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THE GRAND CANAL: NICARAGUA'S FLIRTATION WITH ENVIRONMENTAL DISASTER

Jul 23, 2015 by [Casey Coates Danson](#)

[\[Translate\]](#)

A centuries old vision, building a canal linking the Atlantic with the Pacific in Nicaragua, may finally become a reality. Attempts in the past have been victim to the limitations of technology, challenging terrain, economic depression and political resistance. On December 22, 2014, Nicaraguan President Daniel Ortega and Chinese entrepreneur Wang Jing negotiated an agreement to begin construction of a state-of-the-art canal that would have the capacity to accommodate a new generation of oil tankers and mega-size container ships that are too big to cross the Panama Canal.

The [canal project](#) has been projected to increase regional transshipment, foreign investment and further develop maritime initiatives in the Caribbean. Once completed, it is estimated 5 percent of the world's maritime trade will pass through the canal. According to an [Al Jazeera America investigative report](#), President Ortega has claimed the project will provide Nicaragua with annual growth rates of 14.6 percent by 2016. A host of secondary projects proposed include the building of airports, golf courses, deep-water ports, improved roads to those ports and a free trade zone. Ortega has stated, once completed, the project will require an estimated 200,000 workers, most of whom will be Nicaraguan.

The Controversy

Since its inception, the agreement has been subject to controversy. For example, The Al Jazeera report found the negotiation process involved no-bid concessions, no public debate and was fast-tracked

through the Nicaraguan National Assembly in one day. Much of the planning has been conducted without public awareness or input. Questions surround Hong Kong entrepreneur Wang Jing, the CEO and chairman of Hong Kong Nicaraguan Canal Development Group (HKND), the corporation that has been granted the contract to construct, market and operate the canal.

According to an analysis undertaken by the [Council on Foreign Relations](#), HKND was given the “right to possess, occupy, use, or perform any activities upon all government-owned and privately owned real property which may be reasonably necessary or desirable for the canal.” The CFR analysis also noted HKND was awarded the bid *prior* to any “independent or environmental feasibility studies were undertaken.” HKND was granted a 50-year concession that is subject to renewal for another 50 years. In return, HKND will pay the government of Nicaragua \$10 million a year and provide 1 percent ownership each year the canal is in operation.

Questions have emerged concerning Wang’s ability to raise the \$50 billion cost of the project and whether is it realistic that a 172-mile (275 km) canal, much of it built in rugged tropical rainforest, can be completed in just five years. Wang’s background is an additional mystery. Exactly where he intends to acquire the financing is a matter of speculation. Wang’s [personal net worth](#) is estimated at \$6 billion: out of reach to self-finance the project. His business experience has been in telecommunications, not infrastructure projects. His telecom firm, Xinwei, has links to China’s Ministry of Post and Telecommunications, and he is believed to have collaborated on a [variety of government-sponsored public works projects](#).

In a [BBC interview](#), Wang claimed he has no ties to the Chinese government and the canal project does not present a strategic threat to American hegemony in the Western Hemisphere. When asked if the project would be built in The United States’ backyard, Wang replied, “Now the global economy is so developed, you can’t say anything is anybody’s backyard.”

Beyond the lack of transparency in the decision-making process, questions have emerged about the project’s impact on the social and natural environments proximate to the canal. According to the Aljazeera Report, the canal will dislocate an estimated 120,000 people; most are poor, small-scale farmers. Deforestation of pristine rainforests will infringe on the territorial rights of indigenous tribal groups like the Rama-Kriol community, who could lose 40 percent of their land. They have taken legal action with the [Inter-American Commission on Human Rights](#), claiming the Nicaraguan government did not consult them when planning the project.

The impact of the canal on the ecosystem of Lake Nicaragua (Lake Cocibolca) could be catastrophic. The lake is the largest source of freshwater in Central America and is currently facing environmental threat from human activity. To accommodate the new generation of ships that will go through the canal, a trench 65-mile (104 km), 1,700 feet (518 m) wide and over 90 feet (27 m) deep will be dredged in Lake Nicaragua.

