

PERSPECTIVE

RESEARCHERS AT ISEAS – YUSOF ISHAK INSTITUTE ANALYSE CURRENT EVENTS

Singapore | 9 September 2020

To Deter Malaysia: Thai Navy's Submarine Acquisition Faces New Opposition

*Termsak Chalermphanupap**

EXECUTIVE SUMMARY

- To defend its controversial plan to buy three China-built submarines, the Royal Thai Navy (RTN) has disclosed that it needs them to counterbalance Malaysia, whose navy has two submarines.
- The RTN hopes to deploy all the three submarines by 2027 to enhance Thailand's bargaining power before the expiration in 2029 of the 50-year Thailand-Malaysia deal on the joint development area (JDA) in the Gulf of Thailand.
- The RTN's strategic thinking—previously secret—is that, with the three submarines, Thailand will not be in a disadvantaged position when negotiating with Malaysia on the future of the JDA.
- The RTN's request for a funding commitment of 22.5 billion baht over seven years to pay for the two remaining submarines has run into strong parliamentary objection, both from the opposition and from one member of the governing coalition, the Democrat Party.
- Prime Minister General Prayut Chan-ocha, who is concurrently the defence minister, is facing a tough dilemma. He supports the RTN's submarine programme but also needs all available financial resources to fund urgently needed economic recovery programmes.
- In the wake of growing opposition to the RTN's submarine programme, Prayut has opted for compromise, asking the RTN to delay for a second year payment of the first instalment on the second and third China-built submarines.

** Termsak Chalermphanupap is Visiting Fellow in the Thailand Studies Programme, ISEAS – Yusof Ishak Institute.*

INTRODUCTION

Deterring Malaysia is one of the justifications recently offered by the Royal Thai Navy (RTN) for its plan to acquire three attack submarines from China, though this justification had long remained secret. A further, and related, reason for the purchase is a determination to enhance Thailand's bargaining power with Malaysia during bilateral negotiations on the future of the joint development area (JDA) in the Gulf of Thailand. The existing fifty-year co-exploitation agreement is due to expire in 2029.

Revelations concerning these justifications emerged during a two-hour press conference at the RTN headquarters on 24 August.¹ The event was hastily convened to defend the RTN's renewed push for a funding commitment of 22.5 billion baht (about S\$1 billion) to cover the cost of the second and third submarines, and to refute opposition politicians' allegations of irregularities in the RTN's largest arms acquisition programme.²

The RTN plans to have each of the three S26T (modified Yuan Class Type 039B) submarines on active deployment before Thailand starts negotiations with Malaysia on the future of their bilateral JDA in the Gulf of Thailand. The three submarines would enhance Thailand's bargaining power, said Vice Admiral Thalerngsak Sirisawas, head of the Navy Operations Department. In having these three submarines by 2027, "Thailand will not be in a disadvantaged position" when it starts negotiations with Malaysia on the JDA, he added.

Thailand and Malaysia have overlapping claims over some 7,250 square kilometres in the lower section of the Gulf of Thailand.³ In 1979, the governments of the two countries signed a fifty-year memorandum of understanding on sharing the costs and benefits of joint exploration and exploitation of petroleum resources in the seabed of this JDA equally. The JDA is administered by the Malaysia-Thailand Joint Authority, whose offices are in Kuala Lumpur. The Joint Authority's motto is "*Brothers drinking from the same well.*"

Unfortunately, some top brass in the RTN seem to have unpleasant feelings about their relatively better off southern "brothers". Vice Admiral Thalerngsak disclosed at the recent press conference that in early August a naval vessel belonging to a neighbouring country that he would not name had encroached on Thai waters in the Andaman Sea. The vessel had been involved at the time in a mission to stop boats carrying Rohingya migrants from approaching Malaysian waters. The RTN asked the Thai Ministry of Foreign Affairs to lodge a formal protest concerning the encroachment.

The vice admiral also lamented that the navies of neighbouring states sometimes disregarded Thailand's sensitivities because they knew that the RTN had no submarines for underwater defence.

REVEALING SECRET STRATEGIC THINKING

The RTN has had to disclose its high-level secret strategic thinking now in order to make the Thai people understand why it wants the three submarines by 2027, Vice Admiral Thalerngsak explained. He added that, according to well-known naval doctrine, submarines are strategic offensive weapons that are more useful because they are capable of sneaking into other states' waters with impunity.

