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Analytical Essay

The Kra Canal and Southeast Asian Relations

Rini Suryati Sulong

Abstract: This paper is a conceptual study that attempts to analyse the possible effects of the development of the Kra Isthmus Canal on ASEAN relations. The Kra Canal would constitute a mega-project, a passageway that would connect the Andaman Sea and the Gulf of Thailand at the Isthmus of Kra, Thailand. Although the proposed Kra Canal is projected to provide many economic and trade benefits to Thailand, and to the region as a whole, steps toward its development have yet to be taken. There has been much debate over the costs for trade, the costs for the environment, national and regional security concerns, as well as major concerns related to political and economic relations in the region. Therefore, one of the main purposes of this study is to contribute to the debate on the possible impact of the development of the Kra Canal on ASEAN's regional relations. In particular, it proposes that the development of the Kra Canal could threaten regional solidarity as it would physically divide maritime Southeast Asia from mainland Southeast Asia, which would ultimately result in an economic, cultural and political divide of ASEAN itself.

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1 Introduction

In the late 1970s, rising oil prices and slow economic progress were plaguing economies around the world, particularly the young economies of Southeast Asia. It was during this time of economic slowdown that leaders in Thailand proposed various infrastructure developments that were intended to stimulate and support economic growth in the country and the region as a whole. It was also during this wavering economic period that the long-dormant idea of carving out a canal through southern Thailand resurfaced. The proposed canal project would link the South China Sea directly to the Indian Ocean by cutting across the Thai isthmus.

2 The Kra Isthmus Canal

In October 1983, the Executive Intelligence Review (EIR) and Fusion Energy Foundation (Fusion) co-sponsored a conference in Bangkok with Thailand's Ministry of Transportation, proposing the construction of a sea-level Kra Canal (Tanapura 1984; Billington 2011).

The idea of carving out a canal through the Kra Isthmus can be traced back to the fifteenth century. In modern times, the idea was conceptualised by LaRouche and the Mitsubishi Research Institute (MRI) during its 1983 conference (Billington 2011; Kra Canal 2007). Feasibility studies began, but the project was never implemented due to political reasons; although the idea was never abandoned.

Then once again in the late 1990s, interest around the Kra Canal project resurfaced in the hopes of restoring the national economy from the aftereffects of the regional economic recession during the 1997-1998 Asian financial crisis. In 1999 a feasibility study for the Kra Canal was conducted by Japan's Global Infrastructure Fund (GIF). The study estimated that the creation of a 50-kilometre-long waterway across Thailand's Kra Isthmus would cost at least 20 billion USD (Billington 2011; Thongsin 2002; Chong 2003). The idea for the development of the Kra Canal was raised in response to economic problems faced by Thailand, but because of the huge cost estimated, funding became another stumbling block for the creation of the canal and the project was abandoned once more.

During the tenure of Thai Prime Minister Thaksin Shinawatra (2001–2006), attempts at reviving the project were undertaken with approval from the Senate. But the project was once again halted due to internal political conflict, which later resulted in the ouster of Thaksin Shinawatra through a military coup.

Once the political dust after the coup had settled, talks among the research groups and government agencies related to the Kra Canal development project resumed. The mega-project was tentatively approved by the Thai Senate in 2007, but physical work on the canal never got underway (*ASEAN Affairs Magazine* 2009; Kra Canal Indian Ocean 2009). Nevertheless, the project was stalled due to various issues, including pre-existing environmental concerns and the inability of the government to focus on such a large development project in the midst of continuous internal political struggles.

Now, once again, the Kra Canal project is back in the limelight. In the July 2011 elections, the Pheu Thai Party emerged victorious, and Yingluck Shinawatra was elected Thailand's new prime minister. Her party has voiced its commitment to reviewing and reinstating various development projects, including the Kra Canal, which aimed to develop and mend the country's economy (Billington 2011).

It has been a long-standing belief that the creation of a canal through the Kra Isthmus in southern Thailand would help boost the Thai economy and enable the country to endure global economic crisis. Thus, there is much speculation and debate regarding why the project has yet to be implemented. In this paper I will not speculate on these reasons, but rather, I hope to ignite discussions on how the development of the Kra Canal would affect relations between the member states of the Association of Southeast Asian Nations (ASEAN) and its major trading partners, particularly China.

