their territory, including waterways that connect two seas and shorten the distance between distant parts of the world, maintaining exclusive jurisdiction over such waterways, it does not seem very likely that Thailand would take such a step without prior coordination with other ASEAN member states. Simply, the unity of economic effort is too deeply rooted among the ASEAN member states. Furthermore, it is unlikely that any unilateral project with serious economic implications will take place while the economy of South East Asia maintains an unprecedented momentum of growth and the overall security environment remains stable.

The security, political and international legal implications of the possible construction of the Thai

Canal with another country's funds and labor also makes this a project that goes beyond the bilateral relations of Thailand and any other country. The history of the Panama and Suez Canals shows that despite the unquestionable economic advantages of a canal, one country's funding of its construction on the territory of another country usually leads to the spread of significant influence by the first country and to the achievement of its particular political and security goals, as well as to the limitation of the host country's sovereignty over the canal which, combined, could sooner or later create security and political tensions and instability with wider international repercussions, sometimes even bringing states to the edge of war. For these reasons, Thailand's unimpeded sovereignty over the Canal would be the most appropriate solution, including its authority to create regulations with regard to the regime of passage of warships or the possible complete demilitarization of the canal and adjacent areas, etc.

In terms of Thailand's own internal security, the possible construction of the Thai Canal should primarily meet all concerns raised. Currently, it seems that the required level of consensus on internal security issues has still not been reached in Thailand, largely due to continuing debates about whether the Canal would facilitate the separation of southern provinces or their re-integration with the rest of the country. With regard to safety and security risks currently present in the Strait of Malacca that would be eliminated or diminished by the possible construction of the Thai Canal, one of the unquestionable advantages of the Thai Canal would be the elimination of the threat of piracy. However, in the case of terrorism or a maritime accident, a canal would by its definition still represent a chokepoint. As the repercussions of any maritime accident or attack in the Strait of Malacca or in a possible Thai Canal could go far beyond the region's boundaries, it would also require continued and concerted multilateral cooperation.

Primarily because of Thailand's strong economic ties with other member states of ASEAN, engaging in direct bilateral contacts with Thailand with regard to the possible construction of the Thai Canal may not be a sufficient effort because of all the various regional implications that such a project brings. With regard to possible further steps by China in relation to the Thai Canal project, it has to be noted that China has already demonstrated a high level of flexibility in its recent relations with other countries and international organizations, particularly in terms of open and peaceful regionalism that avoids excluding or targeting any third party countries, including the U.S. As such, China's approach reflects a new



flexibility and sophistication, either because of the protection and promotion of Chinese economic interests or the enhancement of China's security. China's initiative with regard to the Thai Canal project towards ASEAN within the 10+1 format, or together with Japan and South Korea within the 10+3 format could be quite a logical move, one that would provide the necessary impetus for breaking the current stalemate with regard to China's offer to Thailand.

The best way to move things forward could be a promotion of economic cooperation and consultation based on a "win-win"-strategy, because experience has shown that from the perspective of other Asian countries, including those of ASEAN, making the best of China's development by expanding cooperation with China has already become these countries' choice. Although there is currently serious political opposition to the idea of the possible construction of the Thai Canal among the Strait of Malacca's littoral states, there is still an interest in these countries to invest in the Thai Canal. Based on that, it is fair to say that economic factors could very likely determine whether and when the Thai Canal is actually built. As a consequence of the expectations for significant growth in oil tanker traffic in South East Asia by 2020, pluralism and the mutual compatibility of sea lanes of communication, including both the Strait of Malacca and the possible Thai Canal, could become a desirable solution to the problem. Also, within ASEAN there are countries that individually have nothing to lose by the possible construction of the Thai Canal, but could benefit from

it, because their proximity to the Canal could bring them a new prosperity. These countries are primarily Cambodia, Laos, Myanmar and Vietnam.

Various multinational corporations as important stakeholders in the South East Asian economy, especially in Singapore, should play a particularly important role in such developments. In the meantime, alternative projects may fill some gaps in the network of the transportation of energy resources, e.g. the Thai land bridge, TRANSPEN pipeline, some Chinese-funded pipelines, etc.

China should engage in cooperative and partnership efforts not just with the ASEAN countries, but it should also engage in talks with the U.S. There is no doubt that the U.S. has been enabling much of free trade in South East Asia for decades, by safeguarding the freedom of navigation through major sea lanes of communication. As a regional and global power the U.S. would definitely be interested in any new developments in the region that could affect the economic, political or security situation there. Also, for the U.S., the best strategy to achieving long-term security in East and South East Asia is to maintain strong ties with these countries, including China. There should, therefore, be no attempt to exclude the U.S., even from talks on the possible construction of the Thai Canal. The U.S.'s views on China's so-called "String of Pearls" strategy and China's concerns over a possible U.S. embargo or blockade on oil supplies shipped through the Strait of Malacca are just the examples of the lack of trust that has to be minimized for the benefit of all. ■

## NOTES

1 "White Paper – China's National Defense in 2006", *International Symposium Course – China's Policies and Positions on Major Security Issues*, Beijing, October 15-November 30 2007: College of Defense Studies – National Defense University, People's Liberation Army, pp 123.

