

Nicaragua and the Inter-Oceanic Canal

Prepared for the Nicaragua Network / Alliance for Global Justice
in July 2015 by Katherine Hoyt

The canal through history

A waterway across Nicaragua has been a dream that the country has been unable to let go of:

*Trade networks of Nicaragua's indigenous inhabitants used Lake Cocibolca (Lake Nicaragua) and the San Juan River to cross the continent before the arrival of the Spanish conquistadors in 1524.

*In 1567 Philip II of Spain sent engineer Juan Bautista Antonelli to do the first feasibility study for a canal. He didn't think it could be done.

*But, starting in the 1800s, the



Netherlands, Belgium, the United States and France all showed interest.

One reason – the continental divide is lower in southern Nicaragua than anywhere else on the continents of North and South America.

Panama Canal was almost in Nicaragua



In 1902, the US Congress was debating whether to build a canal in Nicaragua or Panama. The House had already voted in favor of the Nicaragua option when the French company Bunau-Varilla found a Nicaraguan postage stamp with Momotombo in eruption and distributed it to undecided Senators. The vote went to Panama and the rest is history.

The canal in recent times

The canal even came up as a cold war issue: When the Reagan Administration was trying to overthrow the Sandinista Revolution in the 1980s, a CIA officer said, “The obvious place for a second canal – ocean-to-ocean all through the isthmus – is through Nicaragua. I would not want to have [it] in the hands of the Soviets, which it would be... if we allow the Sandinistas to consolidate the communist revolution there.”

In 1999, the Nicaraguan National Assembly and then-President Arnoldo Aleman approved a 30 year renewable concession to a Nicaraguan company to build a canal but in the end it lacked funding and came to nothing as all proposals had in the past.



Pres. Ortega and Wang Jing sign concession on June 15, 2013

President Daniel Ortega proposed a 50 year renewable concession to Chinese businessman Wang Jing and his HKND Company to carry out environmental and feasibility studies and raise the funding for a massive enterprise that would consist of a shipping canal, two deep water ports (one on the Pacific side and one on the Atlantic), an airport, tourism installations and free trade zones. The National Assembly (where the Sandinista Party has a majority) approved the concession and Ortega and Wang Jing signed it on June 15, 2013.

Under the concession, Nicaragua will receive US\$1 million each year beginning immediately and will receive 10% ownership in the company each decade to own 51% in 50 years.

Wang Jing said that international



demand exists for the building of an inter-oceanic canal that is deeper and wider than the expanded Panama Canal and offers more benefits, adding that the dream of a canal in Nicaragua answers those demands.

Ortega said that the feasibility studies would determine if the project was possible.

Opposition protests canal

While business people and labor unions have been generally supportive of the canal project and polls show support for the canal nationwide at above 60%, the political opposition has come down hard on the Ortega government over the issue.

In a communiqué, the opposition Sandinista Renovation Movement (MRS) compared the terms of the concession to the infamous Chamorro-Bryan Treaty of 1914 which gave the United States a concession in perpetuity to



build a canal through Nicaragua.

The MRS document said, “Ortega robs the Nicaraguan people of their ability to decide about the building of an inter-oceanic canal which, if this law is passed, will be put in the hands of false Chinese businessmen and their local partners.”

Loss of sovereignty?

Conservative Party leader Noel Vidaurre said that, according to the canal law, the investors cannot be sued under Nicaraguan law and that, if Nicaragua were to fail to fulfill its commitments under the law, it could be taken to an international arbitration panel in Europe.

What these commentators fail to note, however, is that these same measures are part of the free trade agreements signed by nations around the world.

Nicaragua lost some of its sovereignty when it joined the World Trade Organization (WTO) in 1995 and when it approved the Central American Free Trade Agreement (CAFTA) with the United States in 2005.



Some of those who now denounce this concession opposed CAFTA while others supported it.

Protests continue in towns around the country

On June 13, 2015, a substantial crowd marched against the canal and what they believe will be confiscations of their land in Juigalpa with figures varying between 8,000 and 30,000 marchers.