3 Regional Transportation Growth

Transportation infrastructure development is traditionally viewed as an important factor of capital formation for economic growth. Good transportation facilities can allow for greater connectivity, greater access to trade routes, and can increase the attractiveness of the area to investors (Gauthier 1970). Efficient infrastructural linkages in transportation can also foster greater trade and cooperation among nations in the region. The Kra Canal would provide an alternate maritime trade route through Thailand that would bypass the increasingly crowded Strait of Malacca.

The Strait of Malacca is an important waterway in Southeast Asia, linking the Indian Ocean to the South China Sea and ultimately to the Pacific Ocean. It provides an alternate, shorter route for vessels travelling to and from the Pacific and Atlantic Oceans. As such, it is one of the most important and busiest maritime transportation routes in the world. Nevertheless, this route is facing various issues, such as traffic congestion and environmental pollution problems, due to the continuous growth of traffic in

the narrow channel between the countries of Malaysia, Indonesia and Singapore. For example, some studies have shown that the two-way traffic using the Strait of Malacca in 2003 was recorded to be as high as 171 vessels per day (Kusunagi, Thapa, and Kitazumi 2008).

According to the US Energy Information Administration, the Strait of Malacca “is the key chokepoint in Asia with an estimated 15.2 million bbl/d [barrels per day] flow in 2011, compared to 13.8 million bbl/d in 2007” (World Oil Chokepoints 2012). Overall, it is estimated that over 60,000 vessels transit the Strait of Malacca each year (World Oil Chokepoints 2012; Storey 2006).

Due to the amount of traffic at the Strait of Malacca, the majority of the new generation of giant oil tankers that mostly transport oil from the East to the West have to take an alternative, longer, route via Sumatra. This creates an added cost and risk for most companies. The Kra Canal would provide an alternate route to vessels plying the Europe–Middle East–North Asia route by bypassing the Strait of Malacca, reducing the journey by up to 1,000 kilometres and saving shipping companies labour and fuel costs (Chong 2003; *ASEAN Affairs Magazine* 2009).

From this perspective, the development of the Kra Canal would likely benefit countries that are currently using the Strait of Malacca to transport goods, such as China. Proponents of the Kra Canal further believe that the mega-project would also lead to economic growth in Thailand and the Southeast Asia region as a whole.

3.1 Perceived Benefits to Thailand

The development of the canal through the isthmus of southern Thailand will not only provide benefits directly to those that will use the canal for transport, but will also stimulate related industries that support it; thus it has the potential to transform Thailand into a centre for trade and economic growth. According to the GIF feasibility study, “the Kra Canal will benefit from an annual trade turnover estimated at 280 billion USD as it straddles a region of 1.2 billion people within a radius of 2,400 kilometres” (as stated in Chong 2003). The Thai government would be able to generate revenue from activities related to the use of the Kra Canal such as from navigation and toll fees, income tax and export tariffs, and shipyard activities (Kra Canal 2007).

The proponents of the Kra Canal argue that the economic activities related to the development and maintenance of the canal will lead to economic growth. According to the official website of the Committee for the Study

of Kra Canal Project,¹ the projected benefits of the whole project include the development of the Songkhla Port, growth of local industries and international trading, job creation, and overall infrastructure and real estate development (Kra Canal 2007). The high volume of transport and trade activities that it will generate “will catapult Thailand into a regional centre for commodities, currency trading, offshore financing, transshipment, and other support services” (*ASEAN Affairs Magazine* 2009).

The mega-project is also expected to yield socio-economic benefits for communities in the country and in the region. In the same study by GIF, it was estimated that the projected ten-year construction period would require the employment of approximately 30,000 people (Kra Canal 2007). The number of employment opportunities also increases when taking into account the development of other supporting industries around the area such as roads and real estate. Employment would also increase due to the existence of support industries and services around the area, such as the development of other ports that can support all types of maritime traffic in the area.

