# Thai banks approve Kra Canal project

by Gail G. Kay and Sophie Tanapura

A spokesman for Bangkok Bank, Thailand's number-one bank and one of Asia's largest, gave the green light March 19 to a canal-building project that promises to transform the economies of the Indian Ocean-Pacific Basin region. The construction of a sea-level canal across the Isthmus of Kra, is a key feature of the "Great Projects" global infrastructure-building program outlined by Lyndon H. LaRouche, Jr. in an *EIR* Special Report published in 1983.

At an invitation-only brainstorming session on March 19 in Bangkok, the Fusion Energy Foundation (FEF) and *EIR* responded to a Thai government request to review the financing and economic feasibility of the Kra Canal. Present were 40 top corporate executives, government officials, and military observers. The corporate participants included: the three top shipping firms in Asia, Maersk Lines, East Asiatic and Sealands; Bangkok Bank, Thai Farmer's Bank, and Chase Manhattan Bank; and interested Japanese firms, Mitsui and Mitsubishi.

In July-August 1983, LaRouche and some of his *EIR*-FEF associates made a "fact-finding" tour of Japan, India, and Southeast Asia; in August, a conference on the Asian "Great Projects" was held in Washington, D.C., and in October 1983, a conference in Bangkok was cosponsored by the Thai Ministry of Communications. In January, Pakdee and Sophie Tanapura of *EIR*'s Bangkok bureau toured six U.S. cities to sound out government officials, corporations, and others on support for the Kra Canal.

## Assumption: expanded trade

The premise of LaRouche's Asia program is that under conditions of rapid rates of global economic growth made possible by adoption of his proposals for a new world economic order, the concentration of ocean-borne freight movements will make the Indian and Pacific Oceans' basin the center of the world's economy. The main bottleneck to the doubling or tripling of such traffic by the turn of the century is the constricted passage past Singapore through the Straits of Malacca. The remedy is a large, high-speed, sea-level canal through the Isthmus of Kra.

The *EIR*-FEF proposal, as presented at the earlier conferences, drew on a 1973 feasibility study carried out by engineers and planners of Tippets Abbett McCarthy Stratton (TAMS), Robert R. Nathan Associates, Inc., in collaboration with Lawrence Livermore Laboratory. LaRouche proposed a two-lane, sea-level canal without locks through which tankers up to 500,000 dwt could pass at normal speeds. Preferably, excavation of the canal would be accelerated by use of peaceful nuclear explosives (PNEs). The *EIR*-FEF plan called for integration of one or two deep-sea ports and associated industrial zones at either end of the canal.

At the March 19 meeting, Uwe Parpart-Henke, FEF research director, presented revisions of the canal project and proposals for its financing.

Excavation and construction costs were taken from the 1973 TAMS study, and put in 1983 constant dollars. The results, Dr. Parpart reported, led the *EIR*-FEF team to reject its previous preference for the 500,000-dwt ship size in favor of a 250,000-dwt two-lane canal, using PNE methods of construction. Estimated cost would be \$10.4 billion (1983). Should the Thai government prefer not to use PNEs, the second best option would be a one-lane canal capable of handling 250,000-dwt ships, at an estimated cost of \$9.93 billion.

The *EIR*-FEF study anticipates a dramatic increase in general cargo traffic moving *westward* toward the Indian Ocean and Europe, whereas the 1973 TAMS study predicted a significant increase in eastward-bound oil traffic from the Middle East, i.e., toward Japan and the United States. This difference argues for a two-lane canal.

## Financial mechanisms

Parpart-Henke proposed a six-point, two-level financing package. The first level involves multilateral funding institutions such as the World Bank and the Asian Development Bank and interest-free loans from the United States and Japan, the two primary foreign beneficiaries of the canal. The largest share in this category would have to come from the import-export banks of the leading advanced-sector countries and commercial banks. Ultimately, commercial banks would be expected to provide 40-50% of the total value of the project.

The second level would come from regional and Thai sources, preferably both government and private, and government-sponsored preferential participation in construction contracts for Thai companies.

In commenting on the *EIR*-FEF study, Dr. Nimit Nontapunthawat, vice-president and chief economist of the Bangkok Bank and manager of the bank's Economic and Marketing Research Center, reviewed the increased debt burden to Thailand over the decade required for canal construction and other infrastructural commitments. His conclusion was that after 10 years, Thailand's debt-service ratio would be about 2 or 2.5 to one, based on an estimated total debt of \$38 billion and an export-earning potential of about \$15 billion. This is dramatically better than the Philippines, where the debt-service ratio is 5 to 1.