At the front of the march was a banner reading “Daniel Vende Patria” accusing President Daniel Ortega of selling out his country, followed by another saying “Here the Chinese will not enter.”

Participating were farmers and the opposition political parties and opposition environmental and human rights organizations.



Esteli Bishop Juan Abelardo Mata, an ardent foe of the Sandinista government, said, “The people are waking up, thank God! There are very just demands such as those from peasant farmers who are saying that they are not in favor of the canal and will not sell their land.”

“Displaced will end up better than before”

Vice-President Omar Hallesleven said in June 2015 that “When work begins and the first farmers negotiate with the company..., then this will all collapse like a house of cards just as has happened with Tumarín.”

He explained that the hydroelectric company paid millions of dollars to displaced farmers for their land; they ended up better than before in a new town with all the necessities, and the protests ended.

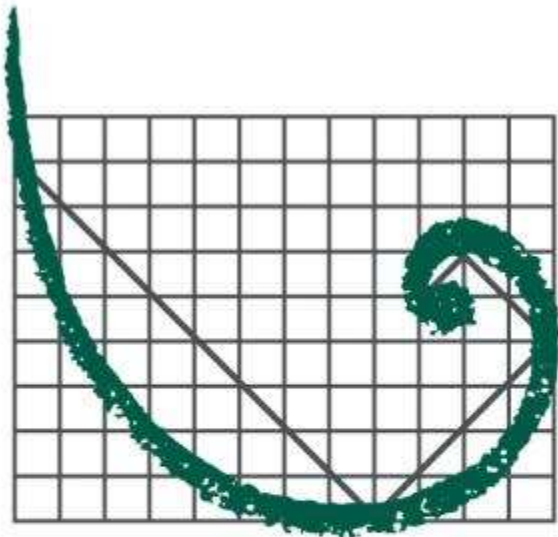
Telemaco Talavera, spokesperson for the Canal Commission, said that there will be no confiscation and several methods of compensation have been designed, including new homes, payment for land at rates above the estimated property tax value, construction of schools, health centers, and Catholic and Protestant churches in the new communities.



Tumarín hydroelectric project is moving forward after compensating affected farmers.

He added that farmers who have no legal title to their land will be given titles and will then be compensated. He noted that 7,000 families with a total of about 30,000 people are expected to be affected.

Well known companies are carrying out the various feasibility studies for the canal company:



ERM

- The **China Railway Construction Corporation** (partly Chinese government owned) is carrying out the technical studies.
- US-owned **McKinsey and Company** are doing the financial studies.
- **Environmental Resources Management (ERM)** of UK origin is doing the environmental impact study.
- US based **McLarty & Associates** will put together the consortium of investors for the project if the feasibility studies are positive.

In July of 2014, ERM chose one of the six proposed routes and gave a detailed report on the environmental reasons for the choice.

Among the reasons for discarding the other routes were the probable impacts on protected wetlands, endangered species and indigenous peoples. The chosen Route 4 goes from the mouth of the Brito River on the Pacific to the mouth of the Punta Gorda River on the Caribbean.

Route Four Chosen



Figure 2-1: Project Location

ERM said the Rama people will have to be consulted and that degraded areas in the Indio Maiz and Punta Gorda Nature Reserves would have to be rehabilitated and watershed management improved.

Benefits of a canal

Meanwhile, the Ortega government is emphasizing the possibilities that the canal could hold for raising the country out of poverty. Ortega has received high praise internationally and domestically

- 1) for his anti-poverty programs which favor small farmers and businesses but have also kept big business and agriculture happy,
- 2) for maintaining strong economic growth and good fiscal management, and
- 3) for moving the country toward renewable energy with half of the country's energy needs now being met by renewables.

But, world prices for Nicaragua's exports of coffee, gold, beef and sugar have recently declined after a long period of good prices.

Economists say that Nicaragua needs more than its current 5% yearly growth, something more like 10% to pull the country out of poverty.

