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Mystery Chinese Firm To Tackle Nicaragua’s "Great Canal" Project

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Sticking to his grandiose promise of building an ocean-to-ocean canal through Nicaragua, President Daniel Ortega has decided to place his faith—and a huge swath of national territory—in the hands of an untested Chinese firm whose mysterious owner, telecom tycoon Wang Jing, promises nothing less than to "change the world."

This past June—much to the chagrin of opposition leaders, environmental groups, and other government critics—Ortega used his vast support in the Asamblea Nacional (AN) to quickly approve a concession deal that gives Wang’s HKND Group exclusive rights to "design, develop, engineer, finance, construct, possess, operate, maintain, and administer" the proposed canal. HKND, which is based in Hong Kong but registered in the Cayman Islands, has no major infrastructure-construction experience. Nor does it have a clear timeline for the project or a precise idea of even which route the interoceanic channel would follow. Nevertheless, the unicameral AN, where Ortega’s Frente Sandinista de Liberación Nacional (FSLN) enjoys a two-thirds "supermajority," voted 61 to 25 in favor of the generous concession, which could last for up to a century, depending on whether HKND decides—50 years from now—to renew the deal.

Ortega and his FMLN backers are ecstatic about the concession, calling it a key step forward in their shared vision of building a "Gran Canal de Nicaragua," as the venture is officially called. "This is a project that will combat poverty, extreme poverty, and bring well-being, prosperity, and happiness to the Nicaraguan people," the president announced upon signing the concession bill into law. "For the people, for the people who have sacrificed so much, who have suffered so much pain, our people who have spent so much time wandering in the desert in search of the Promised Land, the day has arrived. The hour has arrived for us to reach the Promised Land."

Speaking through a translator, Wang Jing—making just his second brief appearance in Nicaragua—contributed a few dramatic words of his own. Promising to respect "the principles of sovereignty," the Chinese mogul went on to say, "We will change the world; we are going to bring more happiness, freedom, and joy to the planet."

Differences of opinion

Ortega dusted off the long-contemplated canal idea last year, pitching it as a money machine that would lift the impoverished country toward a far-more-prosperous future (NotiCen, Sept. 27, 2012). The president formally presented the scheme to the AN in June 2012. Three months later, after shopping the idea around to several would-be investors, the Ortega government signed a memorandum of understanding with Wang Jing, who also agreed to launch what will eventually be Nicaragua’s first telecommunications satellite.

Now that an actual canal concession has been inked, the project’s economic benefits should be forthcoming, according to Dr. Paul Oquist, Ortega’s national development advisor. Wang is expected to spend tens of millions of dollars in the next two years on feasibility and environmental-
impact studies. From there, his firm will seek outside investors to help cover the cost of the massive endeavor, which is expected to run somewhere in the US$40 billion range.

With all that new money in circulation, Nicaragua’s GDP numbers could double in the next five years, Oquist told reporters in June. During that time, the project could create hundreds of thousands of jobs and shave more than 10% off the country’s poverty rate, cutting it from 42% to 31%, the Ortega administration predicts. Nicaragua might even boast a double-digit growth rate as early as 2014.

Not everyone shares the government’s rosy economic outlook. Nicaragua’s largest business chamber, the Consejo Superior de la Empresa Privada (COSEP), worries that the opposite could be true—at least in the short term. COSEP supports the canal project in theory but sees the HKND concession as a major mistake.

The deal, the business chamber suggests, threatens to discourage investment in Nicaragua because of all the uncertainty it raises about expropriations. The situation would be less troubling if HKND knew where exactly it plans to build the canal. In that case, the proverbial axe would be hanging over the heads of one particular group of property owners. Instead, "people all over the country are vulnerable to being expropriated as part of this concession," COSEP president José Adan Aguerri told the Nicaragua Dispatch, an English-language news site. "If I want to buy property in León, what guarantee do I have that tomorrow the commission won’t come to me and say they need that property to put their offices for the port they are building on the Pacific."

Worried about the water
Nicaraguan opposition groups are rejecting the concession as well, calling it a "fraud" and a threat to national sovereignty. In a statement issued just before the AN voted to approve the deal, 21 political and civil-society groups accused "dictator Ortega" of using the canal scheme to "rob" the country’s national property and "consolidate" his own economic power.

"This new project," the statement reads, "is not intended to build a canal but rather to create an enclave within the Nicaraguan state that is the property of the dictator, using a third-party dummy, an unknown individual [Wang Jing], and a shell corporation [HKND Group] registered in the Cayman Islands with no capacity or money to launch a project of this magnitude and with no official ties to the Chinese government."

On Aug. 6, opposition leaders filed an official challenge before the Corte Suprema de Justicia (CSJ), Nicaragua’s high court. The concession, they claim, violates more than a dozen constitutional articles.

Environmental groups have also begun questioning the canal scheme’s feasibility. All the proposed canal routes make use of Lago Cocibolca, a massive central lake also known as Lago de Nicaragua or Lago de Granada. As large as it in area (8,264 sq km), Lago Cocibolca is not a particularly deep lake. To accommodate ocean vessels, the lake floor would need to be dredged—not just initially but on a constant and prohibitively costly basis, says Salvador Montenegro, director of the Centro para la Investigación en Recursos Acuáticos de Nicaragua (CIRA/UNAN).

"The biggest problem is all the sediment [in Lago Cocibolca]," Montenegro explained during a recent forum organized by the Centro Humbolt, a leading Nicaraguan environmental group. "The channel’s just not feasible."
The other major concern among the project’s environmental critics is the effect such a channel could have on Lago Cocibolca’s water quality. The combination of constant dredging and heavy ship traffic would seriously compromise the lake, they warn. If one of those ships were to spill oil into the water, the situation would be worse still. "We’d lose it as a fresh-water source forever," said Montenegro.

Many observers see Lago Cocibolca as Nicaragua’s best long-term solution to future water-supply problems (NotiCen, May 2, 2013). By no means pollution free, the massive lake has nevertheless avoided the fate—at least so far—of Nicaragua’s other large body of fresh water, Lago Xolotlán, a more than 1,000 sq km lake that borders Managua. Lago Xolotlán (also known as Lago de Managua) is "irreparable," Jaime Incer Barquero, a government environmental advisor, told El Diario Nuevo earlier this year. "We’ve lost Lago de Managua for good."

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