3.2 Perceived Benefits to Southeast Asia

The Kra Canal has the potential to turn Thailand into a shipping hub for Southeast Asia that can also foster greater trade and cooperation among nations in the region. In an exclusive interview for the magazine *ASEAN Affairs*, Pakdee Tanapura, chairman of the Subcommittee on International Affairs of the National Committee on the Kra Canal Project Feasibility Study, said that the development of the Kra Canal can “serve as an important stimulus package for the economy of [the] Asia-Pacific region as well as for Thailand and ASEAN countries” (*ASEAN Affairs Magazine* 2009).

If the Kra Canal is built, increased maritime traffic would boost business and trade in the region. Another perceived benefit of the development of the Kra Canal is the projected spillover of trade benefits to neighbouring countries, particularly Myanmar, Cambodia and Vietnam. The increased international trade activities brought about by maritime shipping and other businesses and services around the canal will also support the development of the Southern Economic Corridor (SEC). The SEC, which covers Cambodia, Vietnam and Thailand, will transform the coastal regions of these countries through the increased commercial, industrial and tourism activities along the eastern seaboard of Thailand (Sisovanna 2012).

1 See online: <www.kracanal-sez.com/index.html>.

Myanmar and Vietnam would also benefit directly from development projects related to the Kra Canal. Coastal cities in Myanmar and Thailand currently offer strategic water passages to the Strait of Malacca; with the creation of the Kra Canal, these would double in importance. For instance, in May 2008 Thailand and Myanmar signed a Memorandum of Understanding to go forward with a project to build an international deep-sea port in Dawei, also known as the Dawei port (Boot 2012). The creation of the Kra Canal would thus support the development of a deep-sea port linked to an industrial estate in Dawei, previously called Tavoy, in southern Myanmar (*BBC News Asia-Pacific* 2011).

As for Vietnam, the increased shipping entering and exiting the Kra Canal would pass by the country's southern coast, thus creating a great incentive for Vietnam to develop its southern ports with the potential of rivaling Singapore. Due to its unique geographic location, Vietnam's economy depends heavily on its ports because 90 per cent of all of Vietnam's goods are transported by sea (Jensen 2009). According to data compiled from the Vietnamese Seaports Association (2005–2008), there exist a total of 23 major ports tightly clustered in Vietnam's southern region that handle more than 78 million metric tons of cargo annually (Jensen 2009).

The development of the Kra Canal would also benefit Laos. A land-lock country, Laos depends highly on trade to sustain its economic growth. It relies on its neighbours, particularly Thailand, to ship its exports beyond the region. Therefore, any form of infrastructure development that would increase trade activity in Thailand would ultimately benefit the economy of Laos as well.

Although there are many clear economic advantages to the development of the Kra Canal, there are also strong arguments against it. From the perspective of regional solidarity and stability, the development of the Kra Canal does raise some concerns, which will be discussed in the next section.

4 Interdependence and Regional Relations: Perceived Risks in Southeast Asia

The interdependent nature of global economics and politics could play a large role in Thailand's development decisions related to the Kra Canal.

The economic effects of interdependence have been explored extensively in the literature, and it has been shown that changes in one market affect other markets, particularly in the Southeast Asian context. This phenomenon was evident during the Asian financial crisis of 1997, where problems of currency devaluation that began in Thailand led to major economic recessions in almost all Southeast Asia and Asia-Pacific countries. When the

global market once again experienced an economic downturn beginning in 2008, most countries in the Asian region experienced difficulties, as some faced deceleration of exports and investments, which affected their overall growth. Lower income for governments would mean less money to spend on mega-projects such as the development of the Kra Canal.

Increased interdependence of regionally integrated markets also exposes countries to the effects of social and political changes. Even if a particular country has no “formal” economic ties with a supranational institution, it is still bound to be another’s neighbour, and thus may influence or be influenced by changes or events around it. Therefore, we can argue that sudden changes and disruptions to a country’s market can cause uncertainty and increase the risk of doing business in that particular country.

As the majority of the countries in Southeast Asia have only recently (1950s and 1960s) achieved independence, the region had been known as a high-risk area due to ongoing violence related to ethno-religious and territorial differences between the highly diverse societies in the region. Then in 1967, ASEAN was created by five countries – Malaysia, Singapore, Indonesia, the Philippines, and Thailand – with the aim of promoting solidarity and peace in the region. By 1999, its membership has expanded to include all ten Southeast Asian countries: the original five plus Brunei, Laos, Vietnam, Myanmar and Cambodia.