It has been estimated by the environmental organization Circle of Blue that over [one billion metric tons](#) of sediment will be dug up from the dredging. The lifting of the sediment from the lake bottom has unforeseen environmental consequences. Biologists [Axel Meyer and Jorge Huete-Pérez](#) analyzed the project and claim it will destroy nearly a million acres of rainforest and wetlands. They have also predicted the dredging of the lake will have a deleterious impact on aquatic life, promote the introduction of invasive species, release toxic chemicals into the water system and increase the salt levels of the lake once the canal reaches the Pacific Ocean. The repeated dredging would likely contribute to eutrophication of the lake. According to the Al Jazeera Report, these disruptions to the lake’s ecosystem would potentially poison the drinking water of 200,000 people who live in the region.

HKND and Nicaraguan government officials counter that the ecological threats are overblown. A draft of the Environmental and Social Impact Assessment (ESIA) conducted by London-based Environmental Resources Management (ERM) was presented in a private meeting with HKND and Nicaraguan canal authorities on May 31 in Managua. Circle of Blue reported the study (not made available for public review) recommended canal construction was "safe and feasible" and excavation could proceed before the end of the year. An independent analysis of [the ESIA](#) was conducted by a group of 15 scientists at Florida International University College of Law in March. The scientists questioned the environmental impact as well as the feasibility of the entire project stressing, "Because of the unprecedented magnitude of the project and the limited information available about some of the construction plans, the effects of the proposed disturbances on the ecological processes, as well as the level and significance of many of these impacts, cannot yet be fully analyzed." The scientists recommended the project be subjected to additional research and that ERM collect deeper data on its environmental and social impact.

On June 22, a [HKND spokesperson](#) offered a four-tiered approach to address concerns about the social and environmental impact of the project. HKND will create a reforestation program for watersheds along the length of the canal; provide a 10 kilometer "no-go area" in the Mesoamerican biological corridor that would be off limits to human activities; use material excavated during construction to create 30,000-40,000 hectares (72,000-96,000 acres) of land for agriculture; and build two islands with rock walls in Lake Nicaragua for a place for excavated material to be deposited. According to [HKND documents](#), the canal project is the largest earth-moving operation in history. The possibility the HKND environmental protection plan will mitigate the scientists' concerns is questionable, given the scale and complexity of the project.

Geopolitics of the Grand Canal

As the canal project evolves, serious domestic and international geopolitical conflicts may arise. Concerning domestic politics, the memory of Augusto Sandino has reemerged as many critics of the canal project fear the Chinese have been given carte blanche control of the canal at the expense of Nicaragua's sovereign rights. Sandino led an armed resistance movement against US plans to build a canal in 1927. In principle, Sandino was not opposed to the building of an intercoastal canal; his fight occurred over sovereignty rights once the canal was built. In a similar refrain, critics of the canal project argue China will exercise excessive influence over Nicaragua's economy once the canal is in operation.

During a 2011 trip to Nicaragua by this author, critics referred to Ortega as a "caudillo" who had abandoned the ideals of the Sandinista revolution to enrich himself. Yet, Ortega was easily reelected in the [2011 election](#), winning nearly 63 percent of the vote.

Not long after this convincing electoral victory, Ortega began thinking about the prospects of building an intercoastal canal. Ortega does have popular support for the project. A 2014 public opinion poll conducted by the [Latin American Public Opinion Project](#) at Vanderbilt University found strong support for the canal, with supporters claiming the project would create jobs and help the economy.

However, civil society groups have engaged in organized protest against the project, creating social unrest in Nicaragua. Protests by farmers, human rights activists, and environmental groups are increasing. Jon Lee Anderson in a January 2 [New Yorker article](#) reported that street protesters often carried signs with the written slogan, "vende patria;" a clear reference to Ortega as a traitor, selling out Nicaragua to Chinese influence.

