

About Nicaragua Canal, geopolitics and "South Stream" Pipeline



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On Christmas Eve, on 22 December last year in Brito on Pacific coast of Nicaragua was launched the official start of one of the largest infrastructure projects in the last century - the construction of the Nicaragua Canal, connecting the Atlantic and the Caribbean Sea with the Pacific Ocean.

What is this mega project?

New transoceanic canal will pass the San Juan River and Lake Nicaragua and has a total length of 278 km, depth between 27.6 and 30 m. and width between 230 and 520 meters. In practice, the canal will be at the sea level and ships will not have to pass through a complex system of locks as in the case with Panama Canal. The capacity of the canal will be considerably larger than the existing Panama Canal, which even after the expansion (to be completed next year) does not allow passage of large ships with capacity of over 65,000 tons. But in Nicaragua Canal will be able to pass even Chinamax over 250,000 tons.

The effect of this megaproject for transport communications on a global scale will be significant - the distance between New York and San Francisco by sea is reduced by about

900 km. compared with the use of the Panama Canal, the costs are also reduced significantly.

The megaproject is estimated at about 50 billion dollars and also provides in addition to the channel and its attendant facilities to be built two deep-water ports, railway line and two free trade zones in the Caribbean and Pacific Beach, housing for about 140,000 people, a dam, several luxurious tourist complexes and golf courses, international airport, power, steel processing and cement. It is envisaged that construction be completed in 2019 and begin operation in 2020

What are the Nicaragua's expectations?

Nicaragua's expectations are that the canal will attract about 4.5% of global cargo traffic and turn the country into a global transit transportation center. It is also expected to help double the GDP of this country which is miserable now. Human Development Strategy of Nicaragua for 2007-2016 points out that in order to meet the basic needs of the population, the Nicaraguan economy needs to grow at 8-10% per annum, and to eradicate poverty requires growth of more than 10 %. At the current pace of development, expectations for economic growth in Nicaragua in the coming years do not exceed 4 %. While the construction of the canal project proponents predict growth of around 14 %. According to estimates of the authorities in Managua during the implementation of the megaproject is expected by 2018 about 400,000 Nicaraguans to significantly improve their economic situation. The number of permanent jobs to be found is estimated at around 100,000. According to some estimates converting Nicaragua into one of the largest transit routes in the world will bring the country about 1.2 billion per year. Significant numbers given that GDP is about 20 billion dollars, population is 6 million and half of them live in deep poverty.

Even if these expectations will not be completely fulfilled, in any case the canal and revenue from its operations and fringe economic activities will bring a solid economic outlook for Nicaragua, including new jobs and opportunities for socio-economic development.

Who and how will implement the megaproject?

The project implementation is entrusted to the registered in Hong Kong company HKND Group, which is owned by Chinese billionaire Wang Jing – owner of the leading Chinese telecom giant Xinwei Telecom Enterprise Group. According to the Forbes rankings Jing is the 12th wealthiest in China in 2014 with estimated 6.4 billion dollars. Initially, in 2012 the Parliament of Nicaragua adopted Law 800, according to which the construction and operation of the new channel will be a public-private partnership - a joint venture in which the state has 51 %, the rest is available for private investors. A year later was voted Law 840, which changes the investment model - grants concession to the Chinese investor for 50 years with option to renew it for another 50 years. The ownership structure is also changed - the state will own 1 % in the first year and every 10 years the state's share will increase by 10 %, while ownership passes entirely in the state. For the first ten years in which the state

share will be the lowest, a concession fee is provided amounting to a total of up to \$ 100 million. Then the State will receive an appropriate share of the profits of the channel. After the expiry of the concession it is provided for all buildings and infrastructure owned by the Chinese investor and related to canal to become state property.

Who and why wants to block Nicaragua Canal?