Although ASEAN as a regional grouping has provided many economic benefits to its individual member states, many argue that market system differences plus latent historical disputes between the members have the potential to cause tension and conflict, which can have negative implications for regional cooperation (Indorf 1984; Ganesan 1999). Due to the history and current political conditions in the region, the development of the Kra Canal could create socio-political risks in Thailand as well as in the Southeast Asian region as a whole.

4.1 Perceived Risks: Domestic Political Instability

One of the reasons why Southeast Asia has been viewed by many businesses as being a politically high-risk area is because countries in the region are still young in terms of achieving independence and thus are still wrestling with issues of securing state legitimacy and nation-building. On the national level, most of these countries are of a multicultural and multiracial nature; hence civil wars spurred by ethnic, religious, and/or tribal differences were experienced by many countries in the region throughout the years. Some countries struggled with greater national political problems that often led to sporadic demonstrations against ruling parties which have sometimes ended in violence and destruction of property.

In the case of Thailand, political instability and ongoing domestic violence over the years have made it difficult for Thailand to attract and keep foreign investors, particularly in high-conflict areas. This in turn has had a detrimental effect on the country's economic progress. For example, Thailand's economy is dependent on agricultural exports as well as tourism, both of which are vulnerable to global economic conditions. Therefore, although the Kra Canal would increase trade traffic in the region, the huge cost of the mega-project, which is estimated to cost at least 20 billion USD, would create a huge amount of debt for Thailand.

The management of the Kra Canal project would not only be dependent on a stable world economic condition but would also require a decisive and transparent Thai government to support it. Given the current unpredictable and fragile nature of domestic politics and the state of the global economy, the Kra Canal project could very well trigger a financial disaster for the country as well as the region.

Aside from the state of world economics, the delay over the development of the Kra Canal can also be attributed to political and security reasons. Current developments in world power politics have generated differing opinions among the countries in the region regarding the benefits and consequences of the Kra Canal to regional solidarity and security. The security concerns attached to the development of the Kra Canal are not without reason.

The threat of separatist violence, ethno-religious conflicts, and terrorism represents a harmful political risk factor as it can escalate from disrupting national stability to endangering the livelihood of neighbouring countries. For Thailand, terrorist and separatist violence has been an ongoing and escalating concern, particularly around its capital, Bangkok, and in the southern provinces of Yala, Narathiwat and Pattani.

For example, a resurgence of violent military campaigns began in 2001 in Thailand's southern provinces, when small-scale terrorist attacks targeting Thai police and military personnel escalated quickly and began to pose a major threat to the country's peace and security (Thayer 2004). Then in October 2004, Thailand's insurgency problem garnered unwanted international attention when Prime Minister Thaksin's regime engaged in a violent crackdown on protestors in the town of Tak Bai in Narathiwat Province. The severity of this incident and the international coverage it received reflected negatively on Thailand. For one, Thailand's reputation of providing a stable business environment was questioned.

Since 2004, many more attacks have occurred throughout the southern provinces of the country and had even spread to Bangkok. High political risks of this nature can make investors question the government's ability to

provide a safe environment for its assets. The effects of political instability on the confidence of foreign investors in Thailand have been well documented – for example, the DBS Group Research estimated that “the political instability [from 2006 through 2008] reduced growth by about 2 [per cent per year]” (*DBS Group Research* 2010). Particularly in the case of the Kra Canal development project, violence and security issues in the southern provinces are highly significant to its survival.

4.2 Perceived Risks: Bilateral and Regional Conflicts

The political risk factors of terrorism and the spread of separatist violence also have the ability to turn into a regional problem that can compromise the security and stability of all countries in the region.

The countries of Southeast Asia consist of societies with varying ethnic, religious, cultural, economic and political-ideological differences; because of this, the region has been known to suffer from various internal and interstate conflicts throughout the years. With the apparent social diversity and conflicts within the region, the individual countries and the region as a whole have been known to have high levels of political risk even in the present day. For example, Indonesia, Thailand, and the Philippines are among the countries that have recorded fluctuating and increased risk ratings throughout the 2000s, indicating a high political risk environment.

