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More Delays for Nicaragua’s US$50-Billion Canal Project

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Category/Department: Nicaragua
Published: 2015-12-10

Last year’s rush to break ground has given way to a prolonged pause for Nicaragua’s grandiose ocean-to-ocean canal plan, which continues to be hounded by questions regarding its financial feasibility, environmental impact and even human rights implications.

Twelve months after officially launching the gargantuan venture with a confetti-covered kickoff event (NotiCen, Feb. 5, 2015), the project’s Chinese developer now says that major construction will not begin for another year. Given the projected five-year time frame needed to complete the 278-km channel, the undertaking will not be up and running until late 2021, at the very earliest. The Hong Kong Nicaragua Canal Development Group (HKND Group), as the construction firm is called, initially promised to finish the behemoth job by 2019.

In a statement released in late November, the HKND Group said the “design of the canal is being fine-tuned” to accommodate recommendations included in the project’s Environmental and Social Impact Assessment (EISA) report. The 11,000-page document was compiled by the British consulting firm Environmental Resources Management (ERM) and submitted to Nicaraguan authorities in late May (NotiCen, July 16, 2015).

The Comisión del Gran Canal Interoceánico de Nicaragua, the government body overseeing the project, praised the EISA report from the outset as evidence of the canal’s “viability” but refused to make its contents public. On Nov. 5, the group officially approved the lengthy assessment, which shows, according to committee spokesperson Telémaco Talavera, that “the final net balance from the economic, social, and environmental perspective is absolutely positive for Nicaragua.” The full EISA remains under wraps, though the HKND Group did release a 113-page executive summary in September.

The government’s green-lighting of the EISA was initially seen as an important boost for the project. But with the HKND Group’s subsequent delay announcement, it is becoming increasingly clear that the canal scheme, for all the unwavering support it receives from local leadership, is still not a done deal. Nor, say critics, is it necessarily a good deal for Nicaragua, particularly from an environmental perspective.

Risks and hazards

Closer inspection of the EISA (or at least the available executive summary) shows that while ERM sees the canal as potentially beneficial to Nicaragua, it also acknowledges a number of obvious risks and recommends that in order to mitigate those risks, the HKND Group and its Nicaraguan government backers carry out further studies and adhere to international best practices.

One of the chief concerns highlighted in the report is how the canal would impact Lago Cocibolca, Central America’s largest lake and a vital source of drinking water for hundreds of thousands of Nicaraguan residents (NotiCen, May 2, 2013). The HKND Group plans to run the canal right through the 8,200 sq km lake, also known as Lago de Nicaragua or Lago de Granada. To do so, however, it will have to carry out major dredging operations, which could impact water quality, the EISA
notes. Pollution from ship traffic is another risk, as are increased salinity levels in the water, and the possibility of an unforeseen container ship accident.

“There is always the potential for unplanned events (e.g., accidents and spills) associated with any infrastructure project,” the report’s executive summary reads. “Some of the most significant unplanned events are associated with the potential for oil or hazardous material spills in Lago de Nicaragua.”

In that regard, the EISA echoes warnings raised by local ecologists, who fear the project will devastate the lake and ruin it as a source of drinking water (NotiCen, Oct. 23, 2014). Environmental groups also complain that the canal route passes just south of Isla de Ometepe, a volcanic island located in the lake that was included five years ago in UNESCO’s World Network of Biosphere Reserves, and runs through protected areas such as the Reserva Natural Cerro Silva and Reserva Punta Gorda in the Región Autónoma del Atlántico Sur (RAAS).

“Looking at this evidence, we say ‘Stop! Halt!’” Dr. Julio Miranda, a structural engineer and outspoken opponent of the canal project, said during an appearance at the Segundo Taller Internacional sobre el Canal, a symposium of scientists held late last month in Managua. “Don’t go on with this madness. Gather a panel of experts. Establish correct, viable and verifiable design criteria. Make calculations for the canal design based on these arguments, and only then proceed. It’s not just us saying this. This is what [ERM] recommended.” Miranda works with CH2M Hill, a US engineering firm collaborating in the current expansion of the Panama Canal.