The Royal Malaysian Navy (RMN) has since 2009 deployed two French Scorpene Class attack submarines. One of them, the *Tun Abdul Razak*, reportedly completed major repairs and an overhaul in April 2020. The RMN also plans to buy two additional submarines, probably a more advanced model of the same Scorpene Class vessels, by 2040. This is part of the RMN's ongoing "15 to 5 Fleet Transformation Programme" to reduce from fifteen to five the number of classes of RMN ships by 2050.⁴

The Thai military has occasionally detected submarines from neighbouring countries operating clandestinely in the Gulf of Thailand.⁵ The RTN hopes that the acquisition of the three submarines from China will enable it to end all such underwater intrusions. These vessels will be relatively better armed and more advanced than most of the submarines that ASEAN member states' navies now deploy.⁶ The RTN believes that the best counter-measure in submarine warfare is the deployment of superior submarines.⁷ The RTN wants three submarines so that it will be more difficult to detect their whereabouts, either in the Gulf of Thailand, in the Andaman Sea, or in both.

Chairing the press conference, RTN Chief of Staff Admiral Sitthiporn Maskasem reiterated the navy's need to share sensitive but factual information with the media and the people so that they would be better aware of maritime security threats confronting Thailand, and have a better understanding of the RTN's threat perception and strategic thinking.

The RTN estimates that Thai economic interests amounting to 2,400 billion baht annually depend on maritime security. These interests include sea-borne trade, fishing, and offshore oil and gas platforms. RTN spokesman Vice Admiral Prachachat Sirisawas affirmed that the RTN's decision to spend scarce budgetary resources on the three submarines was therefore an appropriate and cost-effective approach to enhancing Thailand's maritime security. The total cost of the three submarines constitutes just a minute fraction of the Thai economic interests at stake.

PAST TRAUMA AND NEW HOPE

Fear of naval blockades in the Gulf of Thailand by hostile foreign powers runs deep in the Thai psyche. During the era of Western imperialism, Kings Rama I–V of the Chakri Dynasty succumbed to recurring intimidation on the part of England and France. Siamese kings were forced to cede territories to the two European colonial powers twelve times between 1786 and 1908, and once to imperial China.

In July 1893, three French warships sailed into the estuary of the Chao Phraya River, threatening to proceed all the way to bombard the Grand Palace in Bangkok if France's latest demands for more Siamese territories were not met. In this crisis, Siam ceded most of what is now Laos, and it suffered French occupation of its Chanthaburi and Trat provinces adjacent to the border between Siam and French Cambodia for fifteen years.

The RTN often notes the extraordinary deterrent power of submarines by referring to the Ko Chang naval battle during the Franco-Thai war of January 1941. At that time, the RTN had four Japan-built coastal submarines in service. Their deployment, the RTN claims, deterred the French forces from attacking the RTN's base in Sattahip. The RTN lost two warships in the Ko Chang clashes, and the war ended with Japanese intervention and

mediation. The four RTN submarines were decommissioned in 1951, as Japan could no longer supply spare parts in the post-war period.

Another secret justification for the RTN's acquisition of the three China-built submarines is its gloomy assessment of the intensifying strategic rivalry between the US and China in the South China Sea. The RTN believes that the rivalry will continue and could lead to accidental clashes between the two superpowers' navies. Consequently, maritime security and international shipping in and through the South China Sea may be seriously disrupted. The RTN needs modern submarines to help protect Thailand's sea-borne international trade, said Vice Admiral Thalerngsak.

However, the RTN has yet to clarify how its acquisition of the three China-built submarines will ensure the safety of Thailand's sea-borne trade going through the South China Sea, if and when military clashes between the US and China threaten its safety. Another thorny issue that the RTN has skirted is the strategic implications of buying such "big weapons" from China when Thailand has officially been designated a "major non-NATO ally" of the US since 2003.

Critics dismiss the RTN's claims concerning the level of stealth of the S26T submarines in the Gulf of Thailand, where the average depth is only about fifty metres.⁸ In such a shallow sea, the China-built submarines, each with about 50 per cent more displacement weight than Malaysia's Scorpene submarines, can be easily detected by modern anti-submarine technologies. If and when the RTN deploys any of its submarines to the Andaman Sea, the route from the RTN base in Sattahip would usually pass through the Straits of Malacca, where submarines must surface during transit. Neighbouring navies could thus easily take note of such movement.

BUY TWO, GET ONE FREE

In 2015, the RTN considered offers from Germany, the Republic of Korea, Russia, Sweden, France, and China for two submarines. The RTN settled for a Chinese offer that it could not resist: buy two, get one free!