Even though the countries of Southeast Asia are integrated via ASEAN, their actions are not governed by any formal law but rather based on the spirit of voluntary cooperation and the respect for the principle of sovereignty. Therefore, the relationship among the members of ASEAN is dependent on a sense of trust and belief in a shared objective. Nevertheless, the relationship can be strained when conflicts of interest occur, particularly regarding historically unresolved issues that are mostly related to ethnic and religious differences or territorial matters.

The presence of various religious groups and ethnic divisions among the societies of the ASEAN members sets the stage for a high-risk environment in the region. Because of the complex history of the creation of state borders in almost all Southeast Asian countries, there is a constant fear that domestic ethno-religious conflicts could erupt at any moment. There is also a real danger that present-day ethno-religious based conflicts in one country could escalate, endangering the whole region; because ethnic and religious affiliations are socio-culturally bound as opposed to being nationalistic. A violent ethnic or religious-based conflict represents a harmful political risk factor as it can escalate from disrupting national stability to involve similar groups from neighbouring countries, turning a national conflict into a bilateral conflict.

For example, from 2004 to 2006, violent crackdowns against separatists and suspected terrorists in the southern provinces led to escalating violence. The development of the Kra Canal in this conflict-ridden area raises concerns that it would intensify separatist violence in the southern provinces of Thailand, which would ultimately disrupt trade and stunt foreign investment activities in the area.

These events also damaged Thailand's diplomatic relationship with countries, such as Malaysia, that were openly opposed to the Thai government's harsh actions (Dosch 2007; Storey 2006). Relations between Malaysia and Thailand soured considerably when accusations were made by Thai officers that terrorist activities in the southern provinces were being supported by Malaysians in the north who sympathised with the plight of Muslim Thais from the south (Harish 2006; Funston 2008).

This example highlights another major concern that the physical separation of the southern Thai provinces by the Kra Canal might cause: the possibility of the conflict spilling over into Malaysia. Clashing of interests between Malaysia and Thailand are highly likely as they share a 400-mile-long land border which separates a common cultural social group. Hence such tensions between these neighbouring countries could reignite whenever increased violence occurs in the area.

The division of Thailand's southern provinces that would occur if the Kra Canal were to be constructed has been a major concern since the project was first suggested. Many believe that Thailand's southern conflict between separatists and Thai authorities is rooted in ethnic and religious differences; the mostly Malay Muslim southern Thais are opposed to what they feel is an attempt to force Thai Buddhist norms on their society (Funston 2008). This serves as an argument against the development of the Kra Canal on the basis of security issues, as it would divide Thailand, cutting off the heavily Muslim southern provinces of Pattani, Narathiwat and Yala from the rest of the country, thus encouraging separatists to break off the region south of this man-made barrier.

The physical separation of a territory with a majority Muslim population that has long openly opposed Thailand's central governance may mean that there is a high probability of the southern Thai territory gravitating toward creating an autonomous government. This is based on the argument that the Malay Muslim community of the southern Thai provinces share a long socio-ethnic and religious history with the bordering communities in northern Malaysia, who have historically been supportive of their plight (Funston 2008; Melvin 2007). The complexity and sensitive nature of the conflict there reveals a real threat that the building of the Kra Canal could

jeopardise the Thai government's power over its own territory as well as representing a threat to regional security.

Other than terrorism and the security issues related to the southern provinces of Thailand, the country's unstable political situation over the years has made it difficult for Thailand to attract and keep foreign investment. The development of the Kra Canal can be looked at as a necessary project that could save the region from an economic recession because it can bring much-needed investment for the economy of Thailand that would generate increased economic activity for the country and ASEAN as a whole. But on the other hand, if Thailand were to undertake this expensive mega-project, it would create a huge amount of debt. Because of the estimated cost of building the canal, Thailand has approached various potential investors to fund the project. Currently, China is the major supporter of the mega-project. China's interest and willingness to invest in the development of the Kra Canal and the possible implications for the region of China's involvement are becoming sources of worry for many countries in the region.