Ortega insists that the canal project would enable Nicaragua to end poverty in the country by increasing the number of formal sector jobs from the current 640,000 to 1.9 million while he promises to continue supporting small farmers and preserve the agricultural sector.

Jobs for Nicaraguans

Nicaraguan builder Benjamin Lanzas said that construction companies in Central America would benefit from the building of the canal.

He stated, “HKND is committed to first call on Nicaraguan companies..., and second call on the Central American companies; it’s a verbal agreement.”

He added that HKND first has to [complete the studies] then obtain financing, and then call for bids from the companies that would carry out the various parts of the canal project.



He admitted that, “If all of the construction companies of Central America were to unite into one mega-company they could only build 10% of the canal.” However, he said that there will be other needed services that Nicaraguan companies can provide such as food, hotels, and hospitals.

Consultations

Consultations with inhabitants along the canal route began in Sept. 2014 when ERM met with thousands of residents of San Miguelito, Nueva Guinea, Bluefields, Polo de Desarrollo, Rivas, Ometepe, and Managua. Concerns were:

- 1) Private property and how it will be affected by the proposed shipping canal;
- 2) The impact the canal would have on the quality of the water of Lake Cocibolca (Lake Nicaragua), increasingly used for agriculture and drinking;
- 3) Archeological sites along the route and what mitigation measures were planned for their preservation;
- 4) The possibility of salt water entering into the Lake and how that would affect water quality and the impact on the rivers used for fishing and transportation;
- 5) The proposed dredging of the Lake and how that would affect water quality and water level in the Lake.

The majority of property owners in San Miguelito accepted the idea of selling their



properties if the price was just or the land they received in exchange was “good and sufficient to survive.”

There were questions about opportunities for work on the project and what qualifications would be required.

Concerns about Lake Cocibolca

The delegation that the Nicaragua Network took to Nicaragua in June 2013 came back with reports about meetings that they had held with environmental organizations.

Bruce Wilkinson wrote, “One of the major concerns of Victor Campos, director of the Humboldt Center in Managua, is about Lake Cocibolca (Lake Nicaragua) which has an average depth of 2.5 to 10 meters whereas the canal will be need to be 30 meters deep. This would mean that they would need to dig a channel through the lake plus the ecological harm of ships



going through the fresh water lake that is used for drinking and irrigation. The Sandinista government is meeting with concerned environmental groups but it remains to be seen if promises of sustainable development will win out.”

Largest source of fresh water in Central America!

Another member of the Nicanet delegation, Susan Lagos, wrote that Campos also told them:

“Lake Cocibolca with 8,000 square kilometers provides the largest source of fresh water for humans and crops in Central America, which with climate change heating and drying the area, is of extreme importance. The fine silt on the bottom of the lake would be disturbed by dredging for a deeper channel, not to mention



loss of water as ships pass through to the two oceans, polluting as they go. If the damage is irreversible, then precaution says DON'T.”

Lake Cocibolca watersheds would be reforested

But, botanist Alain Meyrat, said, “If the watersheds are managed well and new areas reforested, the hydrological cycle will be improved as will the quality of the water to the benefit of the populations of the towns, although the water will always have to be treated before drinking.”

He emphasized that rigid measures would be required to make sure that ships did not contaminate the lake with garbage or petroleum products. He noted that a



Watersheds that drain into Lake Cocibolca

captain who works for the canal company takes charge of a ship when it passes through a canal and that the captain must be vigilant about contamination.

Association of biologists opposes canal

The chosen canal route would impact two among the seven protected areas in Nicaragua: Cerro Silva and Indio Maiz.

In October 2014 the Association for Tropical Biology released a resolution opposing the canal. Among other points, the resolution noted:

“This reserve network is home to at least 22 known vulnerable and endangered species according to the IUCN (International Union for the Conservation of Nature) Red List, including tapirs, jaguars, sea turtles, corals and other species;



The Central American tapir is classified as vulnerable.

as well as some of the most unique and pristine remnants of mangroves, coral reefs, dry forest, rainforest, wetland and lacustrine habitat remaining in Central America.”

