

07/05/2002

KL has no qualms over proposed canal

MALAYSIA has no qualms over Thailand's proposed move to build a canal across the Kra Isthmus as it is being done within its territories.

Prime Minister Datuk Seri Dr Mahathir Mohamad said it is Thailand's right to build the canal since it is within its territories.

"We just have to make adjustment. There will be reshaping of economies because of the new accessibility. We just have to find a way how to benefit from it," he told newsmen after opening the 35th International General Meeting of Pacific Basin Economic Council in Kuala Lumpur yesterday.

Dr Mahathir said Thailand's move will not give adverse impact to neighbouring countries like Malaysia, Singapore, and Indonesia.

For instance, he said the construction of other canals like the Suez and the Panama canals had shown that areas affected by the development will not be made redundant.

"I am quite sure that even if you build a canal, it does not mean the others should close shop. We have to find a way to benefit from the new canal," he said.

According to news report, works on the canal from the Indian Ocean to the Gulf of Thailand is expected to begin in 2005.

Originally planned across the Kra Isthmus, the proposed canal is now to be located 400km further south, near the Malaysia-Thailand border, 30km north of Satun and 24km south of Songkhla port.

The Chinese and Japanese governments have indicated their interest in joint ventures with the Thai Government to construct the canal, estimated to cost RM10 billion.

Thailand had said that pre-feasibility studies indicated that the area between Satun and Songkhla was a better choice as the proposed canal will run along the Satun-Haadyai Highway.

Analysts contacted by Business Times had also said that Malaysian ports will not be affected by Thailand's plan to cut a canal that will allow ships to cross between the South China Sea and the Andaman sea.

One analyst said if Thailand goes ahead with proposals to cut a canal through the Kra Isthmus, the impact on Malaysia's ports will not be felt for at least 15 years even though it will enable shipping to bypass Malaysia and Singapore.

"Why should anyone send cargo through the Kra canal when the current transshipment hub of the region is Singapore."

"There is also a requirement of services at the hub ports which will be missing if vessels cut through Kra."

"Kra is only some 500 nautical miles from Singapore. It is unlikely that the container trade will be adversely affected," the analyst said.

The Thai Cabinet has commissioned a feasibility study on the project which has raised concerns on traffic at local terminals like Port Klang and Port of Tanjung Pelepas (PTP).

Other shipping officials agree that the canal will only pose a threat to these ports when Thailand can offer services to rival Singapore and Malaysia.

The Malaysian Government has plans to develop Senai in Johor as the transportation hub of the region, a project reported to cost in the region of RM7 billion.

PTP has already received an investment of some RM2.4 billion for the

first phase which is set to be completed by the third quarter of this year.

The phase involves reclamation of some six berths and the commissioning of 24 quay cranes. The second phase to commence by this year involves the reclamation of some eight berths and possibly some 32 cranes.

The expenditure at Port Klang has also been tremendous with both Northport and Westport increasing capacity.

This year Port Klang is expected to break the 4 million-TEU (20-foot equivalent units) mark, after handling some 3.7 million container boxes last year.

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