The implementation of this megaproject is in fact the only real chance of Nicaragua, the poorest country in Central America after Haiti, in the foreseeable future to emerge from deep misery caused by decades of brutal dictatorships, installed and maintained by the USA, bloody civil wars, failed social revolution, crushed by a covert military intervention of the CIA and nearly two decades of implementation of neoliberal reforms prescriptions of the World Bank and the IMF.

But ...

Competing interests that are related mostly to the US and big US corporations also do not stand with folded arms. The reasons are economic and geostrategic. The new canal will significantly reduce the importance of the Panama Canal, which although formally returned to Panama in 1999, is still under de facto US control and constitutes a key element of global geopolitical and economic interests of the United States. Two thirds of the goods passing through the Panama Canal are to and from US ports and US warships have the exclusive right to pass without waiting in line. At present, China is third in the volume of cargo passing through the Panama Canal – it is expected much of this traffic to redirect to the new canal in Nicaragua. In combination with the larger capacity of the new channel allowing passage of Chinamax competitive advantages are indisputable.

On the other hand, the creation of an alternative, in this larger scale, transoceanic route in Central America, which is not under the direct military, political and economic control of Washington, profoundly changes the geostrategic situation in the world. And it would be another step towards the decline of a unipolar world and US dominance. BRICS countries will have significant economic benefits from the new canal, not only from an investment point of view, but also as a stimulating factor of trade between them – it will facilitate, for example, Brazilian exports of iron ore to China and the Asia-Pacific region; China will get easier access to Venezuelan oil and so on. It should be noted that even after the formal transition of the Panama Canal in the hands of the Panamanian state in the US Congress, and finally in the analysis of the Pentagon, the entry of large business companies from China and Hong Kong in trade and operation of facilities around the Panama canal is declared "danger to US national security," which must be countered.

Initially during his visit to Managua in 2013 the U.S. Department of Commerce official Walter Bastian said that he finds the project "fascinating" and U.S. public and private sectors would be willing to come together to jointly invest in the construction of a \$ 40 billion "Nicaragua Canal" that would rival the Panama Canal. Nicaraguan authorities and the Chinese investor,



however, signaled that prefer participation by Brazil and Russia - attitude, which in view of the historical context in impoverished Central American country is fully understandable.

From then on, the events suggest that the US is not willing to accept the new realities in its "backyard", as for nearly two centuries, in accordance with the Monroe doctrine, the US government treat Latin America. In a move was put the whole machine of public diplomacy and information warfare (nowadays euphemism for subversion and propaganda) to discredit and block construction of alternative Nicaragua Canal. Pro-American political circles in Nicaragua in a style that is well known in Bulgaria too, started predicting catastrophic scenarios, if mega project happen. Local think-tank headed by a representative of the loya to the US interests oligarchic Chamorro family, sought the suspension of the project claiming it was held without a "public consultation". Local clones type "Ivan Krastev" and "Ognyan Minchev"* lining heavy thoughts about the dangers of "Chinese dependence" of Nicaragua and human rights violations. Generously supported by the US Embassy activists unsuccessfully attacked the legislation for the canal to the Nicaraguan Supreme Court. Others are preparing to approach the Inter-American Commission on Human Rights. NGOs funded by American donors started collecting signatures to petition Nicaraguan parliament requesting "the immediate withdrawal of the project." Environmentalists, including some foreign (American and Danish) environmental organizations, deployed hysterical campaign alleged impending ecological catastrophe, destruction of biodiversity and settlements of sea turtles, population of tapirs and mangrove trees along the route of the future canal. At the same time such concerns cannot be noticed when it comes to similar environmental and social risks in the ongoing expansion of the Panama Canal. On the contrary - it is argued that these risks can be overcome by the existing technology and procedures.

Those who know the handwriting of the CIA and their methods of information war and covert action, know that they have assets in most of the leading print and electronic media in the US and abroad (as confirmed recently by the authoritative German journalist and former editor of the Frankfurter Allgemeine Zeitung Udo Ulfkotte). Therefore one easily can identify the talking points of a coordinated propaganda campaign.

