



**THE GRAND INTEROCEANIC CANAL IN THE
ECONOMIC DEVELOPMENT OF NICARAGUA,
CENTRAL AMERICA AND LATIN AMERICA**
**WORLD AND REGIONAL MULTIMODAL
LOGISTICAL CENTER**

Seminario JALAC-AIDB

DR. PAUL OQUIST
Minister

Private Secretary for National Policies
Presidency of the Republic
Nicaragua

Tokyo, Japan
2014 05 15 10:00

A wide, calm river flows through a dense, lush green forest. The sky is a vibrant blue, dotted with numerous white, fluffy clouds. The water reflects the light from the sky and the surrounding greenery. The overall scene is peaceful and natural.

**WHY CAN A CANAL BE BUILT IN
NICARAGUA NOW?**

**NICARAGUA IS A COUNTRY WITH A DEMONSTRATED
CAPACITY TO FORMULATE AND ACHIEVE STRATEGIC
OBJECTIVES**

**NATIONAL HUMAN DEVELOPMENT PLAN 2007/2016
CONSTRUCTION OF THE GRAND INTEROCEANIC
CANAL**





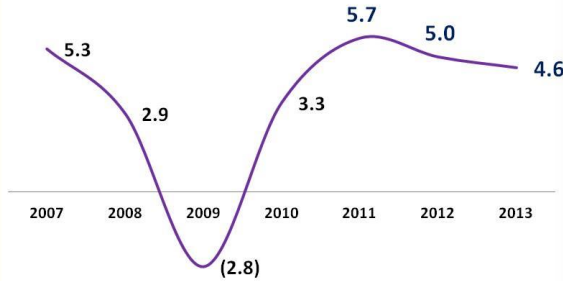
POLICY FRAMEWORK:
NATIONAL HUMAN DEVELOPMENT PLAN
2007/2016

OBJECTIVE:

**ECONOMIC GROWTH WITH
MACROECONOMIC STABILITY,
JOB CREATION,
POVERTY AND INEQUALITY
REDUCTION**

Economic growth and macroeconomic stability

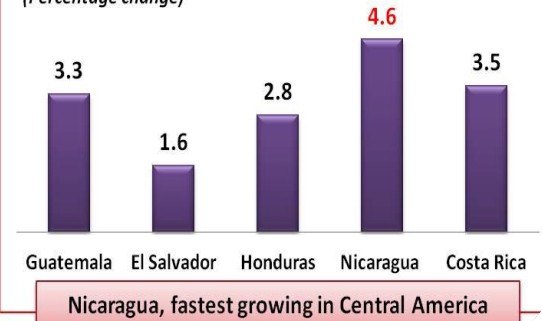
Economic Growth in Nicaragua 2007-2013
(Percentage change)



Source: BCN & ECLAC (2013)

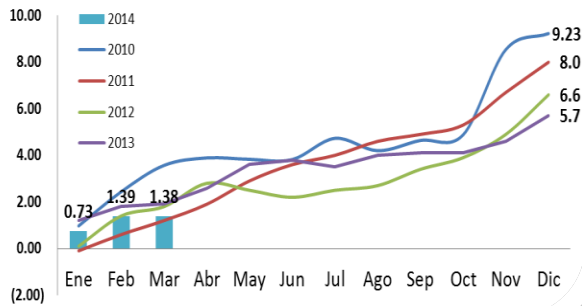
5% average growth 2011-2013

Economic Growth in Central America 2013
(Percentage change)



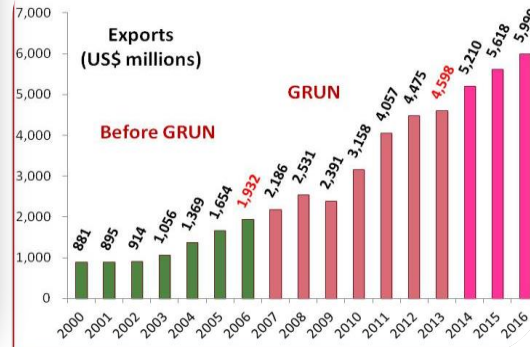
Highest Economic Growth in Central America

Nationa CPI january 2010 - March 2014
(percentage change)



