

Nicaragua approves China-backed Atlantic-to-Pacific canal

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17 June 2013

The Nicaraguan National Assembly enacted legislation June 13 granting a 50-year concession to a Hong Kong company to plan and build a trans-isthmian shipping channel from the Pacific Ocean to the Caribbean Sea that would rival the Panama Canal.

The bill, passed by a 60-28 vote, authorizes a joint venture between the Nicaraguan government and HK Nicaragua Canal Development Investment Co. (HKND). While Nicaragua will have a 51 percent majority ownership and therefore nominal control over the venture, it will receive a minority of any profits generated.

Up to seven routes from the Pacific Ocean to the Caribbean Sea have been proposed for the canal, which will run for about 130 miles, almost three times as long as the 48-mile Panama Canal. However, 50 miles of the route will pass through freshwater Lake Nicaragua, also known as Cocibolca.

The project is expected to take 11 years to complete. Cost estimates to develop and construct the massive project exceed \$40 billion.

The Hong Kong company will have to attract international investors to fund the project. Whether investors will project a rate of return sufficient to warrant investment remains to be seen.

The Panama Canal itself is in its final year of a seven-year, \$5.25 billion expansion project aimed at doubling capacity to 600 million tons annually and permitting transit of larger ships. It currently can handle tankers only up to 65,000 tons; the huge increase over the last ten years in shipping of containerized cargo has produced lengthy queues outside the canal's Atlantic and Pacific entrances waiting to make the nine-hour passage.

About two-thirds of the cargo transiting the Panama Canal is headed to or from the US, China being its

second-largest user.

Promoters of the Nicaraguan canal route say it will prove economical because interoceanic maritime freight traffic demand will eventually outstrip the capacity of even the expanded Panama Canal, and that it will handle ships of even larger cargo capacity, such as giant oil and liquefied natural gas tankers.

Skeptics call into question the proposed canal's long-term viability, pointing to lower demand for massive container shipping resulting from the global economic slowdown, and increasing competition from other potential routes, including the Arctic, which is rapidly opening up due to global warming.

China's strategic and economic concerns will almost surely affect this calculus. Roberto Troncoso, president of the Panamanian Association of Business Executives, has been quoted as saying that China's government may be encouraging the new canal as a way to establish a route independent of the Panama Canal, which it views as remaining largely subject to US control.

"The money is totally irrelevant," Troncoso said. "We're talking about national hegemony. China is looking to turn itself into the predominant economic power. Whoever dominates trade, dominates the world."

The Chinese company has declined to comment on the record about its funding and backers. But according to local Hong Kong records, the company's chair, Wang Jing, has also been a director of about a dozen other companies. Among Wang's enterprises is Beijing Xinwei, a mid-sized telecommunications firm that, according to Chinese media, was partly owned by a large Chinese government telecom equipment company, Datang.

The strategic concerns of the US, which funded and armed the 1980s Contra civil war against the Sandinista

National Liberation Front (FSLN) government, will also have an impact. The US remains on less than friendly terms with Nicaraguan President Daniel Ortega and the FSLN, who returned to power in 2007 and then won the 2011 presidential election by a landslide.

The US has objected to Ortega's friendly relations with Iran and now-deceased Venezuelan president Hugo Chavez, and his defense of ousted Libyan leader Muammar Gaddafi.

When the Nicaraguan government put the canal project out for bid last year Ortega presidential adviser Paul Osquit said that it was a project intended to send "a clear signal to the countries of the world" interested in investing in the megaproject, which included Venezuela, Brazil, China, Japan, South Korea and Russia. Pointedly, the US was left off this list.

The US, if it feels sufficiently threatened, is fully capable of launching a coup, invading Nicaragua like it did Panama in 1989, or sending its Fourth Fleet, which it revived in 2008 after a 38-year hiatus, to block canal transit.

The vote awarding the project to HK passed the FSLN-dominated legislature after no open bidding process and little debate. Ortega has pushed the project as a way to double the GDP of Nicaragua, the second poorest country in Latin America, after Haiti. He projects it will generate 40,000 construction jobs.

Opposition to the project, including by a breakaway "left" faction of the FSLN, which has accused Ortega of selling out the original FSLN program, led to a series of protests this week.

Many of the objections voiced have been on environmental grounds. Because it takes a lot of fresh water to run canal locks, one major concern is that the project will have serious effects on Lake Nicaragua. "We're at a crossroads because either you use Lake Cocibolca for floating boats or you use it for drinking water, but you can't use it for both things at once," said Victor Campos, assistant director of the Humboldt Center, an environmental organization.

As in Southeast Asian countries, the US could quickly exploit such "environmental" protests against Chinese-funded infrastructure projects as a means of undermining Chinese influence. The halting of a major Chinese-invested dam project by the military-backed regime in Burma in 2010, for instance, marked a key turning point of the Obama administration's

rapprochement with the isolated country. Burma is at the center of the Chinese strategic calculation of building pipelines and ports on the Indian Ocean coastline to transport oil from the Gulf and Africa back to China, avoiding the Strait of Malacca, which could be blocked by the US navy in the event of a war.

Corruption charges against Ortega could be another pretext used by Washington to terminate the canal project. Top Sandinista leaders like Ortega have in fact enriched themselves over the years.

The FSLN, which overthrew US-backed dictator Anastasio Somoza in 1979 and then ruled until 1990, publicly embraced Castroism and claimed to oppose US imperialism. Despite its radical rhetoric, the FSLN was always a bourgeois-nationalist movement that advocated the development of a Nicaraguan capitalist economy less subservient to US imperialism.

The FSLN, a movement that began as a guerrilla army claiming to represent the poor and the oppressed against the Somoza dictatorship, has long since integrated itself into the oligarchy, defending the profits of big business and the landed interests and the repression of the working people.

The FSLN moved steadily to the right after Ortega gave up the presidency in 1990. Ortega and the FSLN long ago made amends with big business in Nicaragua and the reactionary Catholic Church.

The FSLN and Ortega's return to power in 2007 has only accelerated this process. There has been continuing liquidation of the limited social gains in education and medical care and other areas made under the Sandinistas in the 1980s.

In foreign policy, the FSLN in the 1980s recognized Beijing as the government of China but its right-wing successors switched recognition back to Taiwan. Since returning to office in 2007, Ortega has continued this diplomatic posture.



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