How the canal could help the forests

Supporters of the canal note that it would help Nicaragua's rain forests in two ways:

- 1) by making forest preservation of paramount national interest (without the forests, there is no water in the rivers and in the lake and without water the canal cannot function); and
- 2) by providing the financing for large projects of reforestation in the areas where forest has been lost to logging and farming



Much forest has been lost to logging and farming.

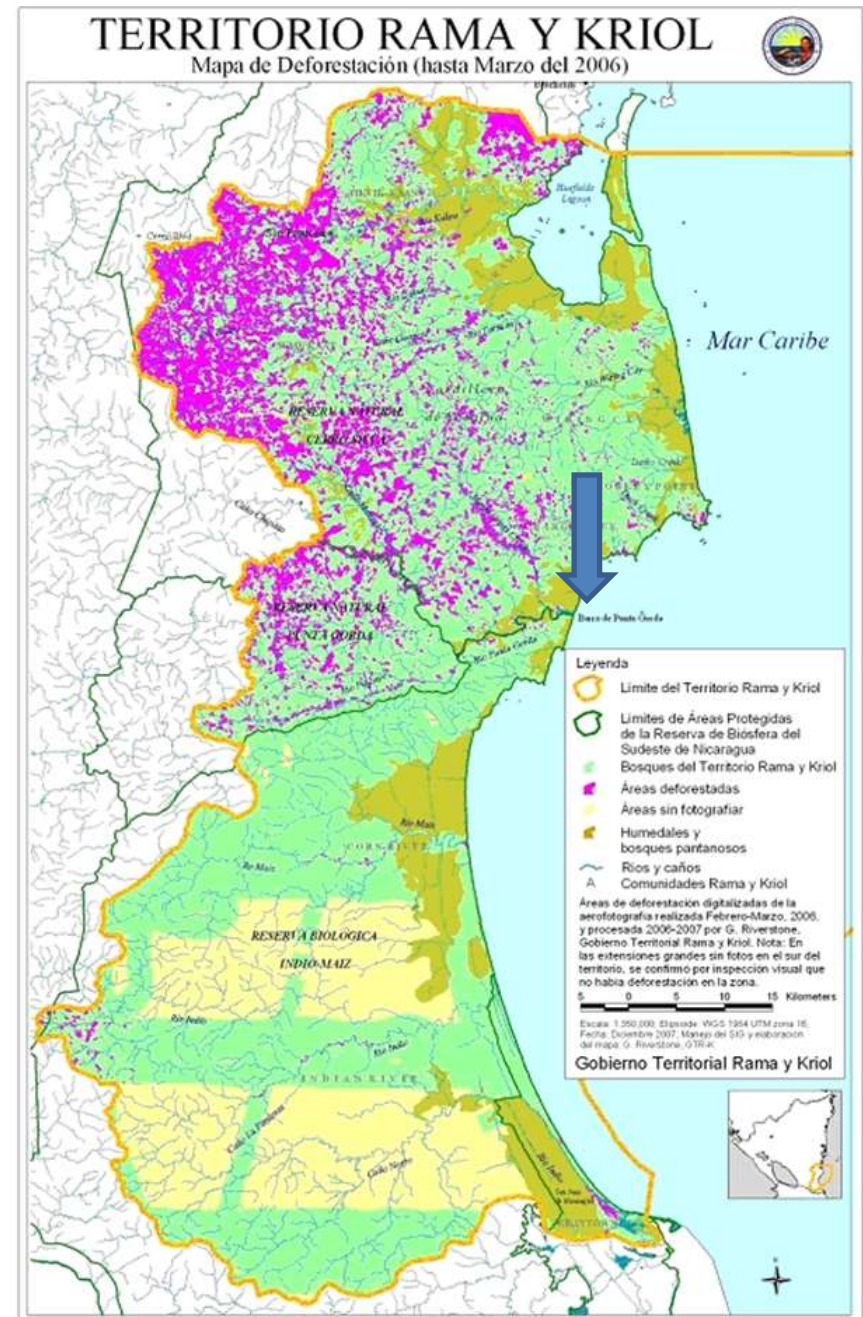
and by providing resources for the impoverished farmers who have been moving the agricultural frontier into those forests.