This irresistible offer came from the China Shipbuilding & Offshore International Company (CSOC), with the blessings of Beijing's State Administration for Science and Technology and Industry for National Defence. The CSOC will, under the terms agreed to with Thailand, build and sell three advanced export variants of the Type 039B Yuan Class submarine – to be called the S26T model – for the price of two, or 36 billion baht, in a government-to-government deal.

The steel-cutting ceremony for the first S26T was held at the CSOC's Wuchang Shipbuilding plant in Wuhan on 4 September 2018. Delivery of the first submarine to the RTN is scheduled for 2023.

Thailand will pay the 13.5 billion baht for the first S26T submarine in seven annual instalments.

The RTN had originally planned to start sending submariners for training in China this year. However, the COVID-19 pandemic has forced the RTN to delay the start of the training.

In the meantime, the RTN has secured additional concessions from the CSOC to upgrade the armament and improve the sound-proofing of the three submarines. The value of these “freebies” is estimated at about 2.1 billion baht, but they will be provided only under the condition that the RTN secure as soon as possible a firm funding commitment of 22.5 billion baht for the second and third submarines.

In the current 2020 fiscal year, the RTN volunteered to delay for one year the start of its payments to the CSOC. That would mean postponing its first annual instalment on the two remaining submarines. The RTN returned the 3,375 million baht in instalment money to the government as part of its contribution to the Prayut administration’s effort to tackle the coronavirus pandemic.

The RTN also pioneered the provision of quarantine facilities for Thais returning from Wuhan and elsewhere overseas. Its quarantine facility near the Sattahip Naval Base has become the model for health authorities and provincial governments in setting up local quarantine facilities. Therefore, noted the RTN spokesman at the same press conference, it is wrong and unfair to accuse the RTN of ignoring the health crisis and the suffering of the Thai people in the pandemic.

GROWING OPPOSITION AND A NEW HICCUP

In early August, the RTN renewed its request for a funding commitment of 22.5 billion baht for the second and the third submarines. If approved, actual disbursement of the requested 22.5 billion baht will be over seven years, from 2021 until 2027.

This request has once again attracted media attention to and public criticism of the entire submarine programme. Still, the RTN managed to convince a sub-committee of the House of Representatives scrutinising proposed procurement budget requests for the fiscal year 2021 to endorse its request, though by a narrow margin of five votes to four.

The parliamentary opposition, led by the Phuea Thai Party, is determined to score political points by opposing the RTN’s request for a commitment of funding for the second and the third submarines. The party won considerable praise in the Thai media for hitting the right note in saying that the 22.5 billion baht could better be used in supporting the much needed recovery in the battered Thai economy.⁹

Sensing that public sentiment against buying the second and the third submarines is growing, the Democrat Party — the third largest party in the 19-party ruling coalition — has decided to oppose the RTN’s request for a funding commitment. It wants the RTN to further delay payment of the first instalment on the two submarines until the Thai economy has fully recovered. The seven Democrat MPs on the House budget committee have been instructed to vote against the request. But this should not prevent a majority of the committee’s members from endorsing the RTN’s request.

Further, the Bhumjai Thai Party, the second largest government party with seventy MPs, is now joining the Democrats in carefully examining the pros and cons of committing to fund the two remaining submarines. Senior politicians in these two government parties are apparently looking towards the next general election, which may follow the drafting and

adoption of a new and democratic constitution in late 2021. Their political future may not depend on the success of the Prayut administration.

The sudden and drastic change in the Democrat Party's position has forced the House budget committee to delay consideration of the RTN's request. The committee wanted to know whether it would be possible to work out with the Chinese side a further delay in payment of the first instalment on the second and the third submarines.

In fact, the RTN offered a clarification on this question during its press conference on 24 August. There is no penalty for any additional delay in starting instalment payments. But the Chinese offer of the "freebies" worth about 2.1 billion baht is valid only until the end of September 2020. And, if payment of the first instalment on the second and the third submarines does not occur in the 2021 fiscal year, which starts on 1 October 2020, then negotiations will revert to square one – and there is no guarantee that the Chinese side will offer the same "freebies" in a new but delayed deal.

PREMIER PRAYUT'S DILEMMA

General Prayut, who is concurrently the defence minister, supports the RTN's submarine programme. But he is at present hard-pressed to find enough money to fund numerous costly economic recovery programmes. Undoubtedly most Thais would agree that government financial resources must be used primarily to tackle the looming economic crisis.

