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LATIN AMERICAN SILK ROAD: CHINA AND THE NICARAGUA CANAL*

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Abstract

The building of the Panama Canal by the US in 1914 proved definitively the ascent of the US to regional hegemony. Shortly after, World War I would lead the US to global primacy. The canal was much more than the construction of a shipping route between the Atlantic and Pacific oceans; it meant that America was a power capable of and willing to reshaping the Western Hemisphere in its way to becoming a world power.

A century later –in 2014- China announced it would begin a similar enterprise in Nicaragua. What are the geopolitical implications for Latin America? Is this signaling a more assertive Chinese foreign policy seeking –by ambition or by necessity– to challenge the US in the Western Hemisphere? Is this geographic reshaping also politically reflecting the emergence of a world power?

Keywords: Latin America, China, United States, geopolitics, Panama.

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LA RUTA DE LA SEDA LATINOAMERICANA: CHINA Y EL CANAL DE NICARAGUA

Resumen

La construcción del Canal de Panamá por los Estados Unidos en 1914 demostró definitivamente el ascenso de los EE.UU. a la hegemonía regional. Poco después, la Primera Guerra Mundial conduciría a los Estados Unidos a la primacía mundial. El canal era mucho más que la construcción de una ruta marítima entre los océanos Atlántico y Pacífico; significaba que Estados Unidos era un poder capaz y dispuesto a reformar el hemisferio occidental en su camino para convertirse en una potencia mundial.

Un siglo más tarde –en 2014– China anunció que comenzaría una empresa similar en Nicaragua. ¿Cuáles son las implicaciones geopolíticas para América Latina? ¿Está señalando una política exterior china más asertiva que busca –por ambición o por necesidad– desafiar a EEUU en el hemisferio occidental? ¿Es esta remodelación geográfica también refleja políticamente la aparición de una potencia mundial?

Palabras clave: América Latina, China, Estados Unidos, geopolítica, Panamá.

A ROTA DA SEDA LATINOAMERICANA: A CHINA E O CANAL DA NICARÁGUA

Resumo

A construção do Canal do Panamá pelos Estados Unidos em 1914 provou definitivamente a ascensão dos EUA à hegemonia regional. Pouco depois, a Primeira Guerra Mundial levaria os EUA à primazia global. O canal era muito mais do que a construção de uma rota marítima entre os oceanos Atlântico e Pacífico, significava que a América era um poder capaz e disposto a remodelar o Hemisfério Ocidental em seu caminho para se tornar uma potência mundial.

Um século mais tarde –em 2014– a China anunciou que começaria uma empresa similar na Nicarágua. Quais são as implicações geopolíticas para a América Latina? Será que isso sinaliza uma política externa chinesa mais assertiva buscando –por ambição ou por necessidade– desafiar os EUA no Hemisfério Ocidental? Essa reformulação geográfica também reflete politicamente a emergência de uma potência mundial?

Palavras-chave: América Latina, China, Estados Unidos, geopolítica, Panamá.

Introduction

In 1914, the Panama Canal opened its locks. In 2014, the Chinese company HK Nicaraguan Canal Development Investment Co Limited (HKND) announced that the construction of another canal across Nicaragua would begin on December 22nd. It was much more than the construction of a new shipping route between the Atlantic and Pacific oceans. It was a signal of the emergence of a country with the capacity and the will to reshape geographic realities according to political necessity. The Panama Canal not only expanded international trade, it consolidated regional hegemony in the Western Hemisphere in America's ascending road to global primacy. Can the historical contrasts and parallels between the Panama and Nicaragua canal building enterprises offer significant and useful comparison for the current state of international affairs? Is the Nicaragua canal's geographic reshaping also politically reflecting the emergence of a new world power? Is it signaling a more assertive Chinese foreign policy seeking –by ambition or by necessity– to challenge the US in the Western Hemisphere? Will there be geopolitical implications for US-Latin America relations?