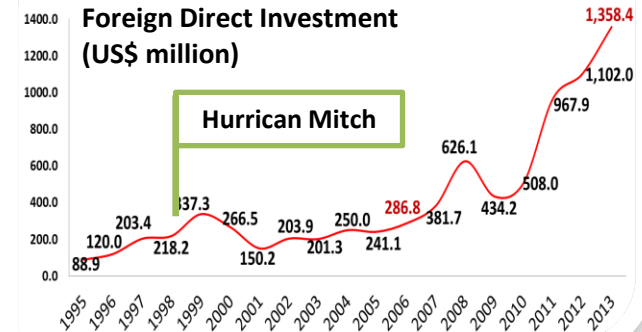
1-digit inflation and decreasing

EXPORT DYNAMISM



Exports doubled between 2006 and 2012

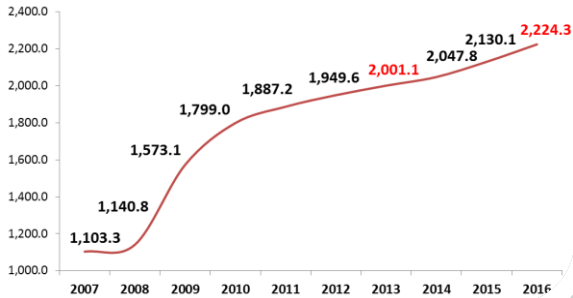
Investment Boom



Investment record: More than 4.7 times 2006

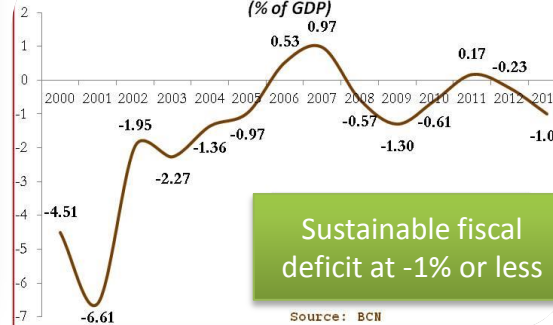
Fiscal stability Increased work

Gross International Reserves
(US\$ millions)



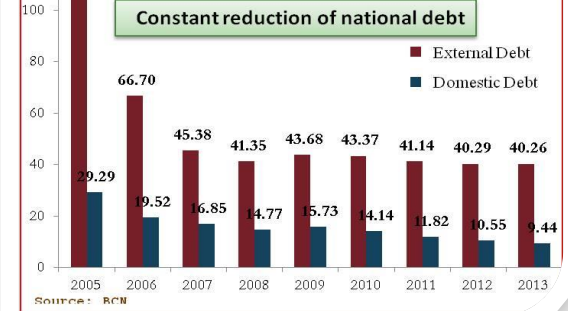
High International Reserves: 2.5 times the monetary base, allows free exchange and currency stability

Fiscal deficits in Nicaragua 2000-2013
(% of GDP)



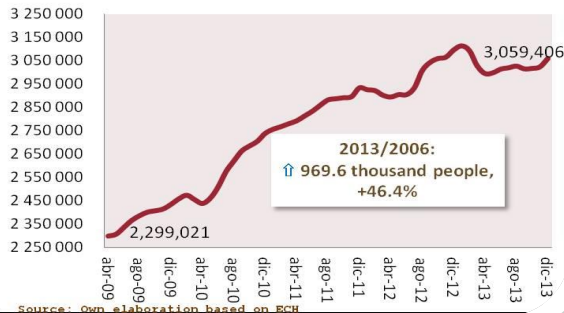
Sustainable fiscal deficit

Total public debt balances
(US\$ millions)



Constant reduction of national debt

Occupied Population
(Number of persons per moving quarter)



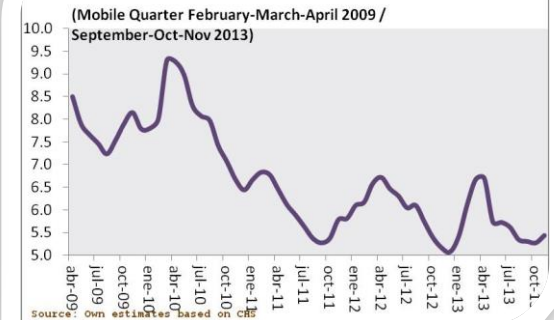
More work: 46.4% more than in 2006

Formal employment
(Number of Employees registered at INSS)



