

The acronym PPP takes on new meaning as canal projects reveal potential prospects for profiteering.

Nicaraguan Transportation Corridor Developers Hitch Hopes to Plan Puebla-Panama (PPP)

by Wendy Call | April 10, 2002

In the Pacific Nicaragua department of Rivas, two bulldozers and a steamroller gouge a path through the coast's dry forest and mangroves, transforming a narrow, dirt road into a wide, paved highway.

It is a scene portending an era of transportation development that post-revolution land speculators and foreign investors hope will be bolstered by Mexican President Vicente Fox's Plan Puebla-Panama (PPP), a blueprint for area-wide industrial development of southern Mexico and Central America.

Apparently not least among the hopeful is former Nicaraguan President Arnaldo Alemán, who bought up dozens of properties here on the Pacific Coast during the latter part of his five-year term, which ended this past January.

A neat row of whitewashed, thatch-roofed weekend cabins stretches from the brown line of the construction site to the blue water of the coast, contrasting with scattered, weather-beaten huts of local fisherfolk to the north.

The plots are far from the beaches of San Juan del Sur, Nicaragua's only real tourist resort, and located on low-quality agricultural land. Alemán's purchase of properties like these might seem a poor investment decision, but for one thing: They lie close to one of two proposed routes for what developers are calling a "dry canal."

Dry canal plans for Nicaragua envision a high-speed railway that will connect two large container-shipping ports on the country's Atlantic and Pacific coasts. Two companies, Interoceanic Canal of Nicaragua (CINN) and Global Intermodal Transport

System (SIT-Global), are vying for a government concession to build and operate the ports and trans-isthmian railway link. In May 2001, the Nicaraguan National Assembly granted both CINN and SIT-Global permission to complete feasibility studies and environmental impact statements. After those are done, the government will grant one company a 30-year concession.

Developers Hitch their Hopes to PPP

The would-be dry-canal builders appear to be angling to have their proposals folded into Plan Puebla-Panama. Since Fox first announced it in September 2000, the PPP has become the primary infrastructure development plan under discussion for the Central American region.

Plan documents from the Inter-American Development Bank and Central American Bank for Economic Integration do not mention a Nicaraguan dry canal. Rather, four highway connections between the Atlantic and Pacific Oceans are listed: 1) across central Mexico from the port of Veracruz to the port of Acapulco; 2) across Mexico's Isthmus of Tehuantepec, between the ports of Coatzacoalcos, south of Veracruz, and Salina Cruz, in the state of Oaxaca; 3) between the Port of Cortez in Honduras and the Port of Cutuco in El Salvador, and 4) across the Panamanian isthmus.

Nonetheless, SIT-Global has held meetings with PPP project designers, lobbying for their proposal to be added to the plans. Company President Juan Carlos Rivas claims that railroads make more economic sense than highways for the PPP. He notes



that the SIT-Global route could be part of a Mexico-to-Panama rail network, as well as providing inter-oceanic service.

Although the sketchy details on PPP released to date don't offer any information on rail development, plan Coordinator Florencio Salazar says that railroads are indeed part of the project.

Dry Canal Proposals Milk Foreign Transportation Interests

CINN, founded in 1994, envisions a 234-mile, double-track railroad that could carry 1,000 shipping containers a day. It would run from Pie de Gigante, 10 miles south of Alemán's string of Pacific Coast properties, north around Lake Nicaragua, and then southeast to a port at Monkey Point on the Atlantic.

The largest ocean going ships each carry up to 3,500 containers, so CINN imagines handing two such ships each week. The railroad would include a 500-meter right of way that would become public property. It isn't clear what provisions would be made for people, animals and traffic in that path.

CINN estimates transit time for a container—including on-loading and off-loading—would be eight hours and would cost \$450. In contrast, CINN reports, the same container crossing the United States via the interstate highway system requires five days and costs approximately \$3,000.

According to company President Don Bosco, "CINN is majority owned by U.S. citizens who conceived the idea of the Dry Canal Project and brought it to Nicaragua from Costa Rica."

Bosco notes that the canal project has become highly coveted. "Several attempts have been made by locals to try to steal the project from CINN, first from within, which failed, and now from the outside by forming a parallel company called SIT-Global," he says.

In an interview, SIT-Global President Rivas grinned widely as he showed a business card that read, "Juan Carlos Rivas, General Director, CINN." Rivas spent several years pushing CINN's plans to poten-

tial foreign investors before deciding to start up his own company and give CINN a run for its money.

Like CINN, SIT-Global proposes to operate an Atlantic port at Monkey Point. The SIT-Global rail line also would follow a path very similar to CINN's from the Atlantic to the north end of Lake Nicaragua, but then takes a sharp turn north, ending at Corinto, a small port 40 miles south of the border with Honduras. Though small, Corinto is the largest Nicaraguan port in operation. The route's total length would be 293 miles.

In late 2001, CINN investors in the United States filed two suits in the New York courts, alleging that Alemán, two of his relatives, and his vice-president, current Nicaraguan President Enrique Bolaños, were all involved in stealing CINN's project plans and using them to set up rival SIT-Global. CINN investors claim the new group then offered to dissolve the rival bid in exchange for US\$ 10 million.

