Nicaragua’s interoceanic canal: will the benefits outweigh the risks?  
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In June 2013, the Nicaraguan National Assembly granted a concession to the Hong Kong Nicaragua Development Company (HKND) to construct a 161-mile canal across Nicaragua at a cost of US$50bn. If this project goes ahead, it will be the largest civil earthmoving project ever undertaken. It would not only transform global trade but also make Nicaragua a major global transport centre.

The Nicaraguan government argues that this is the only way to lift the country out of centuries of underdevelopment and poverty, and that the Canal will potentially help to protect the environment nationally and globally. Critics argue that the social, economic and environmental risks are too high a price to pay.

But why Nicaragua and why now? According to Paul Oquist, Minister-Secretary for National Policies of the Nicaraguan Presidency, there are four key factors: the country’s geographical position; its abundance of underused water resources; the global need for a canal that would accommodate a new generation of container ships; and the government’s proven capacity to implement large scale development projects in line with the country’s national human development plan.

The canal would be able to accommodate the world’s largest ships which are too big to use even the expanded Panama Canal, including the new 400 meter-long Triple-E ships. It is estimated that 5-10% of current global shipping is unable to pass through the Panama Canal. Globally, the canal would save the largest ships 5,000-7,000 miles on each journey from Asia to ports on the eastern seaboard of the US, the Caribbean and Latin America because they would not have to travel around Cape Horn. Fewer larger, more fuel-efficient ships travelling shorter distances would reduce CO2 emissions. However, it is impossible to ascertain the economic feasibility of the project in the absence of a relevant study.
The FSLN government returned to power in 2007 with a fundamental commitment to addressing the needs of almost 50% of the population living in poverty. Although there have been significant improvements – the percentage of the population living in poverty decreased from 42% to 30% between 2009 and 2014 – Nicaragua remains the second most impoverished country in the Americas after Haiti. Oquist argues that an annual growth rate of 8-10% is necessary in order to eradicate extreme poverty: “we need a way out of poverty; the canal will provide this.” According to HKND, 50,000 jobs would be created during construction of the canal, half of them for Nicaraguans and the other half for Chinese and other nationalities.

The trade unions affiliated to the National Workers Front (FNT) also see the project as a way to reduce unemployment and eliminate poverty, and argue that without the canal Nicaragua will be consigned to decades of further poverty. Adrián Martínez, general secretary of the Confederation of Self Employed Workers (CTCP): “The Canal Project is a great opportunity for self-employed workers to develop skills, expand their economic activities and further contribute to social and economic stability. In the CTCP we’ve started encouraging our members to diversify their economic activities, to think about future services that can be offered to the commercial and tourist sectors which could expand with the Canal.”

Opinion polls have consistently indicated that the majority of Nicaraguans support the project: according to a poll by M&R Consultores of 1,721 people carried out between 12 and 29 December 2015, 81.1% of Nicaraguans back the Canal project.

However, with such a gigantic project, enormous questions inevitably remain: will the social and environmental benefits outweigh the risks? Will the project be economically viable?

Opponents of the canal include environmental, indigenous and human rights organisations, as well as communities along the canal route facing expropriation of their properties. According to HKND, 30,000 people will be physically and economically displaced by the project, although Civil Society Organisations claim it will affect 119,000 people. They argue that the canal concession grants excessive power to HKND and violates articles of the constitution related to sovereignty, the environment and indigenous rights. Communities along the route have held more than 50 protests over the past year; environmental groups highlight potential irreversible damage to fragile eco-systems; others point out the dangers of creating an enclave economy of limited benefit to local people. Those living along the route are protesting against a lack of consultation.

Dr Jaime Incer Barquero, regarded as the founder and leading figure of conservation efforts in Nicaragua, is an environmental advisor to the Presidency. As a former Environment Minister, he supported the canal, but after analysing the adverse effects he believes it will have on the country’s biodiversity, he changed his position, stating “We are putting the Nicaraguan people’s most valuable resources under threat.”
After granting the concession, HKND hired international companies to do feasibility and impact studies on the social, environment, financial, technical, and legal aspects of the project. The British firm Environmental Resources Management (ERM) undertook the Environmental and Social Impact Study (ESIA). After delays of more than a year, they released an executive summary of their 11,000 page report in October, 2015.

The document addresses mitigation of risks in the following areas: adverse effects on Lake Nicaragua and biodiversity; soil erosion and sedimentation; land expropriation and resettlement; social and economic impact on Indigenous Peoples; natural disasters; loss of cultural heritage and public safety. The ESIA goes on to strongly recommend that further studies are carried out and adequate time is allowed for a public review by Nicaraguan and international experts before a final decision is taken.

In 2008, according to a government survey, Nicaragua had 3.25 million hectares of forest, 62.7% of it on the Caribbean Coast. The current rate of deforestation is estimated at 70,000 hectares a year, mainly due to the advance of the agricultural frontier and illegal logging. The government argues that revenue from the Canal would provide funds for reforestation programmes, which would significantly contribute to mitigating further, dramatic loss of forests. The ESIA supports the potential for this: “with full successful implementation of mitigation measures and considering the status quo of rampant deforestation, the Project has the opportunity to create lasting benefits for biodiversity.”

The overall conclusion of the ESIA is that “the Project does offer potential benefits to the environment and people of Nicaragua, but only if its business case is robust, the financing to complete construction is secure, and the Project is constructed and operated to international standards including implementing all recommended mitigation measures.”

In response to the ESIA, HKND’s Vice President, Kwok Wai Pang stated that “The Canal will unavoidably have some negative impacts, but if ERM’s recommendations are followed, we expect a net positive social and economic impact.” He added that “changes have been made to the original canal design to avoid and mitigate some of its negative impacts.”

At a meeting in Washington on 22 September 2015, Paul Oquist confirmed that “We [the Canal commission] and the President [Daniel Ortega] have made the decision that all the recommended studies must be carried out. No stone should remain unturned when it comes to the environment.” These further studies are currently being undertaken.

The US Company McKinsey that was originally hired to carry out the critical economic viability study has ceased to be involved in the project. This factor, combined with the slowdown in China’s economy, would appear to raise major questions over the economic viability of a project that will require US$50bn of financing.

In December 2015, HKND hired BMT Asia Pacific (a British international marine infrastructure, design and engineering, science and risk management consultancy) to develop the Canal and Ports Operations Plans which will cover canal and port geometry, alignment, navigation, traffic, cycle times and infrastructure integration. The operational plans and assessments are expected to be completed by March 2016.

Canal commission spokesperson, Telémaco Talavera, reiterated the government’s determination to realise what has been a dream for generations of Nicaraguans: “The world is interested in this Canal, convinced of its mutual benefit but especially for Nicaragua, so we can continue to reduce poverty, improve health, housing and productivity and become actors in world markets.”

Nicaragua Solidarity Campaign
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