

# Thailand's Kra Canal project takes a big step forward

by Sophie Tanapura

Ever since the aborted coup attempt of Sept. 9, 1985, which created an overall climate of political uncertainty, many decisions by the government of Thailand have been postponed.

However, long-awaited cabinet approval recently of the much debated Eastern Seaboard Project, now lends hope for other infrastructure projects waiting for a go-ahead. The revival of the Kra Canal project in the public eye by the prestigious Chulalongkorn University of Bangkok, may just take the controversial discussion of the infrastructure project in the right direction.

Over the weekend of Nov. 7-9, a public conference was organized by the Chulalongkorn University Social Research Institute and the Faculty of Engineering to promote the Kra Canal. Delivering the opening speech on the first day of the conference, Deputy Prime Minister Chatchai Choonhavan of the Chat Thai Party spoke in favor of the canal project, and promised to play an active role in pushing it in cabinet meetings.

Chatchai will certainly receive support from Deputy Prime Minister Adm. Sontee Boonyachai in this task. The conference was led off by Chunpol Silpa-acha, deputy speaker of the house, also of the Chat Thai Party and younger brother of Minister of Communications Banham Silpa-acha of the same party. Chunpol is a fervent advocate of the canal project.

The comeback of Chat Thai in the governing coalition may become one of the key factors in shifting the government's policy away from strict monetarist concerns and toward development of basic industries and infrastructure projects. The Chat Thai Party is known as the "industrialists' party," and has close business links with Japanese interests. It played a decisive role in finally swinging government approval for the Eastern Seaboard Project, which includes a petrochemical complex as well as a deep-sea port at Laen Chabang.

## The Kra Canal's 200-year history

The Kra Canal Project was not proposed yesterday, but 200 years ago. The original idea was conceived by Chao Phya Surasinghanat, the younger brother of King Rama I, in 1783, when it was suggested that a "klong" be built to connect Lake Songkhla with the Andaman Sea. Later in the 19th century, the British made a proposal to link the two coasts by railway, whereas the French sent a survey expedition for an

eventual canal project. During the same period, the famous French engineer de Lesseps was working on the Suez Canal. Then, much later, in 1973, the American consulting firm Tippet-Abbot-McCarthy-Stratton (TAMS) carried out an engineering and economic feasibility pre-study that perhaps lacked only an elaboration of the full industrial-zone potential. Four years later, the Japanese Global Infrastructure Fund (GIF) study group included the Kra Canal complex in its 15 super project proposal to revive the world economy.