The essay proposes four sections in order to answer this question. The first one is historical, explaining why the comparison on causes and effects of the Panama and Nicaragua canals is sound and relevant. The second explores the economic logic of building a second canal in Central America. The third section explores a geopolitical reading of the canal, illuminating aspects that are not obvious or apparent when considering only the economic point of view. The last section explores the geoeconomic and geopolitical reshaping of Latin America along an Atlantic and Pacific axis. As the rising US in 1904 reshaped the region along the North-South divide, so is China exerting a gravitational pull towards the Pacific not just for countries in the region but for the Latin American region as a whole.

History repeating?

In 1880, a private French company led by Ferdinand de Lesseps -the builder of the Suez Canal in Egypt- began excavating. American interest in a canal dated at least as far back as 1850, when the United States and Great Britain negotiated the Clayton-Bulwer Treaty to rein in rivalry over a proposed canal through Nicaragua. The Hay-Pauncefote Treaty of 1901 abrogated Clayton-Bulwer and licensed the US to build and manage its own canal. A canal in Panama would have economic and military advantages for the US, but it would also present potential vulnerabilities if it were not under American control. De Lesseps project threatened American dominance of the Western Hemisphere. President Hays reassured Congress that the "policy of this country is a canal under American control." Although de Lesseps was not acting on behalf of the French government,

many in Washington saw such foreign involvement as contrary to the Monroe doctrine. After a scandalous bankruptcy, the *Compagnie Nouvelle du Canal de Panama* was liquidated and taken over by the United States. What began as a profit-seeking private enterprise ended as a governmental project pushed forward by strategic geopolitical considerations? If HKND's efforts in Nicaragua fail in a similar fashion, what –if any- will be the involvement of the Chinese government?

In 1902, the United States reached an agreement to buy rights to the French canal property and equipment. A negotiation then began for a treaty with Colombia, for at the time Panama was a province of Colombia. When the Colombian Congress grew unforthcoming, the US government and Panamanian business interests collaborated on a revolt. President Theodore Roosevelt dispatched warships to Panama City (on the Pacific) and Colón (on the Atlantic) in support of Panamanian independence, achieved in November 1903. The Hay-Bunau-Varilla Treaty of 1903 bequeathed the United States rights to a Canal Zone in perpetuity.
After one hundred years since construction completion, the geopolitics of the Western Hemisphere have been significantly transformed. Then Assistant Secretary of State for the Western Hemisphere Affairs State Roberta Jacobson openly recognized this increasing change of balance of power within Latin America in 2014: "Frankly, 10 years ago when they began, people would ask me, why are you having conversations with the Chinese on Latin America? Nobody asks me that question anymore. It's now very obvious why we have those conversations". Nevertheless, at present, there is no evidence to think that China is or would be able or willing to exert such level of control over any country in the Western Hemisphere. This kind of diplomatic heavy handedness has not even been observable in its immediate sphere of influence. Moreover, Beijing is concerned that becoming a dominant player in Central American affairs could galvanize anti-Chinese interests in the United States to the detriment of the US-China bilateral relation. It seems unlikely Beijing will jeopardize the bilateral relation with the US to gain a pyrrhic influence in Central America. It has been a cornerstone of Chinese engagement with Latin America to demand the switching of diplomatic recognition from Taipei to Beijing. Non-recognition of the Taiwanese government is a precondition for conducting formal diplomatic relations with the People's Republic of China. It is also an implicit promise of access to a wide portfolio of material benefits. Of the seven Central American countries, six –Belize, El Salvador, Guatemala, Honduras, Nicaragua, and Panama- recognize Taiwan. Chinese proposed canal participation has come in the way of private companies seeking profits rather than the Chinese government pursuing influence. This is especially true in the case of the Nicaragua canal. Of the $124.5 billion China has loaned to 14 Latin American and Caribbean countries between

2005 and 2015[1], Nicaragua has not received a single disbursement.