It is noticeable that the tone of much of the mainstream media in the United States is set by an invisible hand to uniform titles and comments in which key words are "serious concerns", "doubts", "danger", "disaster", "corruption", "violations of the rights of local communities" "environmental destruction" and even "complete meaninglessness" of the new canal. *USA Today* published the opinion of a US corporate expert who claims that the project was unfeasible and he would not put his money in it. On the eve of the first sod of the channel on December 21 last year, *New York Times* issued a dramatic title of "rising anger" from the canal. *Washington Post* on January 2, 2015 published an extensive report "Why the China-backed Nicaragua canal may be a disaster" which explains how much more useful is the Panama Canal and its extension worth 5.25 billion dollars which is expected to be completed next year. Naturally, the report doesn't miss the "tragedy" of mangroves and the "Armageddon" which expects the world after the penetration of invasive species from the Caribbean in the wetlands of Nicaragua. And in conclusion, quoted a representative of the

Washington think-tank Council for the Americas, who expresses skepticism about the future of the new canal - "There's already a canal. The expense is going to be significant and success is far from guaranteed." In the beginning of 2015 the authoritative magazine *New Yorker* also worried about the fate of sea turtles in the region of Rio Brito, where the channel will reach the Pacific. The conservative think-tank Heritage urges US authorities to exert pressure the government of Nicaragua in the "defense of democracy and transparency" and the construction of the canal, of course, is declared a major corruption project.

Another line that stands out in the media coverage of the project for Nicaragua Canal in a number of leading US and Western media is the erosion of the image and credibility of the Chinese investor. Wang Jing is usually described as "dubious", "uncertain", "and inexperienced". And oh, horror, Wang is probably connected with the Chinese Communist government. Because you know well - when all US and Western European corporations compete to do business with the Chinese communist government that is a triumph of democracy and free market economy and has no relation to the ideology or the human rights situation in China. But when poor Nicaragua does the same, it is reproachfully, doubtful and should be immediately terminated - again in the name of democracy and human rights.

Another criticism of opponents of the canal is that the Chinese investor Wang Zing has no experience in such infrastructure projects, because his business is in the telecommunications sector. The truth is HKND Group engaged as subcontractors for the construction of Nicaragua canal partners with sufficiently robust capacity - the second largest state-owned construction company in China CRCC, Australian MEC Mining, which is among the leading consultancy in mining, Belgian SBE, specialized in the construction of canals and locks, McKinsey & Co. - one of the leading consulting companies in the world. The high profile British consultancy Environmental Resources Management (ERM) is entrusted the analysis of environmental and social risks associated with the need for resettlement of about 29,000 people living along the route. As the special adviser at the Argentine Ministry of Ports and Maritime Jose Landa says - "it would be rather strange if such leading companies support a no feasible project."

Western media and local opponents of the canal critique that concession was unprofitable for Nicaragua because it gives a number of privileges to HKND Group regarding the expropriation of land, tax exemptions and more. The opponents claim even "withdrawal of the sovereignty of the state." Of course, the fact that such and even much larger privileges are granted to all US and Western European corporations conducting infrastructure projects or operating concessions or providing utility services (water, electricity, etc.) in South America is completely overlooked.

Another attack against the construction of the canal is that that there was no public consultation with local communities. Again failed to mention the fact that after specifying the route of the canal in July 2014 were conducted 7 preliminary public consultations in settlements along the future canal, involving a total of about 5,000 people. Meetings are richly documented with pictures and videos of the British consulting company ERM. The

report of them identified the main concerns of local communities related to the impact of the project on their lives and the environment. Rector of the National Agrarian University of Nicaragua Telemako Talvera who is spokesman for Canal's Commission, argues that based on the recommendations of ERM studies of environmental and social effects the necessary adjustments has been done - location change both of the port on the Pacific Ocean to protect mangrove forests, and also of the port of the Caribbean Sea to protect the settlements of the indigenous population and fishing areas, etc. There is no doubt that when it comes to public consultation, always more and better could be done. But interestingly why no such fierce interest in whether and how public consultations are conducted by US and European corporations Bechtel, Chiquita (successor of the notorious in Latin America United Fruit Company), or by Occidental Petroleum, Nestle, Siemens, Azurix Corp, etc. exploiting the resources of the Central American countries in a rather unscrupulous to the interests and rights of local communities way.

