2-5-2015

Chinese Developer Breaks Ground on Controversial Nicaragua Canal Project

Benjamin Witte-Lebhar

Follow this and additional works at: https://digitalrepository.unm.edu/noticen

Recommended Citation
https://digitalrepository.unm.edu/noticen/10223

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in NotiCen by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.
Chinese Developer Breaks Ground on Controversial Nicaragua Canal Project

by Benjamin Witte-Lebhar
Category/Department: Nicaragua
Published: 2015-02-05

A confetti-covered kickoff event held just before Christmas has done little to quiet critics of Nicaragua’s bid to build a cross-country canal that promises to be longer, deeper, and considerably more expensive than its recently upgraded counterpart in Panama.

The star of the show, held Dec. 22 near the southwestern city of Rivas, was developer Wang Jing, a Chinese telecom mogul who heads an untested Hong Kong-based firm called the Hong Kong Nicaragua Development Group (HKND Group). The company has a renewable 50-year concession to "design, develop, engineer, finance, construct, possess, operate, maintain, and administer" what Wang described during the launch ceremony as "the most important [infrastructure project] in the history of humanity."

Several hours later, at a gathering hosted in Managua by President Daniel Ortega, the billionaire developer said, "There’s no turning back," even as he acknowledged that construction of the canal itself would not begin until the end of this year. Technically speaking, Wang only broke ground that day on a single access road, one of many that will be needed later to transport materials and heavy machinery. The HKND Group promises to have the canal up and running by mid-2020.

The estimated US$50 billion scheme has the full backing of President Ortega, who began pitching the plan—and expounding on its potential as an engine of development—after his landslide re-election victory in 2011. Ortega used the two-thirds legislative majority he earned in that election to lay out a legal foundation, first by setting up a board of directors (Comisión del Gran Canal Interoceánico) to administer the venture, and then, nearly a year later, by pushing through the exclusive HKND Group concession deal, also known as Ley 840 (NotiCen, Sept. 27, 2012, and Aug. 15, 2013).

Police repression
Polls suggest a majority of Nicaraguans support the canal plan, although in recent months, as the centuries-old dream began to take real shape, visible opposition has emerged in the form of periodic protests (NotiCen, Oct. 23, 2014). To date, nearly 20 such demonstrations have taken place, mostly in southern communities along the projected path of the gargantuan canal, which is supposed to stretch 278 km from the mouth of the Río Brito, on the Pacific coast, to the end of the Río Punta Gorda, on Nicaragua’s Caribbean side. The Panama Canal, for the sake of comparison, is 77.1 km long.

Recent protests include a Jan. 18 march in Matiguás, in the northern department of Matagalpa, and late December demonstrations—coinciding with to the HKND Group’s construction launch—in the southern communities of El Tule, Rivas, and San Miguelito, where campesinos burned tires and blocked roads. Authorities responded with force, injuring dozens and arresting more than 40 people, including six activist leaders. News reports claim they were beaten and held for several days in the Dirección de Auxilio Judicial prison, better known as El Chipote, in Managua.
Rights groups were quick to cry foul. "This is no longer a dictatorship lite, this is a now a full-blown repressive dictatorship that is baring its claws and releasing its dogs," Dr. Vilma Nuñez, head of the Centro Nicaragüense de Derechos Humanos (CENIDH), told the news service Fusion.

A week after their release, the jailed activist leaders, members of the group Consejo Nacional por la Defensa de la Tierra, Lago y Soberanía, held a press conference in the CENIDH headquarters demanding a direct audience with President Ortega. The group has also visited various foreign embassies, including the US Embassy in Managua, and recently traveled to Costa Rica in an effort to draw new support to their cause. "This fight is just and authentic, in a way we haven’t seen in Nicaragua in a long time," said Nuñez.

**Water worries**

The campesino protestors are particularly concerned about the thousands of families who will be displaced by the canal and forced to sell their properties to the HKND Group at less-than-market-value prices. Ley 840 gives the development firm eminent-domain rights over all land it deems necessary for the canal and its many associated side projects, which include various roads and bridges, a tourist resort, a Pacific-side free-trade zone, an international airport, a power plant, and steel and cement factories. Wang’s company also plans to build two deepwater ports—one on each coast—and an artificial lake.

Some also question the megaproject’s potential impact on the environment, an issue that has been taken up as well by members of the scientific community. Scientists from a number of countries swapped ideas on the subject during a two-day forum held in Managua in November. The Academia de Ciencias de Nicaragua (CAN), which hosted the event, also invited representatives from the HKND Group, which declined the invitation.

Those who were present focused in particular on how the canal might affect Nicaragua’s huge central lake, Lago Cocibolca, which covers 8,200 sq km and is a vital source of fresh water (NotiCen, May 2, 2013). The canal, as it is currently designed, would cross the lake south of Ometepe, a volcanic island that the UN Educational, Scientific and Cultural Organization (UNESCO) designated in 2010 a Biosphere Reserve.

In surface area, Cocibolca, also known as Lake Nicaragua, is by far the largest freshwater lake in Central America. But it is also relatively shallow—with an average depth of just 13 meters—and would thus have to be dredged to allow the passage of large ships. Researchers worry that the dredging process could churn up heavy metals and other toxins that have accumulated through the years on the lake floor, as well as organic material that might then trigger suffocating algae blooms.

"Impacts on water and sediments are of concern because Lake Nicaragua is one of the paramount tropical lakes in the world, with profound ecological, environmental, and economic value," the official summary of the forum discussions reads. "All of these attributes could be impacted by an inter-oceanic canal of this scale and magnitude."

**Funny money**

Alongside the project’s many critics are a number of observers, including economists, engineers, and shipping experts, who have yet to be convinced that the canal is even feasible. For starters, there’s the question of funding. How exactly does the HKND Group plan to come up with US$50 billion—or more, should the projected cost, originally estimated at US$30 billion, continue to climb?
Many analysts wonder whether the money will come from the Chinese government. Wang Jing insists that is not the case.

A company spokesperson instead suggested recently that the HKND Group plans to raise the money by going public, i.e. listing itself on the stock exchange. But would investors really flock to a firm with no demonstrated construction experience? Opposition Deputy Eduardo Montealegre, an economist and former finance minister, is one of many observers who say the answer is no.

"When stocks are sold to raise capital, the investors who buy the stocks, whether they be individuals or institutions, need the company to have a documented history of sales, administrative costs, and earnings," Montealegre told the opposition newspaper La Prensa. "To say they’re going to do an initial offering on the stock exchange, or sells bonds to raise the money, isn’t feasible. It’s not real."

The HKND Group has raised eyebrows as well by saying it expects a return on its investment within 12 years from the point the canal goes into operation. La Prensa recently challenged that forecast by comparing it to information provided by a source involved in the Panama Canal’s recent upgrade, which cost US$5.2 billion (only a fraction of the Nicaragua Canal’s projected price tag) and is expected to pay for itself in eight to 10 years.

Skeptics also question whether the Nicaraguan plan is possible from a physical or engineering standpoint. The HKND Group estimates it will have to remove 5 billion cubic meters of material—more than 10 times the amount removed in the course of the Panama Canal’s long history. To do that within the five-year time frame it promised, the company will need to remove more than 2.7 million cubic meters of material per day. "With all that in mind, I’d say they’re tricking us," said Montealegre. "It may be that they’ve even fooled Ortega. What I don’t understand is why Ortega would let himself be tricked."

-- End --