Economics & geoeconomics

Economic arguments surrounding the Nicaragua Canal stress several elements pointing to the unfeasibility of the project, pointing that due diligence has yet to determine if this is not a fraudulent deal with a front company to get a concession and then resell the rights. For example, the initial works will be the development of a new commercial port at Brito and a free trade zone with an airport around the city of Rivas. It takes almost a day to make the 48-mile trip along the Panama Canal. The 172.7 mile route of the Nicaragua Canal would require that ships either lay up at night, or navigate in the dark, making it much more costly and difficult. But even if the canal itself is not built, those projects alone could deliver enough economic benefits for HKND. Other arguments against the canal point to the lack of technical expertise by HKND for a project of such magnitude. In this sense, it is suggestive that China Railway Road lacks hydrological experience to dig a canal possessed by other Chinese companies with established presence in Latin America (China Harbour, SinoHydro, China Water and Electric) CRR does have experience in constructing ports and highway infrastructure. A third cluster of arguments warn that domestic political and environmental opposition could derail construction. Addressing these concerns, former Sandinista guerrilla leader Eden *Comandante Zero* Pastora is now in charge of dredging operations along the San Juan River for the canal. He has publicly attested to the credibility of the project, when he referred to the head of HKND -Wang Jing- as "a man who knows what he's doing. The opposition didn't want to believe it, and they even talked about *el chino* as if he were a phantom. But now they know it's true". Wang lost more than 80% of his fortune in the Chinese stock market crisis of 2015. Financial problems, along with ongoing environmental and engineering reviews, were causing severe delays. Indeed, as of October 2016 there was no evidence of actual construction despite government´s insistence to the contrary. With regards to opposition, the Pew Global Attitudes Project 2014 shows 58% of Nicaraguans hold positive views of China, while only 19% have negative ones. And 74% believe that China´s growing economy is a good thing for the country, while only 13% rate it as a bad thing.

Another set of economic arguments raise an eyebrow over the comparative and competitive advantages of multiple canals in Central America. These arguments point out to time differen-

[1] China-Latin America Finance Database, Inter American Dialogue, available at http://www.thedialogue.org/map_list/, accessed Dec. 2016.

tials and cost advantages of Panama over its alternatives. The current Panama Canal limits transit to vessels with nominal carrying capacity of up to 5,000 twenty-foot equivalent unit (TEU), carrying up to 62,000 metric tons of bulk cargo at a 40-foot draft. So it is unable to accommodate vessels in the Post-Panamax size range, which can reach (or exceed) 1,200 feet in length, 160 feet wide, and 50 feet in draft. After expansion, Panama now accommodates vessels with nominal capacity of up to 13,000 TEUs, carrying up to 140,000 metric tons of bulk cargo at a 50-foot draft. But even the expanded Panama Canal cannot handle the largest Post-New Panamax (16,000 TEUs) or Triple E (18,000 TEUs) vessels, which account for over 10% of global container shipping capacity[2]. Scale efficiencies of the mega-freighters will be reduced by longer transit times and higher fuel costs in the Asia-US East Coast route. For the Shanghai-Baltimore trip, a Central American route is around 2,500 miles shorter than through Suez and 3700-4600 miles shorter than around Cape of Good Hope. Panama and Nicaragua are geographically close enough to make price and safety the main factors in taking a commercial decision. With actual cost of the Nicaragua project around $100 billion, fees would have to more than double Panama's to be economically competitive. As such, the canal seems more a political enterprise than a business opportunity.

The roots of China's economic transformation result from industrialization and urbanization processes happening at 100 times the scale and at ten times the speed of the first country to industrialize, the United Kingdom. It is also occurring in against the backdrop of a highly integrated, interconnected globalized world. The growth in seaborne trade could provide a compelling logic for a second canal: according to the WTO, the dollar value of global trade is projected to continue to grow at a rate of 9% to 2020, and the growth of maritime trade by volume by 3-4% through 2020. To sustain this process, China needs bulk cargo –freight that is not packaged such as oil, minerals, and grains– from abroad. This has in turn expanded China's maritime interests and stakes in international maritime waterways. The wide span already reflects its position as the world's largest exporter and second-largest importer. Bulk kind of cargo requires the use of specialized ships and specialized transshipment points. Because this kind of cargo is prone to economies of scale, vertical integration creates efficiencies opportunities. Hence, Chinese shipping firms are responding by seeking presence in a select group of ports that can be able to cater to the new more fuel-efficient generation of mega-vessels.