4.3 The Kra Canal and China and ASEAN's Relations

One significant change in world power politics since the 1980s has been the rise of China, which has shown great economic interest in the development of the Southeast Asian region over the years. In an interview conducted by Leonhardt van Efferink in March 2012, Ian Storey commented:

Over the past two decades the volume of trade between China and the ten ASEAN countries has expanded rapidly such that by 2010 the PRC was the region's largest single trade partner after the EU. With a population of over 600 million, Southeast Asia represents an important market for Chinese companies (van Efferink 2012).

Furthermore, by the establishing China–ASEAN FTA (CAFTA) initiatives, both China and ASEAN members can promote greater economic partnerships in the region. For Thailand, this presents an opportunity to promote the country as a hub for trade between China and ASEAN, particularly since Thailand has had a long and successful strategic economic relationship with China spanning over three decades. The economic and trade cooperation between China and Thailand have been on the rise over the years, where

Sino-Thai bilateral trade in 2011 had amounted to more than 60 billion USD. China has become Thailand's second-largest trading partner, largest export market and second-largest source of imports (Aming 2012).

China's high level of dependence on the Malacca Strait leaves it vulnerable to various threats. The high volume of traffic congestion in the Malacca Strait can cause delays in shipments to and from China, and can leave ships vulnerable to maritime threats such as piracy. Competition over usage of the Strait between powerful nations such as the United States, India and Japan is also strong, and China could face a national security crisis if problems in the Malacca Strait cause a disruption to the flow of energy resources into the country (Storey 2006; Zhang 2008).

China also has a significant political interest in the region. According to Geoff Wade of the China–ASEAN project at the University of Hong Kong,

the canal will change the geopolitical realities of ASEAN, with super-powers, existing and potential, vying for the right to unrestricted movement for their ships through the new canal (*ASEAN Affairs Magazine* 2009).

If the Kra Canal is successfully built, it would serve as a significant trading route not only for China, but also for countries such as Japan, South Korea and India. And since the canal is in Thailand's territory, foreign policies of those countries planning to access the canal would necessarily alter, which could shift the balance of power within ASEAN, particularly in terms of trade and economic power. The Kra Canal would undoubtedly shift maritime traffic away from the Strait of Malacca (as well as the Straits of Singapore) thus removing Malaysia's and Singapore's main source of economic growth. The traffic and trade generated by the Strait of Malacca have played a major role in the economic growth of both Malaysia and Singapore; more than 80 per cent of Malaysia's trade passes through the Strait, making use of major ports such as Port Klang and Port Tanjung Pelepas (Kusunagi, Thapa, and Kitazumi 2008; World Oil Chokepoints 2012; Storey 2006).

China's sudden economic rise in the past decade is worrisome for countries such as the United States and India, as they feel that the Southeast Asian countries may gravitate more toward Chinese leadership as compared to that of the US. If the Kra Canal is built, China will have a direct and quicker link to all its trading partners across the globe. This will undoubtedly bolster China's already huge economic growth.

Another major economic power, the US, is also watchful of China's growing influence in the region. Although the US does not have a base anywhere on the Malacca Strait, its military bases in Guam, Japan and South Korea are dependent on it. Since the terrorist attacks against the US on 11 September 2001, the US has worked together with countries in Asia, such as India, to curb terrorism. US–India defence relations have extended to include joint military manoeuvres that include patrolling the Strait of Malacca for any possible terrorist threats and activities (Chong 2003).

India is equally wary of China's interest in the development of the Kra Canal as it is perceived to support and strengthen China's "string of pearls" strategy, which would create a network of strategic ports, services stations, and routes for both military and economic use. The "string of pearls" consists of a series of ports providing commercial and naval facilities from the Indian Ocean to the South China Sea up to the Pacific that can be used by China in the future to support any mission to protect key shipping routes between China and the Middle East or, indeed, Europe (Kra Canal Indian Ocean 2009; Storey 2006; *Southasiaspeaks* 2009; Karagiannis 2010).

5 Concluding Remarks

The advent of globalisation has allowed for greater technological, economic, and political exchanges among nations and businesses. The increased interaction and trade on various levels have also increased interdependencies between markets and governments. In order to remain competitive, Southeast Asia as a region must focus on the development of its regional economic integration and regional community-building initiatives. In order to become a relevant global player, it is imperative for the region to create a set of higher order factors of advantage that can increase its competitive advantage in order to attract and maintain investors in the region.