In the second quarter of 2020, the Thai GDP shrank 12.2 per cent – the worst quarter since the *Tom Yum Goong* financial crisis of 1997-98, according to the Office of the National Economic and Social Development Council (NESDC). The first half of 2020 saw a 6.9 per cent contraction in the Thai GDP, and the annual economic outlook for 2020 has now been revised downward to a total GDP decline in the range between -7.5 per cent and -7.3 per cent. This is down from the previous forecast on 18 May in the range between -6.0 per cent and -5.0 per cent.¹⁰ In other words, the Thai economy will grow weaker during the rest of this year.

The gloomy national economic outlook is giving the opposition additional political ammunition to attack General Prayut, especially over his reluctance to demand additional cuts in military spending during the economic crisis created by the COVID-19 pandemic. In his capacity as the defence minister, he is actually in a good position to advise the RTN to reconsider and to come up with an alternative plan for procuring the submarines.

Sensing that he was heading into a no-win struggle, General Prayut on 31 August agreed to ask the RTN to postpone for another year the payment to the Chinese of the first instalment on the two remaining submarines. However, he emphasised that he still wanted the RTN to procure all three submarines, and asked the RTN to start re-negotiating with the Chinese as soon as possible.

Instead of pressing on with its controversial request for the funding commitment of 22.5 billion baht now, the RTN has withdrawn its request for the inclusion of that funding in the draft 2021 budget bill. It will ask the Chinese side for a postponement of at least another year in signing the purchase contract for the second and the third submarines.

This seems an adequate compromise to appease the Democrat Party and to avoid a destructive breakup of the ruling coalition underpinning General Prayut's premiership.

CONCLUSION

It is alarming to see that the RTN shows rather low confidence in Thailand's peaceful coexistence with Malaysia. It also appears to have little faith in collective regional security in ASEAN, even though Thailand and Malaysia are two of the five founders of the regional grouping.

Judging from what RTN top brass said at the recent press conference, the RTN now wants to rely more on itself than on Thailand's neighbours and allies, or on ASEAN. Acquiring the three submarines would amount to taking a major step towards creating a "complete and balanced" navy for self-reliance in maintaining Thailand's maritime security.

But a parliamentary battle over the funding commitment for the two remaining Chinese submarines is both unnecessary and avoidable. Now all parliamentary efforts and the attention of the public can be focused on amending Section 256 of the 2017 Constitution—the section concerning constitutional amendment — and, more importantly, on drafting a new and truly democratic constitution.

¹ A full video record of the two-hour press conference is available at www.youtube.com/watch?v=fwyOkRrwgpc, accessed 24 August 2020. This was the RTN's second press conference arranged to defend its submarine programme. The first was held on 1 May 2017, on board the RTN's mini-aircraft carrier *Chakri Naruebet*, chaired by Admiral Luechai Rutdit, who was then the RTN chief of staff and now RTN commander-in-chief.

² Opposition parties have questioned the legality of the submarine purchase deal, partly because it is unclear whether Admiral Luechai Rutdit — who signed the MOU for the purchase of the first submarine in Beijing on 5 May 2017 with his Chinese counterpart — was properly authorised to represent the Thai government. On 4 September 2020, Admiral Luechai, who is now commander of the RTN, ordered a navy lawyer to file a police complaint accusing Phuea Thai member of parliament for Mahasarakham Province Yutthapong Charassathien of spreading falsehoods to defame the navy. Yutthapong, sits on the House budget sub-committee, has publicly described the submarine purchase MOU as a "fake G-to-G" agreement.

³ See maps and location of the JDA at the website of the Malaysia-Thailand Joint Authority at www.mtja.org/about_jda.php, accessed 27 August 2020.

⁴ Naval News, "LIMA 19: 15 to 5 Transformation Programme to Continue" 26 March 2019 (www.navalnews.com/event-news/lima-2019/03/lima-19-15-to-5-transformation-programme-to-continue-chief-of-navy/), accessed 27 August 2020).

⁵ In the ASEAN region, Indonesia has five submarines, two of them built in Germany and two in South Korea, and the newest one built by PT-PAL, a state-owned shipbuilding enterprise; Malaysia has two Scorpene Class submarines and plans to buy two more; Myanmar has one Kilo Class refurbished submarine from India, and plans to buy four more; Singapore has four Sweden-built submarines (two Archer Class, two Challenger Class), and plans to buy four Germany-built Type 218SG submarines, the first of which will be delivered next year; Vietnam has six Russia-built Kilo Class submarines. The Philippines plans to buy two submarines, probably French Scorpene Class vessels.