[2] As of 2016, the average size of units in the global commercial fleet was 3,832 TEU, and the average size of those on order was even larger at 8,030 TEU.

The World Shipping Council estimates that seven of the top ten world container ports are located in China: Shanghai, Hong Kong, Shenzhen Ningbo-Zhoushan, Guangzhou, Qingdao, and Tianjin. China controls a fifth of the world's container fleet mainly through giant state-owned lines. Of the top ten biggest freight shipping companies in the world, China Shipping Container Lines (CSCL), and Shanghai-based China Ocean Shipping (COSCO) occupy the ninth and fifth positions, respectively. Shipping has been trending towards consolidation, since it has become increasingly challenging for lone operators to survive. The CSCL-COSCO alliance answers a 2013 move by the world's three biggest container shipping operators: Denmark's Maersk Line, France's CMA CGM, and Switzerland's Mediterranean Shipping Co (MSC). By weight, 41% of ships built in 2012 were made in China. In 2013, ports and terminals with a disclosed mainland Chinese stake connects the world's main trade routes from East to West from Singapore, Kyaukoyu (Myanmar), Chittagong (Bangladesh), Hambantota, and Colombo in Sri Lanka on the Bay of Bengal. The line continues with the Pakistani ports of Gwadar and Karachi on the Arabian Sea, ending in Djibouti on the Gulf of Aden. Sailing up the Red Sea and through Suez into the Mediterranean, where COSCO Pacific is building a dock at Piraeus (Greece) able to handle mega-ships to cover Europe to Antwerp/Zeebrugge in Belgium, in order to cover the shipping route to North America. The top five trade shipping routes are thus covered: Asia-North America, Asia-North Europe, Asia-Mediterranean, North Europe-North America, and Asia-Middle East. Ships, ports, and routes all constitute part of a corporate competition for influence with geopolitical components. A Central American passageway could become of vital strategic importance in this dynamic.

Geopolitics

But an alternative waterway to the Panama Canal would carry strategic economic and military value. In the current world, these locations and facilities could have dual civil and military use. Control of this geographic feature would allow Chinese shipping safe passage, but also for commercial use and for military power projection. If the Nicaragua alternative were pondered by Beijing assisted by such geopolitical considerations, then it would reveal Beijing's intention to exert direct or indirect territorial control due to a fundamental strategic mistrust regarding access and governance of the Panama Canal.

Besides the Nicaraguan project, Guatemala's privately-held Inter-Oceanic Corridor Board announced that it would start construction of an interoceanic channel to be completed by 2019. Both Honduras and Colombia are negotiating with China the building of dry canals. The Honduran –in the Gulf of Fonseca– will be built by China Harbour Engineering Company,

while the Colombian –between Bahía Solano on the Pacific and Acandi in the Caribbean– by China Railroad Engineering Company. Even Mexico is considering reactivating the old canal through the Tehuantepec isthmus. Due to their physical characteristics, some of these alternatives would necessitate a transshipment point in the Caribbean or the Cuban port of Mariel, West of Havana. Brazil and Cuba agreed in 2009 to develop Mariel, through a partnership between the Brazilian construction giant Grupo Odebrecht and a state-owned Cuban company, operated by PSA International of Singapore. Mariel´s role as major transshipment role is blocked by the American trade embargo, since ships which have been to Cuba are barred for six months from American ports. However, it is clear Brazilian companies are acknowledging the geographic position of Mariel will give them an advantage to supply the American market in a post-embargo scenario. When Havana becomes a player in the world economy, this strategic advantage will alter the geoeconomics of the Caribbean Basin, what would demand a geopolitical rethink of the regional balance of power. Such geoeconomic readjustments will have an impact on the political economy structures of American states and cities with the busiest ports in the country due to the increased traffic between East Coast /Gulf ports and Asia. West Coast ports could be also affected, for the new canals may open up opportunities for seaborne goods movement competing in price and time with rail and truck logistics across the US. Even before expansion, the Panama Canal had shortened maritime distances between American East and West coasts by a factor of 8,000 miles. According to a November 2013 DoT report, top ports in the US include: California (Los Angeles & Long Beach), New Jersey (Newark), Georgia (Savannah), Texas (Houston), Virginia (Norfolk), South Carolina (Charleston), Washington (Seattle, Tacoma), Maryland (Baltimore), and Florida (Miami, Jacksonville, Port Everglades). The new geoeconomics of canal expansion and competition in Central America will have an impact on grain exports from the U.S. Midwest states of the Grain Belt and open up new opportunities for exports derived from the shale revolution.