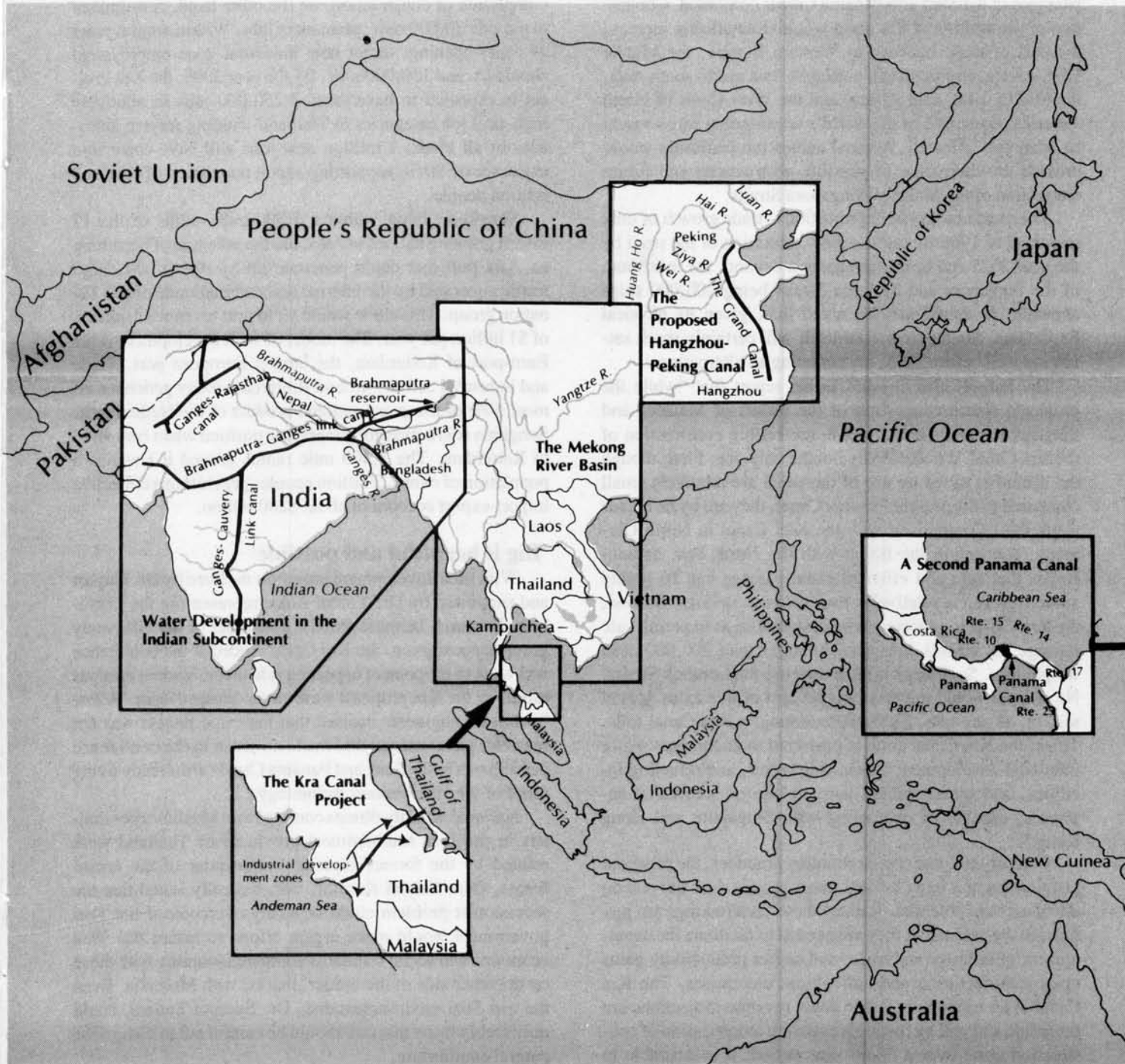
It was not until 1983, when the Fusion Energy Foundation (FEF) and *Executive Intelligence Review* (EIR) decided to open branch offices in Bangkok, that a major public effort was made around the Kra Canal Project and it became once again alive for the Thais. Both FEF and EIR joined the ministry of communication to organize two very successful conferences on the subject in 1983 and 1984, which sparked a broad public interest and discussion within the establishment. In 1985, the project was considered in the National Defense College and the Thai parliament, which recently set up a new parliamentary commission to continue the study.

As a result of the recent Chulalongkorn conference, with an overwhelming majority of the audience and the speakers in favor of the project, it was decided that a Kra Canal Information Center would be set up. It will be led by Dr. Boonrod Binson, the chancellor of the university. Back in 1973, Dr. Boonrod worked with K. Y. Chow, a leading Thai Chinese businessman in Bangkok who had financed the TAMS pre-feasibility study. Today, Dr. Boonrod heads the Chow Foundation, and it is known that Mr. Chow is very keen on the canal and its industrial potential.

## FEF updates TAM study

Representing the FEF at the conference, Dr. Uwe Henke v. Parpart made available to the participants perhaps the most comprehensive update of the TAMS preliminary survey of the Kra Canal complex. The FEF update aims at reviewing the economic feasibility of the canal itself, given the change in both eastbound and westbound cargo traffic, and expanding the study of the industrial impact of the canal project on the Thai economy. The FEF study pointed out that the world's most important ocean basins carrying a high percentage of world trade are connected by narrow natural or artificial waterways, the obstruction of any of which would have se-

## Great projects for development of the Pacific and Indian Oceans' basin



The map shows five projects for development of the Pacific and Indian Oceans' basin, proposed by EIR and the Fusion Energy Foundation in a 1983 study: 1) the Kra Canal project, 2) the Grand Canal modernization project in China, 3) the Mekong River development project, 4) the water development project for the fresh-water potentialities of the Indian subcontinent, 5) the construction of a second Panama Canal. The current revival of the Kra Canal project could provide an impetus for the other projects in the region.

vere consequences for the world economy. The 1967 closing of the Suez Canal provides a relevant example.

Of these waterways, the 600-mile Malacca Straits is by far the most heavily traveled, with more than twice the ship passages of the Suez and Panama Canals combined. Congestion or obstruction of this strait would dramatically increase the cost of trade between a) Western Europe, the Middle East, Africa, and south and northeast Asia and b) south Asia, the Middle East, east Africa, and the West Coast of North America. Over 10% of the world's ocean-going cargo would be adversely affected. A canal across the peninsula would provide an alternative to possible obstructions and future congestion of the Malacca-Singapore Straits.