Anderson reported that Ortega's secretive decision-making with HKND and the lack of transparency concerning the procedures of the project are eliciting concerns about corruption. [Steven Kinzer](#), a longtime observer of Nicaragua, has written that Ortega has pushed a tax law through the National

Assembly benefitting wealthy Nicaraguans and foreign investors, while intensifying government efforts to control media reports and public discourse related to the canal project as the controversy grows. [Freedom House](#) considers Nicaragua a partly free country, and Ortega's authoritarian-style actions should be cause for concern.

Geopolitically, the canal may lead to a diplomatic showdown between China and the US over Chinese initiatives to increase its economic and political power in the Western Hemisphere. Although no evidence has emerged that the Chinese government has provided direct financing, the project fits into the grand plan of China's rise to global prominence.

A May 21 editorial in the [People's Daily](#), provides insight into China's geopolitical strategy, the "One Belt, One Road" initiative. This [foreign relations initiative](#), based on the principles of "win-win," "mutual benefits" and "integration," stresses that the Chinese be prepared to take advantage of "changes in the future" due to resource demands. In the new multipolar world envisioned by Chinese leaders, China's insatiable demand for energy is threatened by American naval superiority. The political destabilization of the Middle East has rendered energy sources there unreliable. China's continued economic progress is dependent on overseas resource extraction.

Global proprietary infrastructure projects provide predictable access to needed resources like oil, iron ore and foodstuffs. Proposed railways will link China to Southeast Asia, Central Asia and Berlin. Proprietary rights to agricultural land in Africa, railways linking Brazil and Peru, and Nicaragua's Grand Canal are all part of the new global vision of integrating resource demands with suppliers. In the end, all Chinese-built infrastructure leads to Beijing. On January 8, Chinese President [Xi Jinping announced](#) a goal of bilateral trade with Latin America totaling \$500 billion in 10 years. He also promised \$250 billion in direct investment in the coming decade.

China is quietly entering the United States' sphere of influence; not with armies but with the lure of infrastructure as a form of soft power. The risks are potentially severe, but the benefits to China's economic future outweigh those risks, at least for the moment.

Is Wang Jing a proxy of Beijing? Perhaps. The Grand Canal project certainly fits into the Chinese geopolitical worldview. By not providing direct financing for the project, Beijing cannot be held accountable if an environmental catastrophe does occur. Likewise, China can deftly avoid the stigma of neocolonialism, letting HKND take the rap over Nicaragua's concerns with sovereignty. If the project succeeds without serious consequences, China's geopolitical vision is fulfilled in the Western Hemisphere. This would be a blow to American hegemony in Latin America. It would also be a blow for poor farmers and the indigenous tribes of Nicaragua's rainforest. For Beijing, however, it's a diplomatic "win-win."

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An AdSense advertisement for adoption. It features a photograph of two men, Dan and Paul, smiling. The text reads: 'Dan And Paul Are Hoping To Adopt' followed by a quote: '"We are excited to be parents and provide a child with a life of adventure, education, and laughter."' Below the quote is a green button that says 'Get To Know Us! >' and a toll-free phone number: 'CALL US TOLL-FREE 1-888-976-1766'. The 'adopt' logo is visible in the top right corner of the image area.

An advertisement for 'the rainforest site' which is a 'Fair Trade Store'. It features a circular graphic containing a tree. The text says: 'Orders Preserve Endangered Rainforest.' and 'TheRainforestSite.com'.

An advertisement for 'the animal rescue site' which is an 'Animal-themed Clothing' store. It features a paw print icon and a graphic of a shirt. The text says: 'Orders feed shelter animals in need!' and 'TheAnimalRescueSite.com'.

An advertisement for 'KEETSA Eco-Friendly Mattresses'. It features a photograph of a man and a young child kissing. The logo 'KEETSA' is in a green box, and 'Eco-Friendly Mattresses' is written below it.



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