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Nicaragua Dusts Off Centuries-Old Interoceanic Canal Dream

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With no viable opposition to convince him otherwise, Nicaraguan President Daniel Ortega is pushing full steam ahead with plans to build an ocean-to-ocean canal that would be longer, deeper, and significantly more expensive than its busy Panamanian counterpart.

Critics call the "Nicaragua-Canal" idea far-fetched. Ortega and his allies insist otherwise, pitching the grandiose project as a national priority, an eventual money machine that will help Nicaragua—historically one of the poorest countries in the Americas—make rapid and far-reaching economic gains.

Backers say the project is also something the whole world could benefit from. The nearly century-old Panama Canal is crowded beyond capacity. Cargo ships wait for days for a chance to navigate the 50-mile interoceanic shortcut. More than US$5 billion is currently being spent to expand it. But even after the upgrade is completed in 2014, the Panama Canal will still be unable to accommodate certain "supertankers."

"This wouldn’t even affect the Panama Canal," Ortega explained during an August meeting in Managua with Wang Jin-pyng, the president of the Taiwanese parliament. "The two are complementary given that trade is constantly increasing and becoming more global. Right now, many ships have to go all the way to Cape Horn because they can't go through the Panamanian route."

There are political reasons as well why this is a particularly propitious time for the Ortega government to pursue such a "pharaonic" project, as some analysts have described it. Ortega and his party, the Frente Sandinista de Liberación Nacional (FSLN), clobbered the opposition in last November’s general elections (NotiCen, Nov. 17, 2011). The Sandinistas now control more than two-thirds of the unicameral Asamblea Nacional (AN). Assured backing for any and all legislation he sends the AN's way, Ortega can basically propose whatever he wants—including a larger-than-life construction project whose estimated price tag (US$30 billion) is roughly four times the country’s GDP.

Ortega put his legislative control to the test this past June, formally proposing the lofty canal scheme in a bill called the "Ley del Gran Canal de Nicaragua." Less than a month later, on July 3, the AN voted overwhelmingly to approve the new law, which among other things authorizes the government to appoint a board of directors to oversee the project. Under the leadership of Manuel Coronel Kautz, a trained engineer who doubles as Ortega’s vice minister of foreign relations, the board will be tasked with securing investors, choosing among six possible routes for the approximately 200 km canal, and eventually setting up a public-private enterprise to put those plans into action. Under the terms of the bill, the state is to control 51% of the canal company.
"I celebrate and applaud that we voted in favor [of the project] in the spirit of national interests, with a vision toward the future, rather than in the short-sighted spirit of clientalism," FSLN Deputy Edwin Castro Rivera told the Sandinista online news site El 19 Digital.

**What will the neighbors think?**

All proposed canal routes make use of Lago Cocibolca, a massive central lake also known as Lago de Nicaragua or Lago de Granada. The nearly 8,264 sq km lake is Latin America’s second largest after Lago Titicaca, which hugs the Andean border between Peru and Bolivia. The various plans also agree on an end point for the channel: Puerto Corinto on the Pacific coast. The narrow isthmus separating Corinto from Lago de Nicaragua is just 19.3 km long.

Route plans vary when it comes to connecting the lake to Nicaragua’s Caribbean/Atlantic coast. Options include digging a canal along the Río Escondido, which empties into the Caribbean Sea, or along the Río San Juan, which flows along the border with Costa Rica.

The latter possibility has Nicaragua’s southern neighbor "on alert," as a recent headline in the Costa Rican daily La Nación conveyed. The San Juan, over which Nicaragua has sovereignty, has long been a source of animosity between the two countries, which locked horns most recently because of Nicaraguan efforts in late 2010 to dredge a 32 km portion of the river near Isla Calero, a Costa Rican island just south of the border (NotiCen, Nov. 18, 2010). The dispute involves competing claims over a northern sliver of the island. The case is currently being reviewed by the International Court of Justice (ICJ) in The Hague (NotiCen, April 7, 2011).

"It is clear that Nicaragua has the prerogative to carry out infrastructure projects in its own territory, but Managua must comply with the provisions of the 1858 Treaty of Limits and the Cleveland Arbitration Award of 1888," Costa Rica’s Foreign Ministry noted in a July press release. "Nicaragua cannot purport to build an interoceanic canal without asking and hearing Costa Rica’s opinion, because our opinion is binding if our rights are in any way violated."

The canal project is likely to draw complaints as well from Colombia, which is involved in an ongoing dispute with Nicaragua regarding Caribbean maritime boundaries. The two countries also have competing claims on several islands off Nicaragua’s eastern coastline. Lawyers involved in the dispute say a final ICJ ruling on the matter could come as early as November.

**Desperately seeking investors**

Nicaragua’s canal dreams face another major obstacle as well: money. Critics predict that Ortega’s tarnished democratic credentials, frequent rants against "neoliberal" economic imperialism and choice of friends (he is a close ally of polarizing figures such as Venezuelan President Hugo Chávez and Iranian leader Mahmoud Ahmadinejad) will keep investors away. The gloomy financial climate in Europe and the US does not bode well for the project either, say observers.

"The project is supposed to cost US$30 billion, of which Nicaragua would have to contribute 50%, meaning US$15 billion. We don’t have that kind of money," political analyst Carlos Tünnermann told the daily La Prensa. "Plus there aren’t many countries in a position right now to make these kinds of major investments."

Tünnermann says Ortega is using the Nicaragua Canal scheme as a way to turn public attention away from an ongoing corruption investigation (NotiCen, June 28, 2012) involving the Consejo
Supremo Electoral (CSE). Prior to the last election, the FSLN-controlled electoral authority played a crucial role in helping Ortega sidestep the country’s constitutional term-limit laws and thus remain in power (NotiCen, March 24, 2011).

Skeptics suspect the hullabaloo will eventually die down, that Ortega will follow in the footsteps of past Nicaraguan leaders and choose in the end to shelve the centuries-old canal fantasy. Others, however, point to a US$720 million deal Nicaragua inked earlier this year with two Dutch firms as evidence that, this time around, the government really is committed to seeing the venture through. Nicaragua is paying the firms, Royal HaaskoningDHV and Ecorys, to draft feasibility studies. The companies plan to submit the reports next year.

Backers of the project say that securing outside investment will not be as difficult as critics presume. For starters, foreign direct investment (FDI) to Nicaragua has already been on the rise in recent years. FDI soared 91% in 2011, hitting a record US$967.9 million, PRONicaragua, the government’s investment-promotion agency, reported. And initial meetings with would-be canal investors point to a lot of potential interest, according to government officials.

"We’ve had talks with Japan, China, Russia, Venezuela, Brazil, and South Korea, and everyone is interested," the project’s original point man Eden Pastora—the former revolutionary known as Comandante Cero who became a contra leader and is now on the Sandinista team once more—told reporters in June.

Earlier this month, one of those potential investors, wealthy Chinese telecom magnate Wang Jing went so far as to sign a memorandum of understanding. The agreement commits the Chinese businessman’s recently established HK Nicaragua Canal Development Investment Co. Ltd., based in Hong Kong, to help finance the canal project. Wang is the president of a Xinwei Telecom Enterprise Group. Its Web site says the Chinese firm is dedicated to the "progress of the world civilization."

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