⁶ Each of the three S26T submarines being acquired by the RTN has displacement about 50 per cent larger than that of each of Malaysia's two Scorpene Class submarines, the *Tunku Abdul*

Rahman and the Tun Abdul Razak. The Malaysian submarines entered service in 2009; their home port is in Sepanggar, Kota Kinabalu, Sabah. The RTN is most likely to build its submarine base in Sattahip on Thailand's eastern seaboard.

7 Asian Military Review, "First boat being built as Royal Thai Navy sets off Submarine Trio Quest", 18 November 2019 (www.asianmilitaryreview.com/2019/11, accessed 26 August 2020).

According to the CSOC, the specifications of each S26T submarine will be as follows:

- 77.7 metres in length
- 8.6 metres in width
- 9 metres in height above water
- displacement of 2,550 tons at full load
- maximum underwater speed of 20 knots
- operating range of 260 - 768 nautical miles
- transit distance of up to 8,000 nautical miles when alternating between surface and underwater cruising
- maximum diving depth of 300 metres
- at sea endurance up to 65 days with Sweden-designed Stirling-cycle type air-independent propulsion system
- 46 bunks and a separate commanding officer's quarters
- armament including 6 torpedo tubes, anti-ship missiles, and 30 mines.

⁸ Arnond Sakworawich, "แผนที่ความลึกของอ่าวไทย เรือดำน้ำจะดำไปได้ลึกแค่ไหน และจำเป็นแค่ไหน?" [Map of the depth of the Gulf of Thailand, how deep can a submarine dive, and how necessarily?], *Manager Online*, 31 August 2020 (<https://mgronline.com/daily/detail/9630000089204>, accessed 1 September 2020).

⁹ "เพื่อไทย ยันค้านซื้อเรือดำน้ำให้ถึงที่สุด เดือนหากรัฐไม่ถอย ประชาชนจะลงถนนทั่วประเทศ" [Phuea Thai Party reaffirms its opposition to the submarine purchase plan till the end, warning that if the state does not back down, people all over the country will take to the streets to protest], *Thai Post*, 24 August 2020 (www.thaipost.net/main/detail/75387, accessed 31 August 2020).

¹⁰ See the NESDC's English language press release on "The Thai Economy in Q2/2020 and the Outlook for 2020", 17 August 2020 (www.nesdc.go.th/nesdb_en/article_attach/07%20Press%20Eng%20Q2-2020pdf, accessed 27 August 2020).

To read earlier issues of ISEAS Perspective please click here:
<https://www.iseas.edu.sg/articles-commentaries/iseas-perspective>

Preceding three issues of ISEAS Perspective:

2020/100 “Parties and their Significance in the Myanmar 2020 General Election” Su-Ann Oh

https://www.iseas.edu.sg/wp-content/uploads/2020/08/ISEAS_Perspective_2020_100.pdf

2020/99 “Connecting Chongqing and Southeast Asia: Progress, Potential and Challenges” by Li Yan

https://www.iseas.edu.sg/wp-content/uploads/2020/08/ISEAS_Perspective_2020_99.pdf

2020/98 “Work and Wages of Malaysia’s Youth: Structural Trends and Current Challenges” Lee Hwok Aun

https://www.iseas.edu.sg/wp-content/uploads/2020/08/ISEAS_Perspective_2020_98.pdf

<p>ISEAS Perspective is published electronically by: ISEAS - Yusof Ishak Institute</p> <p>30 Heng Mui Keng Terrace Singapore 119614 Main Tel: (65) 6778 0955 Main Fax: (65) 6778 1735</p> <p>Get Involved with ISEAS. Please click here: https://www.iseas.edu.sg/support</p>	<p>ISEAS - Yusof Ishak Institute accepts no responsibility for facts presented and views expressed.</p> <p>Responsibility rests exclusively with the individual author or authors. No part of this publication may be reproduced in any form without permission.</p> <p>© Copyright is held by the author or authors of each article.</p>	<p>Editorial Chairman: Choi Shing Kwok</p> <p>Editorial Advisor: Tan Chin Tiong</p> <p>Managing Editor: Ooi Kee Beng</p> <p>Editors: Malcolm Cook, Lee Poh Onn, Benjamin Loh and Ng Kah Meng</p> <p>Comments are welcome and may be sent to the author(s).</p>
--	---	--