2 Barnett, T. P. M. (2003), "Asia's Energy Future: The Military-Market Link", pp 5.

3 The Isthmus of Kra is the narrow land-bridge which connects the Malay Peninsula with the mainland of Asia. It is named after the city Kra Buri, in the Ranong province of Thailand, which is located at the west side of the narrowest part of the peninsula. To the west of the Isthmus is the Andaman Sea and to the east is the Gulf of Thailand. The Isthmus of Kra marks the boundary between two parts of the mountain chain which stretches from Tibet through all of the Malay Peninsula. The southern part is called the Phuket chain and the northern part is the Tenasserim chain, which continues for 400 km until the Three Pagodas Pass. The narrowest part between the estuary of the Kra River and the bay of Sawi near the city Chumphon (Kra Buri lies at the head of the Pakchan River estuary) has a width of 44km, and has a maximum altitude of 75m above sea level.

4 By using the Panama Canal, ships sailing between the east and west coasts of the U.S., which otherwise would be obliged to round Cape Horn in South America, shorten their voyage by about 15,000 km (8,000 nautical miles). Decreases in distance of up to 6,500 km (3,500 nautical miles) also are made on voy-

ages between one coast of North America and ports on the other side of South America. Ships sailing between Europe and East Asia or Australia can reduce as much as 3,700 km (2,000 nautical miles) by using the canal.

5 Wang Zhongchun and Li Yaqiang (2007), "China-ASEAN Maritime Security Cooperation Situation and Proposals", *International Symposium Course – World Security Environment*, Beijing, October 15-November 30 2007: College of Defense Studies – National Defense University, PLA, pp 139.

6 "China Builds up Strategic Sea Lanes" (published in "Washington Times", 18 January 2005, written by Bill Gertz, quoting Juli MacDonald, Amy Donahue and Bethany Danyluk, "Energy Futures in Asia," Booz Allen Hamilton report sponsored by the Director of Net Assessment, 2004).

7 Wang and Li, see footnote 5, pp 140.

8 [http://www.worldcourts.com/pcij/eng/decisions/1923.08.17\\_wimbledon/](http://www.worldcourts.com/pcij/eng/decisions/1923.08.17_wimbledon/).

9 Andrassy J., Bakoti B. and Vukas B. (1995), *Medjunarodno pravo 1*. Zagreb: Školska knjiga, pp. 223. It is impossible to rule out the possibility of a development of such rule in the future. For example, the Convention on the Law of the Sea obliged the transit states to allow landlocked states to transit to sea across their territory.

10 "Thai Canal Plan to Save Millions" (published in "The Age", 29 March 2005).