Opponents of the canal worry that its construction would destroy rainforests in Nicaragua but conveniently overlook the fact that the lack of finance hinders the Nicaraguan authorities to effectively protect the environment. As a result, according to Global Forest Watch in the period 2001-2013, nearly 10 % of tropical forests in this country are destroyed. Nicaraguan authorities rely on the economic benefits of the canal to be able to conduct more effective and resourced policy on environmental protection. Environmental concerns are expressed also with regard to freshwater Lake Nicaragua (the largest in Central America), which is projected as a part of the canal's route. Omitting the fact that far more real is the threat of its pollution associated with the drainage of water from nearby Lake Managua, which is one of the most polluted lakes in the world. Much of the pollution is due not so much to household waste from the capital Managua as to a chemical plant that poisoned the lake with mercury in the 80s of XX century. This factory was owned by the then Philadelphia, USA based multinational corporation Pennwalt.

Of course, it should be emphasized that each infrastructure project of such gigantic scale, naturally arise a number of perfectly legitimate questions and concerns about the environmental effects, fair compensation for landowners along the canal, the possibilities for development of the local economy and miscellaneous. But these are issues that should be solved with dialogue and concrete measures adapting the project to the needs of local communities rather than by blocking the project and denial of economic development. Real problems, uncertainties, lack of information and propaganda of the fifth column of foreign interests in Nicaragua provoke protests. In the familiar style some of the Western media and NGOs presented the hundred thousands of protesters and arrests of seeking confrontation with police were identified as genuine assault on democracy.

It is clear that there must be no illusion that in a poor Third World country torn decades of poverty, severe social inequality and civil wars, which in all this time was brutally exploited by foreign interests, such a project as a new transoceanic canal is probably accompanied with government corruption and violations.

The Big Picture

But if we ask what is the reason for such concern in the United States and US related interests on how Nicaragua will manage its economy or protect its environment, we will hear candied phraseology of democracy, human rights and ecology.

To understand the real answer, we must raise the head of the details and see the big picture. It is arranged by putting everything in the framework of the historical context of US policy toward Nicaragua.

Even the telegraphic review of the historical development of the region clearly shows that the concerned today about human rights and democracy ruling circles in the White House and the special services of the United States, in fact are the main reasons for the destruction and poverty of Nicaragua. In the second half of the XIX and early XX century the country had been twice under American occupation. Americans created and trained the National Guard, which later became a major tool of repression in the hands of US-backed Nicaraguan regimes.

The very idea of transoceanic canal in Central America dates back to the XVI century during the Spanish colonial rule. Later Nicaragua was one of the routes that are discussed in the middle of XIX century by the US and British Empire. At the beginning of XX century the US arranged a coup against Nicaraguan President Jose Zelaya, who timidly opposed the construction of the canal under US control. As a result, in 1909 the US installed a new government, which granted 51 percent of the central bank and railways to American bankers and the a US citizen was appointed head of customs authorities of Nicaragua.

Ultimately, however, after a series of political vicissitudes, the route of the future canal is selected in what is now Panama. In the decisive moment lobbyists of the Panama Canal proved smarter than supporters of the Nicaraguan route – they published an article in *New York Sun* telling the story of increased volcanic activity in Nicaragua and sent to each of the US congressmen and senators to vote on the matter, postage stamp with an image of one of the many volcanoes in Nicaragua. The suggestion is that this territory is uncertain for such large-scale investment and so the scales are tipped to the Panama Canal.