Geographical proximity and access to resources can be key advantages in promoting regional competitiveness. It is the role of governments to work together to develop not only infrastructure linkages but also strong diplomatic relations to support regional competitiveness. This may therefore involve the construction of new transport links; the provision of energy generation; and the building of communication hubs and networks in order to maintain regional solidarity.

Regionalism occurs when governments make multilateral arrangements and establish multilateral mechanisms of economic and security cooperation to push for regional economic, social, and security cooperation. Cooperating regionally on various levels has become one way of attempting to understand and work together to find plausible answers to their common problems (Stubbs and Underhill 2006). Regional integration goes beyond mere cooperation because it requires states to relinquish some degree of "power" for the benefit of the group. If the member states of a regional organisation are not able to agree on the latter's approach to regional governance, it would be difficult to sustain a stable level of cooperation.

The uncertainty of the stability of certain intra-ASEAN relationships can be perceived as a risk, especially for those entities that depend on the stability of ASEAN-based policies. ASEAN cooperation is complicated by

its non-binding institutional nature as well as by its geographically dispersed area. Therefore, although efficient infrastructural linkages through transportation and telecommunications are significant for helping foster greater ASEAN solidarity, they can also divide maritime and mainland Southeast Asia, further widening the socio-economic gap. In relation to this, questions then arise regarding how the Kra Canal development would affect the development and competitiveness of other subregions within ASEAN, and whether it would lead to competition among subregions that would ultimately affect overall regional solidarity.

The Kra Canal would also geographically divide mainland Southeast Asia from maritime Southeast Asia. This could also be used to influence the power play between major powers such as the US, India and China; while the latter has the upper hand due to its long history with mainland ASEAN members, the US and India would aim to solidify their presence in the region through more economic and political initiatives with the maritime countries of ASEAN.

Bilateral relations are an important part of Southeast Asia's regional development, as ASEAN lacks the institutional strength of organisations such as the European Union. As such, China's current relationship with countries such as Thailand, Myanmar and Vietnam would strengthen if the Kra Canal were built. This could undermine ASEAN's influence on the future of Southeast Asia as an integrated region. Regional interest could very likely compete with the individual national interests of members that have strong economic and political bilateral relations with China.

What does this mean for international relations within Southeast Asia? The concern therefore is not only regarding economic friction among countries within the region, but rather on socio-political discord of ASEAN as a whole. The development of the Kra Canal has the potential to unite the countries of mainland Southeast Asia both economically and politically. In a way, it could lessen the value of cooperation among all members of ASEAN, thus causing a split that may harm the security of the region. The situation can be further complicated by the existence of sub-economic regions such as the BIMP-EAGA (Brunei, Indonesia, Malaysia, Philippines – East ASEAN Growth Area), which may end up segregating initiatives within an economically and physically spilt ASEAN.

In terms of international relations, the development of the Kra Canal, which would be significantly funded by China, would further solidify China's power and influence in the Southeast Asian region. Traditionally, the countries of Southeast Asia, particularly of maritime Southeast Asia, have maintained a calculated distance from all major powers, including China and the US. This can be traced back to the history of power struggles in the

region. ASEAN countries are wary of outside influence and control, and since Southeast Asia holds the key to major strategic shipping routes between the east and the west, maintaining control is pertinent to regional independence and survival. Hence, power play surrounding the creation of the Kra Canal does include the security concerns of major powers outside of the region.

My viewpoint to this debate is that because historical animosities and conflicts of interest do exist within ASEAN, there is a high probability that the creation of the Kra Canal will reignite the divisions within ASEAN, particularly between maritime and mainland Southeast Asia. Even though problems in bilateral relations tend to simmer and diffuse behind closed doors, it is important to be aware that serious problems do exist between ASEAN members, and if uncurbed, can lead to escalated conflict and possibly affect the stability of the region's business environment. In terms of international relations, the states within an integrated region would have differing views on various issues, as each country would be out to protect and/or pursue its own national interest. Thus, the influence of domestic and regional politics and relationships should be taken into consideration in the debate over the Kra Canal.

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