

Thailand and Myanmar

Build it and they might come

A planned Thai mega-project in Myanmar runs into difficulty

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THE Burmese city of Dawei lies 350 kilometres (220 miles) west of the Thai capital, Bangkok. The two are separated by a stretch of mountainous jungle and have never been connected. But over the past five years, Thailand's biggest construction company, ItalianThai, has cut a swathe through the jungle which, once paved, will cost roughly \$1m per kilometre of road. The plan is that it will connect Bangkok with a \$50 billion industrial hub and deep-sea port at Dawei on the Andaman Sea.

The project was set in motion by Thaksin Shinawatra, a former Thai prime minister, who was overthrown in a military coup in 2006. When he proposed it he was still in power and it was seen by many as a vanity project that would never get off the ground. After the Burmese government started to open up two years ago, some concluded that Mr Thaksin was in fact a visionary. But although Yingluck Shinawatra, Mr Thaksin's sister and Thailand's current prime minister, is soon due to inaugurate the border checkpoint on the road, financial difficulties are once more calling the project into question.

The plan is epic in scale. At 205 square kilometres (80 square miles), the project area is the size of the Vietnamese capital, Hanoi, and nearly ten times as big as Thailand's largest industrial area at Map Ta Phut. Thailand has a coastline on the Andaman Sea, but it is in the south of the country. Dawei's proximity to Bangkok and the cheapness of Myanmar's labour and land are attractive. And, crucially, the port would be a long way north and west of the potential chokepoint for shipping at the Strait of Malacca. Boosters of the project in Thailand suggest, somewhat implausibly, that it will increase annual Thai GDP by 2%. The hope is that the Thai middle class could soon be driving their Japanese cars over the mountains and through the jungle into Myanmar. In anticipation of a new gateway for international trade and tourism into South-East Asia, land prices in some parts of Thailand's Kanchanaburi province have already begun to rise.

But dogs still outnumber cars on the road to Dawei. The jungle is mostly untouched, and there are concerns about security, despite a ceasefire between Myanmar's army and the armed wing of the Karen National Union (KNU), which has long sought more autonomy for its people in the region. Some landmines have been cleared, but local people remain resentful towards the army, whose remit now includes guarding Thai equipment along the still-unpaved road.

Htin Aung, director of special projects at ItalianThai and a former brigadier general of Myanmar military intelligence, says he and his Thai billionaire boss, Premchai Karnasuta, a pal of Mr Thaksin, negotiated security for the road with the KNU leadership in 2008-10. Even so, it is unclear whether Burmese reforms and Thai generosity will be enough to extinguish one of the world's longest-running insurgencies. And if they don't, will investors still come?

Every 30km, ItalianThai has a camp with fuel, construction materials and huts for engineers. A company fleet of 50 pickup trucks are in radio contact. A fibre-optic cable, provisionally held up by bamboo sticks, runs the entire 150km from the Thai-Myanmar border to a clump of office cubicles near the beach at Dawei.

In Mu Tu, a village on the edge of the planned port, Thein Aye, a 48-year-old mother of six, runs a small tea and noodle shop. Local politicians told her to pack up by June, but no one has yet come to move her family to the neat new house built for them on the edge of what is planned as a golf course.

We're not China, you know

The project's biggest problems, however, are financial. Japanese investors have been flying in by corporate jet for some time (no Chinese money is involved), but it appears that they cannot quite bring themselves to believe that Dawei will really happen. And besides, the Japanese have been focusing on developing a port and industrial zone at Thilawa, closer to Yangon, Myanmar's largest city. A consortium of Thai banks, many of them state-run, has been roped into providing \$4 billion to move things along at Dawei. But ultimately, vast sums of private money will be needed.

Anan Amarapala, a vice-president of ItalianThai, does not conceal his chagrin that his employer was downgraded to the status of mere contractor a few months ago when the project was taken over by the Thai and Burmese governments. Mr Anan stresses that they are in the pre-construction phase. The swampy ground has to be raised by 2 metres to protect against the rising sea. He has to make sure there is energy, water and roads (the project currently runs on imported diesel from Malaysia). Tankers carrying crude oil from the Middle East could berth offshore, he says, their cargo pumped ashore to feed petrochemical plants and steel mills.

Mr Aung admits that getting that far will be hard because the "logistics are simply not there". He believes, however, that it will happen eventually, in perhaps 20 years. He tells of a large oil company that looked at the level of investment and decided to postpone its own involvement. "Tell us when you are ready," they said.

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