Nicaragua, however, become a hostage to US interests around the Panama Canal. After its opening in 1914 to eradicate any possibility of competitive transoceanic canal, the White House concluded a bilateral agreement with pro-US puppet regime in Nicaragua. This is the Bryan-Chamorro treaty. Gen. Emiliano Chamorro, who signed the treaty by the Nicaraguan government, belongs to one of the oligarchic family dynasties in the country, which still occupies key positions in politics and economy thanks to US support. Under the agreement Washington acquired all rights to build a canal in the territory of Nicaragua for a period of 99 years and thus effectively blocking potential competition of the Panama Canal. For Nicaragua this treaty became a symbol of oppression and the withdrawal of the country's

sovereignty in the interest of the United States. It was cancelled several decades later in 1970, but left lasting consequences on the country's development.

At the end of the 30s of XX century Gen. Augusto Sandino who later became national hero, led the struggle against the US occupation. He also dreams of building a transoceanic canal, which is not under the control of the "North American colossus." The attempt to change is crushed and Sandino was killed by the dictatorship of Anastasio Somoza-father installed by the Americans - the same whom Roosevelt used the famous phrase "son of a bitch, but our son of a bitch." The Somoza family ruled the country for four decades at the cost of bloody repression, robbery and converting Nicaragua in raw material appendage of the US and the poorest country in Central America after Haiti. A new attempt of progressive change in the late 70s – i.e. "Sandinista revolution" - brought together the left Sandinista National Liberation Front, the Catholic Church and some moderate opposition circles. They succeeded to the overthrow the dictator Anastasio Somoza - the third member of this family that ruled the country with US support.

After the change the new government aimed to overcome the endemic poverty of two thirds of the population through agrarian reform and education, but is crushed by the military, political and economic pressure and sanctions from the United States. The overthrow of the dictator Somoza in 1979 by the Sandinistas was quickly framed by the US propaganda as "pro-Soviet revolution, which is trying to create a second Cuba." In the era of the Cold War "weapons of mass destruction" or "terrorism", which today is used as a justification for armed US intervention in other countries, are called "Soviet threat." Once there is a government seeking more independence, democracy and social justice in Latin America, it is immediately defined as "communist", even if there is nothing to do with communist ideology, as exemplified by the government of Jacobo Arbenz in Guatemala, overthrown in a coup, organized (proven by declassified documents of the CIA and the White House) by Washington in 1954. It is a quite separate issue that Sandinistas are neither Bolsheviks in the full sense of the word, nor established a dictatorship of the proletariat. Initially their government was an attempt of the Left and the moderate opposition circles to Somoza dictatorship to democratize the country and promote greater social justice in a desperate by poverty and violence society. The US embargo and subversive war forced the Sandinistas to seek help from the other superpower at the time - the Soviet Union and also from Cuba.

USA practically declared war on the Sandinistas in Nicaragua. They start secret financing, arming and training of terrorist groups, called "contras" to incite civil war. The US involvement in this process is not a matter of conjecture, ungrounded statements or interpretations, but a fact proven with loads official documentation. The revelations began with the scandal "Iran-Contra" - the secret sale of weapons by Reagan administration to the fundamentalist Islamic regime of Khomeini in Iran, which is under the arms embargo, with profits used to finance the Nicaraguan "Contras". It is one of the biggest scandals in American politics which led to the courts 14 senior government officials, including Minister of Defense Casper Weinberger.

Originally the "Contras" enjoy official support of the US, but after Congress prohibiting this, President Reagan authorized the CIA to carry out secret subversive war aimed at overthrowing Sandinistas. Raging bloody conflict literally ravaged country. The atrocities of the "Contras" are appalling - more than 30,000 killed. Human Rights Watch summarizes the data according to which the "Contras" are perpetrators of targeted attacks on hospitals and killing of patients and doctors, murder of children, rape, robbery, arson, torture, kidnappings...

