

**THAILAND'S KRA CANAL PROPOSAL
AND CHINA'S MARITIME
SILK ROAD**

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EAI Background Brief No. 1044

Date of Publication: 22 July 2015

Executive Summary

1. China-Thailand Kra Infrastructure Investment and Development and Asia Union Group had reportedly signed a memorandum of understanding in Guangzhou in May 2015 to build a Kra Canal in southern Thailand. The alleged project will link the South China Sea and the Indian Ocean to provide a shorter, faster and cheaper navigational route, bypassing the congested Strait of Malacca.
2. The Chinese developer claimed that the proposed Kra Canal will advance President Xi Jinping's Maritime Silk Road strategy and bring economic benefits to Thailand. Conceivably, the Kra Canal initiative will enhance Chinese economic interest, diplomatic influence and possibly naval power abroad.
3. However, China's Ministry of Foreign Affairs and Thailand's Ministry of Transportation emphatically denied any official bilateral agreement on the Kra Canal, but were silent on the possibility of bilateral private sector cooperation on the canal.
4. Indeed, private sectors (business and academia) from Thailand and China have been lobbying for the Kra Canal project and will continue to do so despite official denial.
5. In February 2015, a seminar on the Kra Canal was held at the 21th Century Maritime Silk Road Conference in Quanzhou, China. Moreover, the University of International Business and Economics in Beijing has approached the Thai-Chinese Cultural and Economic Association in Bangkok to help conduct a pre-feasibility study of the Kra Canal.
6. The Kra Canal proposal has been floated in Siam (Thailand) since 1677 but perennial problems faced by the Thais to translate this dream into reality are aplenty: a lack of funds and technological capability, indecisive political leadership, geopolitics and the danger of great power intervention to Thai sovereignty.

7. China is a potential game changer who can possibly turn this Siamese fantasy into reality in the 21st century. It has the money, technology and strong political leadership with the vision of dovetailing the Kra Canal development with Xi Jinping's Maritime Silk Road strategy. Arguably, the bottleneck to the Kra Canal proposal is the polarised Thai domestic politics.
8. China's building of the Nicaragua Canal in Central America would have been deemed fanciful just a few years ago. If China can build the Nicaragua Canal, it is possible for Beijing to do likewise at the Isthmus of Kra.
9. The completion of the Kra Canal will mitigate China's "Malacca Dilemma", a term used by then President Hu Jintao in November 2003 to refer to the potential cut-off of China's maritime lifeline at the Strait of Malacca by unfriendly forces in the event of a regional conflict. Presently, 80% of China's oil from the Middle East and Africa passes through the Strait of Malacca.
10. It is not inconceivable that the Kra Canal might well be built sooner than anticipated. If this comes to pass, the Kra Canal may become a navigational, trading and geopolitical game changer in East Asia.