The discussion continues

Would the reforestation that would accompany the building of the canal compensate for probable damage to Lake Cocibolca?

Norwing Torres of the Friends of the San Juan River Foundation said that, “The rate of deforestation now is 12% per year. In areas such as the Cerro Silva and Punta Gorda Reserves [near the canal route], the flora and fauna are going to disappear in eight years but, with the canal, that would not occur because the project requires water and for there to be water there has to be forest.”

The map shows (in pink) the deforested area in Rama and Kriol territory in 2006. The arrow shows the eastern terminus of the canal at Punta Gorda.



Indigenous rights

Another important issue is the one of indigenous rights.

Under the Sandinista Autonomy Law of 1986 and the Sandinista Constitution of 1987, the North and South Atlantic Autonomous Regions are supposed to have a voice in the use of the resources of those regions.



Since the Sandinistas returned to power in 2007, 22 of the 23 indigenous land areas have been demarcated and deeded as communal property to the indigenous communities.

The chosen route will pass through the Punta Gorda Nature Reserve and Rama indigenous territory.

At a forum held at the Inter-American Commission on Human Rights in Washington, DC, Becky Macray, the first lawyer from the Rama indigenous community, said: *"If this project gets implemented, there is a strong possibility that the Rama language spoken in Bankukuk Taik will disappear as the last people who speak that tongue get forcibly displaced from their land."*

She insisted that consultations should have been held with the indigenous BEFORE the concession to build the canal was signed.

EL TERRITORIO RAMA



ERM's recommendations

ERM recommends that the project affect in the most minimum way possible the six Rama communities (Suma Kaat, Tiktik Kaanu, Rama Cay, Wiring Cay, Indian River, and Bangkukuk) and three Kriol communities (Graytown, Corn River, and Monkey Point) in the region.

ERM met with the communities last year and the report (still to be released in full) includes information about their socio-economic situation, their culture (including sacred sites and



archeological sites), the places where they hunt and fish and how the different populations relate to each other.

ERM recommends that, if the community of Bangkukuk is to be moved, it be done with the complete agreement of the members of that community.

Indigenous lands

Bill Wild, chief project adviser of HKND, the company that holds the concession for the canal, reiterated that Route 4 was chosen because it would cause the least damage to the Indio Maiz Biological Reserve and less disruption to indigenous communities because of a low population in the area.

He said, “We have to clarify that in the area [at the Caribbean terminus of the canal] there are some 300 families of which only 25% belong to the Rama Kriol ethnic group and the rest are settlers who have come to



live in that indigenous territory.”

Presidential public policy adviser Paul Oquist has indicated that, in areas where they would be affected by the canal, indigenous lands would be leased. This is because, under Nicaraguan law, indigenous lands cannot be sold.

Ramsar Convention officials visit

In January, representatives of the Ramsar Convention on Wetlands came to Nicaragua at the invitation of the government to visit wetlands near the planned route of the canal.

After meeting with government officials and representatives of HKND, Maria Rivera, Ramsar Senior Advisor for the Americas, said, “It is very, very positive that Nicaragua has called on the convention” to study affected wetlands. You are at the beginning; this is the moment to take measures, to miss nothing, to see everything and make the best decisions.”

Specialists traveled to the municipality of Rio San Juan to visit the San Miguelito and Los Guatusos wetlands. The visit was in answer to an invitation from the government as one of the requirements that ERM has to fulfill. The Ramsar scientists will compare their results with information provided to them by ERM.



Heron capturing a frog in San Miguelito Wetlands

Nicaragua joined the Ramsar Convention in 1997 and has nine Ramsar wetlands sites. Nicaragua has committed to ensure that the ecological character of those sites is maintained.

Archeological studies

On Feb. 4, 2015, archeologists from Environmental Resources Management turned over to the Nicaraguan Institute of Culture 15,000 pre-Columbian objects retrieved from sites along the route of the canal.