Alemán and Bolaños have refused to comment on the subject. The legal cases are pending.

Agrarian Reform Loses Ground to Private Property Purchases

Meanwhile, Alemán has purchased choice plots of land not only on the Pacific Coast but all over the country—potentially positioning himself to profit from anticipated transportation corridor developments, whether or not they are currently outlined in PPP.

In 1979, when the Sandinista National Liberation Front ousted the Somoza family after its half-century of dictatorship, the ruling family and its closest associates controlled approximately one-fifth of the nation's arable land. Two years later, the Sandinista government passed the Agrarian Reform Act and began to expropriate land holdings larger than 850 acres in the Pacific region and larger than 1,700 acres in the central region of the country.

More than half of the nation's rural poor gained access to land under the program, making it one of the most sweeping reform efforts ever in Latin America. But in the dozen years since the Sandinistas were voted out of power, Nicaragua's

land tenure situation has undergone serious roll-back.

Alemán's total assets were estimated at just \$26,000 when he became mayor of Managua in 1990. After becoming president in January 1997 he amassed more than \$50 million worth of real estate. Now his land holdings stretch across the country, from the Pacific to the Atlantic, and south nearly to the Costa Rican border.

Though he has acknowledged publicly that he has done some land-buying, Alemán has refused to disclose the source of the money.

Public Receives Information Second-Hand

Equally unavailable to the public is information on how the proposed corridors will affect local communities.

Francisco d'Escoto, CINN's Managua representative, claims "no one" lives at the company's proposed Pacific port location of Pie de Gigante. Yet the beachfront village is large enough to have two schools, as well as several restaurants and bars. Most of its 500 residents have been there all their lives.

Although the people of Pie de Gigante often see outsiders in expensive trucks checking out the area, the visitors never speak with locals, they say.

Many here, and along the rest of the projected rail routes, are trying to gather information about the dry canal plans and are beginning to raise their voices in the matter.

Chief among them is Germán Larios, an environmental activist who lives in the municipality of Nandaime, 25 miles north of Pie de Gigante. He volunteers to spread the news, working on the issue since the summer of 2001 with an 11-year-old national network called Cambie, or "Environmental Community."

On his second visit to Pie de Gigante, one late afternoon in June, he found typical confusion surrounding the development. Larios struck up a conversation with the first people he saw, as they sat

on their front porch. Yes, they had heard about the dry canal, they told him. Yes, they knew the plans called for a huge port on their beach.

One man knew more than the rest, having seen television reports in the departmental capital of Rivas that did not reach people in Pie de Gigante. He explained correctly that the train would move at 60 miles per hour, and the project would cost a total of \$2.6 billion to build. But he mixed together both CINN and SIT-Global schemes: The train would go "from Monkey Point to here, from here to Corinto," Alvaro Sánchez told the group.

"It would be good, the progress," the man added. "But the people from here, they wouldn't have anywhere to go," he protested. Larios clarified the routes and pointed out that public participation could alter the plans.

Mounting Opposition Fuels Investor Uncertainty

One week after Larios' visit to Pie de Gigante, several of the residents he had spoken with attended a Cambie workshop about the dry canal, held in a nearby coastal village. Soon after that, they organized their own meeting in Pie de Gigante. Eighty people showed up, including a representative from nearly every household. Shortly after this meeting, a newspaper headline in *El Nuevo Diario*, one of Nicaragua's two main newspapers, announced, "Dry canal shakes up citizens of Rivas."

Then a public hearing was held, and Pie de Gigante residents pled their case, one of the first times they had inserted themselves in the debate.

Since then, the citizen-based movement against the canal has grown much larger and stronger.

With public outcry, lawsuits and allegations of corruption in Alemán's activities, on top of general difficulty in attracting international investment to Nicaragua, the future of the dry canal proposals appears less certain.

Alemán Also Posed to Profit from Plan for Southern Water Canal

But Alemán, for one, seems to have hedged his bets. Just in case his big-dollar dry-canal dreams don't materialize, he has also been buying up land in southern Nicaragua.

One of his larger purchases was El Raudal ranch, a 1,700-plus-acre property abutting the San Juan River. That ranch happens to face the river rapids at the town of El Castillo. In 1999, a company called EcoCanal won a concession to transform the San Juan River into a low-draft barge canal, connecting the city of Granada with the Atlantic Ocean. Since then, the company has been working on environmental impact and other studies required before construction can begin.

EcoCanal's business plan explains, "the second set of rapids at El Castillo occurs 62 kilometers downstream from the lake of Nicaragua. Here a lock with a chamber will be built...on the north side of the river opposite the town of El Castillo." That is to say, on El Raudal ranch.

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Recommended citation:

Wendy Call, "Nicaraguan Transportation Corridor Developers Hitch Hopes to Plan Puebla-Panama (PPP)," Americas Program Investigative Article (Silver City, NM: Interhemispheric Resource Center, April 10, 2002).

Web location:

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