- 11 Preedi Phanomhyong, in 1935 while Minister of Interior, was the first Thai official who stated that when the canal is complete, Thailand must have the authority over the canal, so Thailand can not depend on other countries to dig the canal. In 1986, when Japan and America proposed to be the project investor, Thai authorities disapproved of the project arguing that foreigners should not be the investors in the project.
- 12 <http://www.worldnetdaily.com>.
- 13 „Thai Sea Power and the Kra Isthmus Canal Project” (published in “The Nation,” 14 August 2006).
- 14 “China Builds up Strategic Sea Lanes” (published in “Washington Times”, 18 January 2005, written by Bill Gertz), see footnote 6.
- 15 In 1960, the National Security Council of Thailand restrained the contract for security reasons and to avoid the southern separation problem. Also, in 1982, the study was canceled for national security reasons.
- 16 <http://www.worldnetdaily.com>.
- 17 “Thai Sea Power and the Kra Isthmus Canal Project” (published in “The Nation,” 14 August 2006).
- 18 Pehrson C. J. (2006), “String of Pearls: Meeting the Challenge of China’s Rising Power across the Asian Littoral”, pp 4.
- 19 “Krabi-Khanom Land Bridge” (published in “Transport Journal,” 1-7 March 2004, translated and summarized by Wisarut Bholsithi).
- 20 “Southern Landbridge – Final Evaluation Ready Next Year” (published in “Bangkok Post,” 6 October 2003).
- 21 “The “Land Bridge” to replace the Kra Canal” (published in “Thasetthakij,” 25-27 September 2003, translated and summarized by Wisarut Bholsithi).
- 22 Said by Kamnuan Chalopathump, Chairman of the Kra Canal project, Thailand’s Senate Committee.
- 23 Said by Jason Feer, energy market analyst with Argus Media Ltd in Singapore. For example, the terrain through which the canal would pass largely consists of granite whose excavation is considered very costly.
- 24 Said by Kamnuan Chalopathump, the Chairman of the Kra Canal project, Thailand’s Senate Committee.
- 25 By 1825, the city of Singapore had become a major port in South East Asia. The opening of the Suez Canal in 1869 and the invention of steamships launched an era of prosperity for Singapore as transit trade expanded throughout Southeast Asia. In the 20th century, the automobile industry’s demand for rubber from Southeast Asia and the packaging industry’s need for tin helped make Singapore one of the world’s major ports.
- 26 EIU Yearbook 1990.
- 27 Medeiros E. and Taylor M. (2007), “China’s New Diplomacy”, *International Symposium Course – China’s Policies and Positions on Major Security Issues*, Beijing, October 15-November 30 2007: College of Defense Studies – National Defense University, PLA, pp 26.
- 28 Li Zhaoxing (2007), “Peace, Development and Cooperation – Banner for China’s Diplomacy in the New Era”, *International Symposium Course – China’s Policies and Positions on Major Security Issues*, Beijing, October 15-November 30 2007: College of Defense Studies – National Defense University, PLA, pp 37.
- 29 Office of the Secretary of Defense, United States of America, “Annual Report to Congress – Military Power of the People’s Republic of China 2006,” pp 1.
- 30 Spinetta L. (2006), “The Malacca Dilemma – countering China’s “String of Pearls” with Land-based Airpower”, pp 18. China recently overtook Japan as the second biggest oil consumer in the world (it uses about 5.36 million barrels a year, while Japan, the former number two, consumes around 5.34 million barrels).
- 31 Pehrson, see footnote 18, pp 5.
- 32 Wang and Li, see footnote 5, pp 140.
- 33 Blair B., Chen Y. and Hagt E. (2007), “The Oil Weapon: Myth of China’s Vulnerability”, *International Symposium Course – World Security Environment*, Beijing, October 15-November 30 2007: College of Defense Studies – National Defense University, PLA, pp 178.
- 34 2003 speech to the Chinese Communist Party leadership.
- 35 Zhao Hongtu (2007), “New Characteristics of International Energy Security”, *International Symposium Course – World Security Environment*, Beijing, October 15-November 30 2007: College of Defense Studies – National Defense University, PLA, pp 172-173.
- 36 “A pro-canal article” (published in “Pacific News Service,” 22 July 2003).
- 37 Blair, Chen and Hagt, see footnote 33, pp 180.
- 38 Zhang Wenmu (2007), “Sea Power and China’s Strategic Choices,” *International Symposium Course – China’s Policies and Positions on Major Security Issues*, Beijing, October 15-November 30 2007: College of Defense Studies – National Defense University, PLA, pp 109.
- 39 *Ibid.*, pp 110.
- 40 *Ibid.*, pp 112.
- 41 Blair, Chen and Hagt, see footnote 33, pp 185.
- 42 “Malaysia backs canal go-ahead” (published in “The Bangkok Post,” 10 May 2002).
- 43 “Phuket Pass Project Ltd” (published in “The Bangkok Post,” 22 January 2003).
- 44 Zhang, see footnote 38, pp 111.
- 45 “Geo-Strategic Implications of Sethusamudram” (published in “Daily Mirror,” 6 October 2004, written by Dharmaratnam Sivaram).
- 46 Spinetta, see footnote 30, pp 24.
- 47 “White Paper – China’s National Defense in 2006”, see footnote 1, pp 131.
- 48 Xu Sheng (2007), “The Current Asia-Pacific Security Situation,” *International Symposium Course – World Security Environment*, Beijing, October 15-November 30 2007: College of Defense Studies – National Defense University, PLA, pp 43.
- 49 *Ibid.*, pp 43.
- 50 “Millions of Chinese laborers on their way to Thailand?” (published in “Asia Today,” 20 January 2004).
- 51 U.S.-China Commission, 2005 Report to Congress: “Globally, China is increasingly active in striving for energy security in ways that portend direct competition for energy resources with the United States. This is producing a possibility of conflict between two nations.”.
- 52 Allegedly, other “pearls” include: naval base under construction at the port of Gwadar, Pakistan; container port facility in Chittagong, Bangladesh; deep water port in Sitwe, Myanmar; railway line from southern China to the coast of Cambodia; upgraded military facilities on Hainan Island; upgraded military airstrip on Woody Island in the Paracel archipelago; etc.
- 53 “US concerned at China’s ‘String of Pearls’ Military Plan” (published in “Daily Times,” 19 January 2005).
- 54 Office of the Secretary of Defense, USA, “Annual Report to Congress – Military Power of the People’s Republic of China 2007”, pp 1.
- 55 *Ibid.*, pp 9.
- 56 *Ibid.*, pp 22.
- 57 Pehrson, see footnote 18, pp 3.