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Renavigating South-East Asia  
Breaking the "Devil's neck"

Nov 14th 2012, 10:07 by T.J. | BANGKOK and YANGON

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FROM Naypyidaw, the "abode of kings" (in Burmese anyway), a clique of former generals who earned their stripes fighting wars in the country's interior are now trying to manage the international race for access to Myanmar's 1,200km-long (750-mile) coastline. The new capital they built for their country, to replace Yangon its main commercial city and port, is farther from the sea than any other in East or South-East Asia that is not landlocked.



One of the side effects of the generals' decision to swap their uniforms for civilian dress, as they did last year, has been to transform a centuries-old idea: a new shipping lane, to connect East Asia to South Asia. A grand old dream is dying, as newer, more manageable projects spring suddenly into being. What was once a puzzle—how to break a waterway through the South-East Asian landmass—has become instead a rush to circumvent smaller-scale obstacles, like antiquated ports and unpaved wilds, to speed trade around the Asian continent.

There is more at stake than the Burmese hinterland. As it is, there are no major ports anywhere on the Asian landmass between Kolkata in India and Penang in Malaysia. Now that the country is opening to investors from all quarters, there is no shortage of suitors striving to gain access to Myanmar's coast.

It is pipelines, expected to generate \$29 billion in revenue for Myanmar over the next 30 years, which are arguably the most important project along this long stretch of coast that ships can't cross. These will radically change the route that brings Middle Eastern oil into China. Eventually the equivalent of 10% of China's current annual oil imports will travel through this vexed corridor. The new construction should relieve China's anxiety about the strategic vulnerability imposed by its reliance on the Malacca strait; at present, fourth-fifths of its energy imports pass through that narrow channel near Singapore.

Kings, mandarins and engineers had long contemplated ways of cutting straight through the South-East Asian peninsula, to open a passage for ships. A hot favourite for the past 350 years was the notion of digging a canal across the Isthmus of Kra, in southern Thailand, which divides the Bay of Bengal from the Gulf of Siam, and India's ports from East Asia's. In 1677 King Narai of Ayutthaya commissioned a famous French engineer to contrive a way to get ships over the land bridge, which—though conspicuously narrow—in parts has an elevation of 75m metres.

That 17th-century Frenchman failed, but the dream stayed on for generations. Modern ships had hoped to save between 28 and 40 hours by using a canal through Kra. In the decades since Thailand became a constitutional monarchy, in 1932, its governments have commissioned more than 20 studies into how to cut through that tantalising isthmus, popularly known as the "the Devil's Neck".

There were political problems with the plan however, to go with the enormous engineering challenge. Any channel through Kra would have created a watery, man-made barrier that cut off the ethnic-Malay, Muslim-dominated south of Thailand from the rest of the kingdom. This would have been politically inconvenient during any period, but especially so in recent years, when Thailand's four southern provinces are racked by an insurgency.

Some of the region's earliest mapmakers were convinced that a short cut to avoid the "claws of Malacca" must already exist somewhere. An optimistic bunch of them depicted a curious feature on their early maps of Malaya—a trans-peninsular waterway some distance south of the mid-point of the peninsula (visible in this map, to the left, if you reverse north and south). A Portuguese chartmaker, Godinho de Eredia, who served as the officer in charge of exploration and discovery of the peninsula, just barely avoided that delusion. He labelled the best trans-peninsular trade route (which involved dragging cargo overland between the sources of two rivers) as a "drag-way or portage".



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Which brings us back to reality, and the newest plan for a trans-peninsular pathway. Forming what is to be the biggest drag-way of the modern era, some 1,500km north of the one described by Eredia, the two South-East Asian neighbours mean to construct a \$1 billion highway connecting Thailand's Laem Chabang port, via Bangkok, to the yet-to-be-built deep-sea port in Dawei, in Myanmar's Tanintharyi region. Both governments have stepped up efforts to get the Dawei seaport project off the ground. Thailand's prime minister, Yingluck Shinawatra, and Myanmar's president, Thein Sein, agreed on the sidelines of the UN General Assembly in September that building Dawei will be a priority.

This marks a break with the policy of Ms Yingluck's brother, Thaksin Shinawatra, who ordered a national commission to study the feasibility of a maritime channel at Kra shortly after he took office. To dig or not to dig? That is no longer the question. Instead the slightly more modest goal has become to build an overland passage. The drag-way is to become a multi-purpose corridor, for rail, road and pipeline alike. Land prices along the Thai side have surged. In some areas of Kanchanaburi province, they have shot up tenfold. Dawei promises to cut the shipping time between Bangkok and the Indian port of Chennai from six days to three, by circumventing the congested Malacca straits.

