

# ISA S Brief

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## India Eyeing a New Gateway to Southeast Asia

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### Abstract

*India's strategic objective of establishing close connectivity with Southeast Asia has received fresh impetus following Prime Minister Manmohan Singh's talks with Thai leader Yingluck Shinawatra and with Myanmar's Foreign Minister Maung Lwin in New Delhi at this time. Coming into focus now is the interest expressed by India in associating itself with Thailand's ambitious plans of developing an infrastructure hub at Dawei in southeastern Myanmar.*

Thai Prime Minister Yingluck Shinawatra's visit to India as Chief Guest at its annual Republic Day celebrations on 26 January has raised the prospect of New Delhi's participation in Bangkok's ambitious plans to develop a large infrastructure project in southern Myanmar.

After years of expressing anxiety and wringing hands about China's construction of ports in its neighbourhood in the Indian Ocean - at Gwadar in Pakistan, Hambantota in Sri Lanka, and Kyauk Phyu in Myanmar - Delhi now is eager to join the Dawei project that has been billed as Southeast Asia's largest infrastructure venture ever.

Thailand is taking the political lead in this project that is expected to transform the regional economy and reorder the historic trade routes between the Indian Ocean and the Western Pacific.

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Connectivity, over land and sea, with Southeast Asia has long been a major strategic objective of India, but largely unrealised. Cooperation with Myanmar and Thailand in developing a multimodal transport corridor at Dawei could change that.

India's Prime Minister Manmohan Singh has taken up the question of New Delhi's participation in Dawei's development with Ms Yingluck and with U Maung Lwin, Myanmar's Foreign Minister, who was visiting Delhi at the same time.

Promoted by a major Thai construction company, Ital-Thai, the Dawei project is estimated to cost about \$50 billion and spread over nearly 250 sq km in the sleepy Tenasserim division of Southern Myanmar.

As Myanmar ends its prolonged political and economic isolation, it hopes to become a major global investment destination. The Dawei project showcases the huge potential for economic growth in Myanmar, as well as its unique geopolitical location that bridges India, China, Southeast Asia as well as the Indian and Pacific Oceans.

The Dawei project includes the construction of a deep seaport, superhighways, power plants, shipyards, oil refineries, a steel mill, and a petrochemical complex.

The new trade route running across Myanmar and Thailand and connecting up with the coastlines of Vietnam and Cambodia could emerge as a complement to the current crowded sea lanes of the Malacca Straits, through which much of the trade between China and East Asia on the one hand and the Indian Ocean and Europe on the other traverses today.

### **Quest of Sailors and Sovereigns**

For centuries now, finding a short cut between the Andaman Sea and the Gulf of Thailand, through the long but narrow peninsula separating them, has animated sailors and sovereigns in the region.

The most famous of them was the plan to dig a canal across the peninsula where the territories of Myanmar, Thailand and Malaysia converge. Like the Panama Canal linking the Atlantic and Pacific Oceans, the Kra channel would have connected the Indian and Pacific Oceans.

A few decades ago there were plans to use nuclear explosives to blast through the isthmus. The Thai plans for the Kra canal were just too expensive and the project never took off.

In recent years, Malaysia had considered the construction of an oil pipeline across its territory that would have allowed oil tankers heading to the East Asian waters bypass the Malacca

strait. There was some reported interest among the Chinese companies, but this plan too has gone off to the backburner.

The Dawei project is similar in essence to the earlier ideas of shortening the sailing distance from the Bay of Bengal to the Western Pacific. It is different in the sense that the plan now is to create an overland system of logistical flow coupled with a massive industrial complex.

Like all ambitious projects, the one at Dawei too has run into some political difficulties. Nay Pyi Taw recently overruled the Ital-Thai plans to build coal-fired plants, citing popular environmental concerns in the region.

The Karen National Union, representing an important ethnic minority, has sought to block the construction of the road from Dawei to Bangkok.

Many other issues on the Myanmar side relating to visas, customs facilitation and the development of associated road networks remain to be sorted out before the first phase of the project can be fully implemented.

Somchet Thinaphong, managing director of the Dawei Development Corporation (DDC), in which Ital-Thai has a controlling stake, told the press in Bangkok recently that he has full confidence in the new political leadership of Myanmar to back the project.

The DDC, he added, hopes to secure \$8.5 billion by the end of 2012 to finance infrastructure and utilities under the first phase of the project. "China, Japan and South Korea are the key strategic partners of our projects", Somchet said.

"Finding a balance for each of these groups is important. For example, if we have a lot of Chinese partners, the US might not be happy with that", Somchet emphasised.

### **China's Interest**

The interest of Beijing, which has actively promoted transport corridors in the region including in Myanmar, is quite natural and strong in developing Dawei. China plans to build free trade centre in Bangkok and would like to use the Dawei port, 250 km away, to boost Chinese commerce across the Indian Ocean.

Japan, competing with China for influence in Southeast Asia, is equally keen to participate in the development of Dawei complex. In recent years, Japan has also emphasised the importance of developing transport corridors between South and Southeast Asia.

For India, Dawei is a golden opportunity to tighten economic integration with Southeast Asia and develop a transport corridor to the shores of the Western Pacific through Myanmar and Thailand.

By collaborating with Chinese companies in the Dawei project, Delhi can also reduce the sense of rivalry with Beijing in Myanmar and Southeast Asia and become an effective partner in cooperative development in East Asia.

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