But economic benefits have a different logic than power gains. At present, there is no proven connection between HKND's private initiative and any kind of governmental strategic imperative in a Central America Canal, as was the case with the US Department of War directing the excavation in the Panama Canal. President of the Inter-American Dialogue Michael Shifter stated in early 2014 in his Congressional hearing testimony, "extra-hemispheric actors involvement is bound to increase in the coming years, but there is little indication they can pose a serious danger or threat to US interests". Yet, there seems to be growing evidence pointing in the direction of this being a synergistic project with a deliberate turn to sea power by the Chinese government that would go beyond expanding na-

val capabilities. In geopolitical terms, sea power means the ability to safeguard maritime access (control) and –if necessary– to disrupt the access of rivals (denial). The father of sea-power theory, Alfred Thayer Mahan, held that any contender for hegemony needs overseas access to raw materials and markets to expand its production in order to marshal national power. A maritime grand strategy would demand access of gateways or vital sea passages (Gibraltar, Suez, Panama). Asserting some level of control over these vital waterways is critical to secure economic and military advantages and at the same time to prevent adversarial interference by denying the ability to endanger those advantages. However, it is not entirely clear that a Mahan-inspired naval strategy for China would assign strategic priority to the control of a Central American canal. This was a key element in the US power concentration capabilities between two oceans. The equivalent for China would be isthmus formed by the Malay Peninsula and the Sumatra archipelago in the South China Sea rather than any second canal in Central America. Writing about the isthmus, Mahan himself recognized the US interest to be "both commercial and political, that of other states almost wholly commercial". When Vice-President Joseph Biden toured the Panama Canal expansion, in November 2013, he refrained from any public mention of a competing canal. As the Nicaragua canal is officially a private project, the US government cannot be perceived as provoking a public controversy with China.

Mahan also argued that power to protect merchant fleets had been a determining factor in world history. China today cannot claim global sea power status in Mahan's sense of the term. However, its rising economic importance and growing political clout in a context of globalization are undergirded by the expansion of sea-borne commerce and sea-based resource extraction. After the fall of the Soviet Union, the Bush and Clinton administrations believed the world would come together under a globalized order. Indeed, since the end of the Cold War in the 1990s, US foreign policy has advanced unchallenged the globalization of capitalism, anchoring a global commercial and financial infrastructure in the WTO and in the IMF. The security precondition that made it possible was the commanding geopolitical position of the US Navy patrolling sea lanes, providing at once relative peace and survival of the systems that govern international trade and capital flows. China has taken maximum advantage of the system to benefit its own interests, but did not participate in setting the rules of the international economic order. After the 2009 financial crisis, China decided to engage globalization on its own term. The growing dependence on sea lanes led in 2004 to the expansion of the People's Liberation Army (PLA) naval capabilities, both to protect the country's access to resources and markets and to deny opponents the ability to endanger that access. The 2004 "new historic missions" of the PLA set forth by Hu Jintao affirmed that China's global economic interests had created global political in-