According to ERM, 213 new archeological sites were identified, 105 of which contained ruins of structures. The items, 13,000 of which were ceramic and 2,000 of which were made from stone, were found on the surface by a team of 29 archeologists, both Nicaraguan and foreign.

Manuel Roman, principal archeological investigator for ERM, said that the next step is to carry out a more intensive study with focused excavations.

Nicaraguan archeologist Jorge Espinoza proposed to President Daniel



Ortega the building of a series of museums along the canal route to exhibit the pieces discovered at the various sites.

Vilma de la Roca, director of the Institute of Culture, thanked the scientists for the pieces adding that the great work of rescuing and preserving of Nicaraguan ancestral treasures must continue.

Environmental study released to Canal Commission

On the evening of May 31, 2015, the HKND Group turned over to the Nicaraguan Canal Commission the fourteen-volume environmental and social impact study prepared by Environmental Resources Management (ERM).

Manuel Roman Lacayo, principal investigator for ERM, said, “ERM is not in favor or against the project. In the study we establish what the challenges are that the project could confront; but the final decision belongs to the government of Nicaragua in conjunction with HKND.”



Canal Commission spokesperson Telemaco Talavera said that the studies will be analyzed by an inter-institutional commission headed by the Ministry for the Environment and Natural Resources (MARENA) during the month of June, then submitted to public consultation, with a government decision issued in July.

ERM calls experts to a conference

In March 2015 ERM called together a forum of experts at Florida International University to review its preliminary findings. The meeting was not open to the public but in June two reports were issued, one from the panel of scientists and another which was a reply from ERM. The scientists had serious criticisms to make of the preliminary report and ERM had equally serious replies.

The panel noted, “The very short (i.e., 1.5 years) period that was approved by HKND for this environmental study was insufficient given the magnitude of the proposed projects associated with the canal construction.”

ERM responded, “ERM has been previously quoted in the media as saying the ESIA [Environmental and Social Impact Assessment] schedule was aggressive. The lack of a final detailed Feasibility Study



hampered our analysis. ERM recommends in the ESAP [Environmental and Social Action Plan] that several additional studies be completed to confirm key design assumptions before a final decision is made by the Government of Nicaragua.”

The response added, “ERM only reached conclusions where we believed we had sufficient data to support those conclusions.”

Climate change must be considered

The scientists at Florida International University said, “Climate change must be considered and incorporated into every aspect of the design.”

ERM responded, “ERM agrees completely. The extent that climate change (e.g., changes in temperature, evapotranspiration, and rainfall) may influence the overall project water balance is critical to confirm that water required for canal operations does not come at the expense of Lago de Nicaragua, wetlands, and other aquatic habitats. ERM recommends



in the ESAP [Environmental and Social Action Plan] that a comprehensive water balance be conducted that takes into consideration climate change, among other factors.”

Financial feasibility?

HKND Chief Project Advisor Bill Wild recently told former Foreign Minister Francisco Aguirre that the financial feasibility study done by McKinsey and Company has been finished since July of 2014. Aguirre asked why the study has not been made public and wondered if it has been taken to financial markets and institutions in search of investors. Such news, he said, would help to dissipate the doubts that exist around the canal.

Presidential economic advisor Bayardo Arce said on June 4, “I don’t know what is happening with the canal because there still is no money deposited for it.”

Presidential public policy advisor Paul Oquist has been travelling around the world presenting the canal project to possible investors. In London, he spoke at Guildhall at an investment forum organized by the Latin American Trade and Investment Association and, in St. Petersburg, Russia, he talked about the canal at an International Economic Forum. Before those visits, he was in China where he reported that investors there had shown a great deal of interest in investing in the canal.



Bill Wild of HKND



Ortega adviser Paul Oquist

One prominent Nicaraguan commentator said, “Ortega is trying to sell hope to the population and what better vehicle than the most long-lasting collective dream that we have—that of a trans-oceanic canal. The image is powerful.”