So far, so good. But how valuable is the connection in the first place, and to whom? If the India trade were like the China trade, those three days saved might make a lot of sense. But Thailand's annual trade with India is worth only one twelfth the kingdom's trade with China. So the commercial case for the \$50 billion project is at least debatable, from the Thai point of view.

To what extent a port some 600km south of Myanmar's commercial capital, Yangon, will help Myanmar trade with India is a separate question (for Myanmar, the development of a deep-sea port and industrial complex at Thilawa, 30km from Yangon and well-situated for its China trade, is much more important). But no matter, for Dawei is—and the Thais will say this openly, when there are no Burmese present—a Thai project. The biggest construction company in Thailand, Italian-Thai, holds the 75-year concession to develop and operate the Dawei project.

Thailand's National Economic and Social Development Board claims to think the project will raise Thailand's annual GDP by an implausible 1.9%. Put differently, the board believes the project to be a tremendous sort of stimulus: according to its estimate, Dawei would shorten the time it takes for their national economy to double in size, from 14 years to just ten.

The better case for Dawei is based on geopolitics. In private, Thailand's tycoons are wondering whether America's interest in countering Chinese influence might turn Dawei into a business opportunity for them. Thailand's military allies, America and Japan, are trailing hopelessly behind China in the race for maritime access and political and economic influence with its immediate neighbours. In October Myanmar was invited to attend a major American- and Thai-led multinational military exercise. The speculation is that a great flow of American dollars might chase any Thai initiative to boost trade and strategic ties to bind the two sides of South-East Asia.

India too, though a latecomer to the battle to open up the eastern side of the Bay of Bengal, has been making quiet progress. It is at work on a deep-water port in Sittwe, the capital of Rakhine state in Myanmar, 539km from Kolkata. India has touted the Sittwe port as a "trade gateway" for its own landlocked north-eastern states. A combined conduit of dredged riverbed, road and pipeline for Burmese gas is to connect the seaport to a river port at Paletwa in Myanmar's Chin state. From the Chin hills, goods could flow up to Myeikwa, on the border with the remote Indian state of Mizoram. The project is supposed to be operational by mid-2013.

China has already secured direct access to Myanmar's coast and the gas-rich Bay of Bengal. An 800km-long gas-and-oil pipeline, with a nice road alongside and an enormous security detail, will come online next year. Those pipelines will run from Kyauk Pyu, the epicentre of Burmese violence against the Rohingya minority and a site earmarked for the development of a massive, Chinese-backed port and economic zone, in the restive Rakhine state, via Mandalay, and through war-torn Kachin state, before entering China's Yunnan province. In a move to steal a march on India, China last month chipped in \$200m to upgrade an airport in the Bangladeshi city of Cox's Bazar, near a potential deep-water port which could serve the landlocked parts of India, Myanmar and China. In all directions, the race is on.

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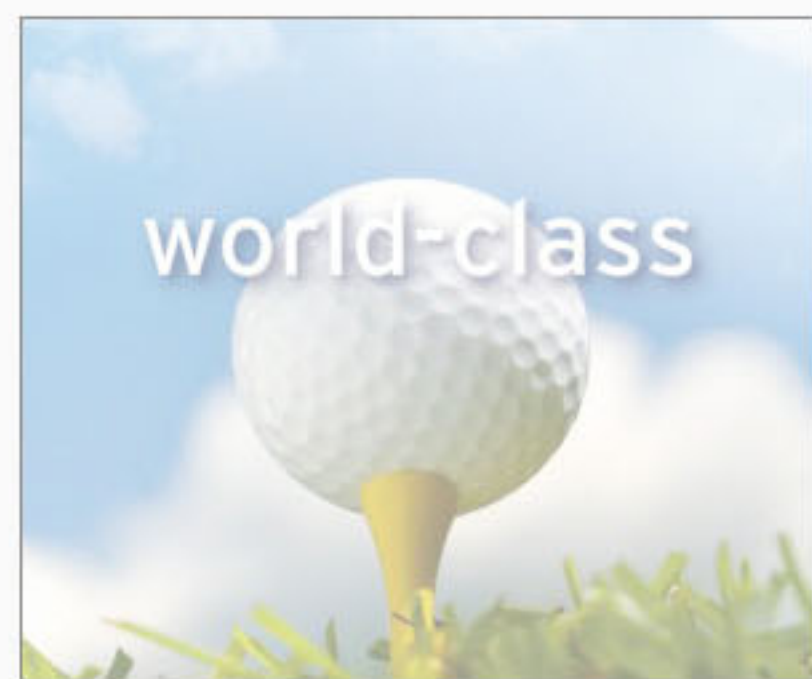
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