terests. Beijing thus officially recognized its national interests extended beyond its borders and charged the PLA –and its Navy- to base its strategy on those expanding interests, not just geography. In October 2011, the Chinese Navy's hospital ship, the *Peace Ark*, visited Cuba, Jamaica, Trinidad and Tobago, and Costa Rica under the banner "Harmonious Mission 2011" to provide medical services to local populations. It constituted China's first operational naval mission to the Caribbean Sea. The route chosen was through the Panama Canal. In November 2013, Chinese naval taskforce, which is composed of the guided missile destroyer "Lanzhou", the guided missile frigate "Liuzhou", and the comprehensive supply ship "Poyang Lake" visited Valparaiso in Chile, Rio de Janeiro in Brazil, and Buenos Aires Argentina successively. The PLA Navy taskforce carried out the first joint military exercise with the Brazilian Navy and paid the first visit to Argentina. This time, the road for the 28,000 sea mile voyage was through the Strait of Magellan.

The geopolitical key question is whether China is rising peacefully within a US-led order or if it is biding its time until it has more power, if globalization is an enough powerful force to decisively shift interests and intentions towards the first option. The issue lies in the balance between the realist idea that raison d'etat –the pursuit of the national interest- will guide action and raison de système, the liberal belief that it pays to make the system work. Globalization as interdependence acts as a preventive structure against belligerent ("unpeaceful") rise. The use of force for redistribution of power is ruled out as a rational option. In this sense, 2014 is not analogous to 1914. The structure of the current liberal institutional, economically interconnected world order means rising powers make both absolute and relative gains in both material capabilities and status. The inverse is also true for declining powers. However, these changes take place without precipitating major hostilities because there is a two-way process in which the rising power accommodates itself to the rules and structures while established great powers accommodate changes in rules and structures to adjust to the new power realities. Is the Nicaragua canal signaling that China will challenge the US in the Western Hemisphere? The US government position for the last two decades was based on the assumption that conflict can be avoided by integrating China into the framework of international institutions created by the West. Theoretically, this position is best articulated by liberal internationalist John Ikenberry: "the United States cannot thwart China's rise, but it can help ensure that China's power is exercised within the rules and institutions that the United States and its partners have crafted over the last century, rules and institutions that can protect the interests of all states in the more crowded world of the future". In policy terms, during the Bush administration Deputy Assistant Secretary of State for East Asia and Pacific Affairs, Thomas J. Christensen had written (2008) he: "would sum up Bush's strategy toward China as a

long-term effort to shape the choices the leadership in Beijing makes about how to use China's increasing regional and global influence". In his November 2014 speech to the APEC CEO Summit, then US President Obama was categorical: "The United States welcomes the rise of a prosperous, peaceful, and stable China. In fact, over recent decades the United States has worked to help integrate China into the global economy -not only because it's in China's best interest, but because it's in America's best interest and the world's best interest. We want China to do well"[3]. However, an opposite, more realist-inspired position starts from the assumption that conflict between the United States and China is inevitable and that the United States should be prepared to react.

A new gateway to the pacific…?

Compounding the geopolitical effect of the technological revolution leading the United States to become an energy superpower with the logistical capacity to ship oil and especially liquefied natural gas (LNG) in shorter, cheaper, more direct ways will shift global energy supplies. Until 2015 only 8% of the world's LNG fleet could fit through the Panama Canal. Post-expansion, the percentage will be more than 90%. Compared to the Suez Canal route, vessels travelling from the Gulf of Mexico to Asia via Central America would save about 5,300 nautical miles each way, around 11 days. More competitive transportation could reduce Asian gas prices by 10-15%, in a region where 2013 prices were 45% and 400% higher than Europe and North America. This has the potential to drastically change the balance of power in Asia. Specifically, for key US allies in the region and critical actors in Washington's strategy towards a rising China: Japan, India, and South Korea. Asia was responsible for up to 72% of spot LNG in 2012. Japan, Korea, and India alone accounted for 61%.