Gross violation of human rights in addition to financial and military support is encouraged also "methodologically" by the CIA. As the Associated Press revealed in 1984, the CIA trained "Contras" using a special "Manual", which provides killings of government officials in Nicaragua, creating havoc and killing innocent people. Much of the "Contras" are specially trained in the notorious Pentagon "school of dictators and terrorists" - School of the Americas, which today is called Western Hemisphere Institute for Security Cooperation. Americans held a series of direct armed attacks on the territory of Nicaragua, including mining of main ports of the country in 1984. This is proven by documents and witnesses, so that in 1986 the International Court of Justice in The Hague ruled that the USA perpetuated gross violations of international law, customs of war and fundamental human rights in Nicaragua. Forgetting concepts such as the rule of law the US authorities bluntly refused to implement the decision of the Court in The Hague and to pay reparations to the ruined by them and with their help Nicaragua. Later, in 1992, the then president of Nicaragua Violeta Chamorro, elected two years earlier with the support of the US, withdraw completely legal claims to Washington (yes, the same oligarchic family Chamorro that several decades ago signed the Bryan-Chamorro treaty).

Some parallels with the Bulgarian reality

Whether the project to build the Nicaragua Canal will be completed eventually or will sink financially, is not so important. The important thing is that a Third World country has taken its sovereign decision to ensure its economic outlook as it sees it and in accordance with local conditions, resources and realities. Whether the project will be profitable or not, is both Nicaragua's and Chinese investor's business. It is definitely not a business of Washington, Brussels or Moscow.

I'm telling all this not simply because building Nicaragua Canal, if brought to a successful completion, will change the marine and economic map of the world and the geopolitical balance of power. I do it with the thought of the sad parallels with Bulgarian reality that could emerge. With all the conditionality of such comparisons, of course. Replace "Nicaragua Canal" with "South Stream pipeline" and discover for yourself the similarities in senseless debates under foreign dictation and puppet politicians seeking the failure of any significant economic project that would turn Bulgaria into a stronger and more independent state with a strategic importance and developed economy, and not in a cheap territory for alcohol tourism, prostitution and foreign investment following the model "extract raw materials cheaply, pay miserable wages of local workers, take profits abroad."



Because it is high time for us as a society to learn how to consolidate around national projects which have a strong potential for progress and development. And tell when behind talk of democracy and Euro-Atlantic values, even when they come from the world political factors or global media, lies nothing else but harsh economic and geopolitical interests, which has nothing to do with Bulgarian interest.

And while learning, we could more often ask ourselves the question, with which the world renowned freedom and human rights fighter Nelson Mandela responded to the foreign media twenty years ago addressing the US allegations about the state of human rights in Cuba:

*"Who are they to call for observance of human rights by Cuba? They kept quiet for 42 years when human rights were attacked in South Africa!
Who they are now, to be so concerned about human rights? They were not concerned about the violence by which 10,000 of our men were killed in South Africa!
Who are they to teach us about human rights? "*

In the case of Nicaragua, these issues are valid in full force.

And for Bulgaria?

* Bulgarian political analysts who advocate against the construction of South Stream pipeline with the argument that Bulgaria is threatened by Russia's dependence.

***The Institute of Modern Politics (IMP)** is an independent non-partisan and public benefit policy institute based in Sofia, Bulgaria. It brings together lawyers and political science experts who share a deep interest in good governance and human rights issues.*

Since December 2009 IMP publishes regular monitoring reports on parliamentary conduct and legislative developments - "State of Parliamentarian Rule", which is widely distributed to the institutions, NGOs and the media. In February 2011 IMP addressed the European Commission and the European Parliament with a "Special Report on Acts of Government and Security Services in Bulgaria which Threaten or Openly Violate Citizens' Rights and Freedoms" which had a significant impact on public awareness in Bulgaria.

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