The most conservative projection—trade growth of only one-third of 1960-80 rates—show saturation of the strait by the year 2025 and unsafe congestion beyond, the maximum of the Singapore and Malacca Straits being 200,000 ships annually. It should also be noted that, given its physical limitations, Singapore harbor itself will certainly reach saturation well before 2025, necessitating an alternative.

Dr. Parpart also stressed in his report that "while the projected future congestion of the Straits of Malacca and Singapore is an essential fact in motivating construction of the Kra Canal, it is decidedly not the only one. First, though the distances saved by use of the canal are relatively small compared to the present Panama Canal, they are by no means negligible. Comparison with the Kiel Canal in North Germany, connecting the Baltic with the North Sea, demonstrates that safe and efficient canal passage can be highly attractive even at relatively small distance savings. Second, the Kra Canal is expected to be designed so as to permit safe passage for vessels considerably larger than 200,000 dead weight tons. Such vessels must now use the Lombok Straits. No shipper would mind saving the cost of five extra days at sea, or, at any rate, \$100,000 counting in Kra Canal tolls. Third, the Kra Canal zone is projected to encompass major industrial development zones, ship repair, and refueling facilities, and transshipment ports at one or both canal entrances, capable of competing with Singapore and Hong Kong."

Contrary to some cost-accounting practices, the principal justification of a large infrastructure project does not rest on direct earning potential. Rather, these undertakings are justified to the extent that they are needed to facilitate the development of industry and trade, and confer productivity gains upon manufacturing and agricultural enterprises. The Kra Canal is no exception. While canal revenue projections are favorable and will by themselves permit amortization of construction costs over a 50-60 year period, it is desirable to shorten this time span by factoring in modest amounts of taxation of the port and industrial-zone earnings, which owe their existence to the canal undertaking.

Port development and industrialization around the canal zone will provide employment for up to 1 million people.

Direct construction-related employment will be approximately 25,000 new jobs, and indirect construction-generated employment will create at least 125,000 new jobs. Most construction employment in port and canal operations upon completion of construction, on the other hand, is estimated to provide 30,000 new, permanent jobs. Within several years of canal opening, direct new industrial zone employment should exceed 150,000 jobs. By the year 2005, the Kra Project is expected to have created 250,000 jobs in relatively high-skill job categories in Thailand. Adding service industries of all kinds, 1 million new jobs will have come into existence by 2010, supporting a total population of at least 3 million people.

Songkhla, lying within a 1,500-mile radius of the 12 fastest growing nations in Asia, has the potential of becoming an Asia port that could penetrate up to 10% of the cargo traffic generated by the internal and external trade of this 12-nation group. This alone would yield port revenues in excess of \$1 billion per year. The model of such development is the Euro-port of Rotterdam, the largest European port. Trade and industrial activity around Rotterdam today generates almost 50% of the gross national product of the Netherlands. Songkhla is in a superior geographic position when compared to Rotterdam. The 1,500 mile radius around it contains a population of over 1.2 billion people, generating a collective import-export account of about \$200 billion.

### **'Big is beautiful and possible'**

With such development prospects outlined by Dr. Parpart and supported by Dr. Yoichi Aoki, representing the Mitsubishi Research Institute (MRI), a member of the GIF study group, opposition to the Kra Canal voiced at the conference was weak to the point of appearing ridiculous. Various spectres raised by the Kra proposal were easily brushed aside. A few "political" engineers insisted that the canal project was not feasible, an insistence that made no sense to the conference participants as the Suez and Panama Canals are already living proof of the 19th-century technology.

National security threats coming from Muslim secessionists in the four southernmost provinces of Thailand were refuted by the former supreme commander of the armed forces, Gen. Saiyud Kerdtof, who basically stated that the secessionist problem could be easily overcome if the Thai government would make urgent efforts to insure that Thai economic and social standards compare favorably with those on the other side of the border, that is, with Malaysia. Even the top Thai environmentalist, Dr. Surapol Sudara, could only feebly insist that one should be careful not to disturb the natural equilibrium.

Within the short period of three years, it can be said that the FEF and EIR have succeeded in not only keeping the Kra Canal concept alive, but sparked enthusiasm in Thailand for the idea that "big is not only beautiful but also possible." In so doing, an important cultural paradigm shift has begun.