The International Energy Agency's World Energy Outlook 2013 estimates LNG demand will increase by almost half to 2035 and sees Japan's LNG consumption grow by 30-40% to 2020. Tokyo is the main global LNG importer, alone responsible for one sixth of global demand. Increased supply and ease of access will mean the US will have the economic and geostrategic capabilities to reinforce Japan's energy security. A long-term, abundant, and reliable LNG supply from the US could divert Tokyo away from increasing its dependence on the Middle East and Russia. There are very large natural gas supplies being produced now from the Russian island of Sakhalin exported to Asia. It might even contribute to relieve some of the pressure to adopt an aggressive stance in disputes with

[3] Available at https://obamawhitehouse.archives.gov/the-press-office/2014/11/10/remarks-president-obama-apec-ceo-summit, accessed Dec 2016.

China over the energy-rich East and South China Seas such as the ongoing territorial dispute with China over the Chunxiao/Shirakaba gas field. Energy insecurity is of secondary importance in this argument, but it has become a catalyst for Chinese-Japanese rivalry and sovereignty issues. With regards to India, consumption is expected to grow at 2% annual rate to 2040. Delhi faces severe supply constraints, due to obstacles on the construction of three pipelines that would provide India with natural gas from Iran, Turkmenistan and Myanmar. By providing India with an LNG alternative route to energy security, the US would also disentangle Delhi from the geopolitical intricacies of depending on higher-risk providers. This is also the case for South Korea, which does not have international gas pipeline connections and can therefore only import gas via LNG tankers.

Since early 2015, the trend has been supported by the return to liquefaction terminal sanctioning and the diversification of energy matrices fostered by cleaner energy alternatives. The advent of fracking in the US and refinery capacity expansion elsewhere has supported rapid fleet growth: LPG carrier fleet capacity has grown by 32% and LNG carrier fleet capacity by 12%. US supply would have a built-in predictability from unexpected production or shipping disruption. Qatar is the top global LNG exporter, representing roughly one-third of the global LNG market. Therefore, acts of terrorism, political instability, diplomatic sanctions or military action in the Strait of Hormuz leading to supply disruption would wreak havoc in importing countries. This would send shockwaves across Asia increased export supply and would provide credible signals to strategic allies and economic partners of the United States' commitment both to a stable Asia and to free trade. Since export and import decisions are made by corporate actors led by profit motives rather than governments guided by security concerns. In this sense, the ongoing Trans-Pacific Partnership Agreement (TPP) negotiations could be the institutional underpinning to align private sector incentives to state interests. As U.S. foreign policy pivots to Asia, a new Canal in Central America would become the economic asset and strategic lynchpin for the U.S to provide increased energy security and pricing relief to LNG importers in the Asia Pacific region.

…Or a gateway into the Atlantic

The geographical severing of the Americas was a clear sign that the US was being able and willing to exert a commanding position in the Western Hemisphere through political power and technical prowess. If the isthmus was in the 20th century America´s gateway to the Pacific, it could become in the 21st century the geopolitical equivalent for China into the Western Hemisphere. Much more than an impressive feat of engineering, the Panama Canal ushered in the transformation of the American continent. Is the Chinese an equivalent attempt? Is it proof of waning U.S. influence in the region? The US go-

vernment maintained a clear position on the issue since 2005 when Deputy Assistant Secretary of the Bureau of Western Hemisphere Charles S. Shapiro testified before Congress: "we support China's engagement in the region in ways that create prosperity and promote transparency, good governance, and respect for human rights". In November 2013, Assistant Secretary of State for the Western Hemisphere Affairs Roberta Jacobson held in China the sixth China–U.S. Consultation Meeting on Latin America Affairs, a mechanism for consultation on regional issues that stems from the framework of Strategic and Economic Dialogue between the two countries. In March 2014, she ratified the position of the US government: "The only thing that is very important is that all of us, whether companies or governments of China or South America or North America or Europe, play by the same rules and that there is transparency in these exchanges and trade between countries, and that the people, the people can see what the benefits are, what are the terms of trade. If we are playing with international rules, and if the agreements between countries or companies comply with work standards, of labor or environment that are the laws of the country, then there is no problem with the presence; and it would really be a positive thing for the region". The acknowledgement of power asymmetries seems to be evident on the Latin American and Chinese sides: Nicaraguan president´s brother and former Defense Minister Humberto Ortega has been on the record stating that both the president and the Chinese government know that if the canal "goes ahead, it will have to be with an American-Chinese agreement"