**Evaporating wealth**

The HKND Group and the Comisión del Gran Canal Interoceánico de Nicaragua see the EISA in a substantially different light—as a validation of their efforts—and dismiss Miranda and the other experts gathered for last month’s international canal workshop as unqualified and blinded by bias. “They’re people who go around to these kinds of meetings. They get invited by people who pay them,” the Comisión’s president, Manuel Coronel Kautz, told reporters.

They also reject media reports that the construction delay is in any way indicative of financing problems. Speaking to the Financial Times, canal committee spokesperson Talavera said that the HKND Group and its Nicaraguan government partners have been “very, very courting Asian, North American, European, and Latin American private investors” and are thus in good shape as far as funding is concerned. “We would be worried if we thought the delay was for financing reasons ... but the resources are available,” he added. Talavera has not, however, said how much money the Comisión and HKND Group have lined up, nor who the supposed investors are.

Questions regarding money have been present since Nicaraguan leader Daniel Ortega first began pushing the canal scheme in 2012, following a successful reelection bid that also gave him an absolute majority in the Asamblea Nacional, the country’s unicameral legislature (NotiCen, Nov. 17, 2011, and Sept. 27, 2012). He later used that majority to strike a non-bid deal with the HKND Group and its 42-year-old chairman, Chinese telecom mogul Wang Jing (NotiCen, Aug. 15, 2013).

By all accounts Jing is an extremely wealthy man, though not to the point where he can single-handedly pay for a project whose estimated price tag currently stands at US$50 billion. He lacks experience, furthermore, with regards to major infrastructure endeavors, a fact that would presumably give investors cause for hesitation and has fueled speculation among some observers.
that funding for the project is really coming from the Chinese state, something HKND Group denies.

Another possible complication for Jing and his untested development company is the recent stock market turbulence in China. As of June, Jing was one of the world’s 200 richest people, with a net worth of approximately US$10.2 billion, according to the financial news service Bloomberg. By early October, however, Jing’s fortune had dropped 84% to US$1.1 billion. Stock market improvements have since helped him recover some of those losses, but the mysterious magnate’s net worth is still down by approximately a third compared to the start of the year, The Guardian recently reported.

Taking to the streets

Campesino groups, in the meantime, continue to mobilize against the project, with periodic protests (NotiCen, April 30, 2015). There have been more than 50 to date, including a significant gathering Oct. 27 in Managua, where thousands from across the country congregated despite reported efforts by authorities to block transit into the city.

Led by an umbrella group called the Consejo Nacional en Defensa de Nuestra Tierra, Lago y Soberanía Nacional, the protestors demand that the government repeal Ley 840, the concession law that the Sandinista-dominated legislature approved in 2013 giving the HKND Group exclusive rights, for the next 50 years, to build and operate the canal and use whatever land it deems necessary to carry out the project.

Critics lambaste the concession deal — which Jing’s firm can later renew for an additional 50 years — as a scandalous give-away and an attack on the country’s sovereignty. Residents in the canal’s projected path also worry about when and how they will be forced out of their homes or off their farms. The HKND Group estimates it will have to displace approximately 28,000 people. Canal opponents fear the number will be significantly higher.

The Chinese developer and its government backers say the project will ultimately benefit the Nicaraguan people, including those along the canal route, by providing tens of thousands of jobs and eventually doubling the country’s Gross Domestic Product (GDP). Polls suggest that a majority of Nicaraguans still support the project. But as the ongoing wave of protests suggests, not everyone is convinced.

“Our land is what produces food and life. It’s what our ancestors left for us and what we will leave for our children. That’s what we’re defending,” Medardo Mairena, a protest organizer and government councilperson in the RAAS, told the Agence France Presse news agency during the Oct. 27 demonstration.