Bi-oceanic canal developments in Central America must be understood as part of a broader transformation occurring in Latin America. The entire regional infrastructure network is being increasingly re-directed towards the emerging economic center of gravity in the world. Led by China, the Asia Pacific region is creating a "pull force" for countries in all the Western Hemisphere that reinforces a pattern of international political economy based on commodity exports. Latin America is impelled to link with Asia in timelier and less expensive ways. This is leading to an across the board infrastructure overhaul of the entire regional transportation and connection system, including highways, railways, and waterways. Because of the critical role of shipping, ports, and canals –whether the upgrading of the existing Panama Canal or the projection of potential new ones– become an element in this process of transformation. The myriad of new infrastructure projects reveals an economic imperative on the part of Latin America to connect to the Pacific. While developments answer to changing geoeconomic realities, what -if any- will be the geopolitical consequences of this structural shift? An example of this was first brought to the attention of senior US government officials with the January 1997 award to the Chinese firm Hutchison-Whampoa of a 25-year renewable concession to operate container shipping terminals

in Balboa (on the Pacific side) and Cristóbal (in the Caribbean side) of the Panama Canal. Infrastructure development, soft financing, and market access have historically been classic tools for expanding state influence. China is not an enemy of the United States but it is a legitimate peer competitor. The critical geopolitical question is if and how will China leverage economic assets into strategic advantages; how will it translate its new position into power, its importance into influence. Is the canal China's "pivot to the Americas" or a symbol of an emerging multipolar structure of international relations?

Conclusion

So far, there is no convincing evidence the Nicaragua canal project answers to calculated great power rivalries beginning to play out in the Western Hemisphere. But the persistent concern seems to be more a product of American concerns than of Chinese actions or Latin American intentions.

While military analysts have warned about China being able to create diversionary crises or conduct disruption operations in close proximity to the United States such as trying to close off strategic choke points such as the Panama Canal, Ortega´s brother told the press (Anderson, 2014) that "for the Chinese, the canal will be a playing card with which to talk to the gringos and to gain an advantage somewhere else. But the gringos will have to be the gatekeepers. If not, there will be no canal."

Neither is there evidence that a second canal throughout Central America –even if control of such canal was exerted by China in the way the US did over Panama- would be detrimental to the national interest of the United States. In the 2005 Senate hearings about the Panama Canal, then Deputy Assistant Secretary of Defense for Western Hemisphere Affairs Rogelio Pardo-Maurer declared: "China is one of the largest users of the canal and fast-growing. So from what we can tell, it is in their interest to have a canal that works and is dependable and reliable. So to me the canal is actually a classic example of how bringing China in or helping China become a responsible trading partner, a responsible member of the world trading community, is in our interest. It makes the canal something that they have an interest in cherishing and defending. The short answer is that the most common concerns that I have seen out there, that because a certain company that has Chinese investors, controls the terminal facilities of the canal, that, therefore, we need to be concerned, that I think is not a concern"[4].

[4] US Senate Committee on Foreign Relations, "Challenge or Opportunity? China's Role in Latin America", September 20, 2005, https://www.senate.gov/pagelayout/general/one_item_and_teasers/file_not_found.htm accessed Dec. 2016.

China is no longer rising. It is already risen; and an indicator of this critical turning point happened in the Western Hemisphere with the project of the Nicaragua canal. Its rise in the US area of influence is already recognized by China, by the US, and by Latin America.

The issue is not what kind of rise will it be, but what will it do with its newfound risen status. The Nicaragua canal is an indicator of Beijing's growing interests in the Western Hemisphere, but does it indicate that China sees the region –if even partly– as an arena for strategic competition to improve its geopolitical position?

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