Formal employment growth: 72.9% more people registered than in 2006

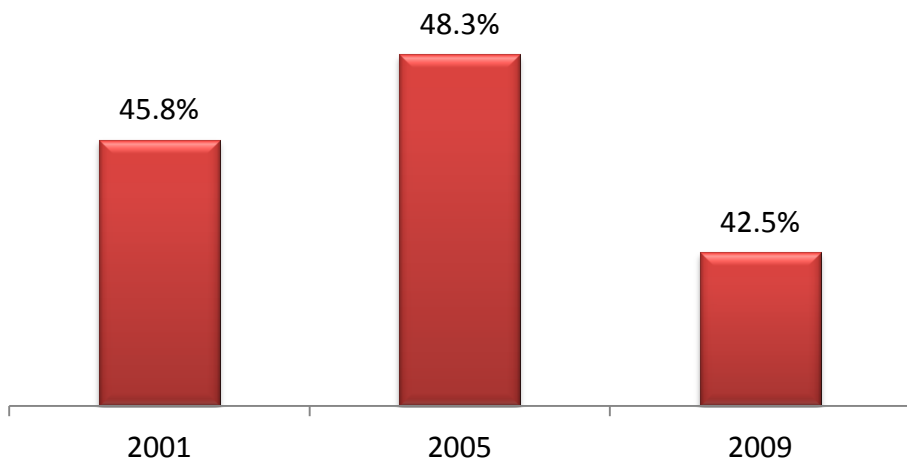
Open Unemployment Rate



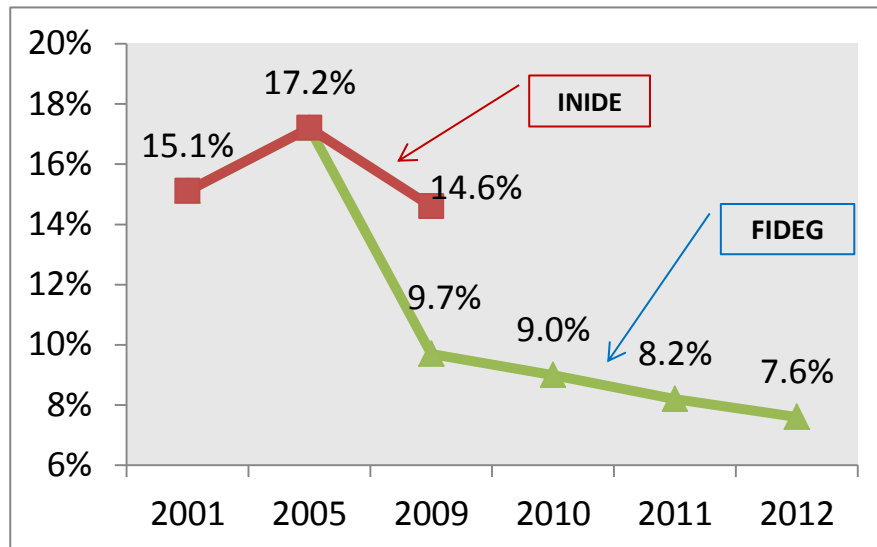
Fewer unemployment

POVERTY AND INEQUALITY REDUCTION

General poverty measured by consumption



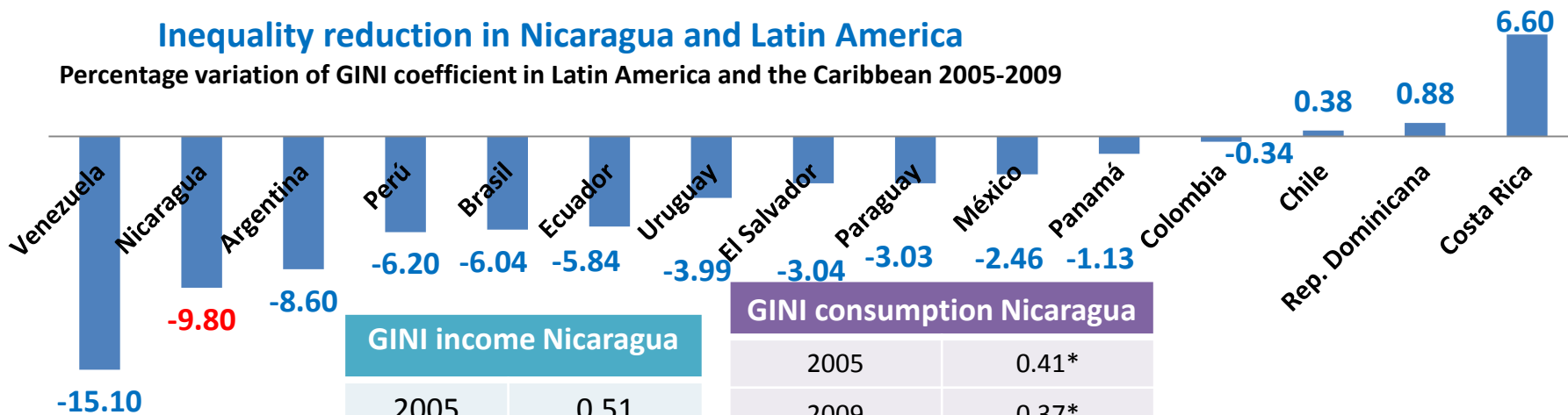
Extreme poverty measured by consumption



Poverty measured by income, poverty fell -10.6 percentage points and -15.7 in rural areas

Inequality reduction in Nicaragua and Latin America

Percentage variation of GINI coefficient in Latin America and the Caribbean 2005-2009



GINI income Nicaragua	
2005	0.51
2009	0.46

GINI consumption Nicaragua	
2005	0.41*
2009	0.37*
2010	0.35**
2011	0.34**

GREATER GENDER EQUALITY

World Gender Gap Index 2013 -World Economic Forum, Davos-

Rank	Country
1	Iceland
2	Finland
3	Noway
4	Sweden
5	Fillipines
6	Ireland
7	New Zeland
8	Denmark
9	Switzerland
10	NICARAGUA
11	Belgium
12	Latvia
13	Netherlands
14	Germany
15	Cuba
16	Lesotho
17	South Africa
18	United Kingdom
19	Austria
20	Canada

From 90th in 2007 to 10th in 2013

Nicaragua is #1 in the World with regard to women in the National Cabinet , 57% (IPU, 2013)

"Women in Politics 2014" Percentage of women in the parliaments of the world

	COUNTRY	PERCENTAGE OF WOMEN	WOMEN / SEATS
1	RWANDA	63.8%	51/80
2	ANDORRA	50.0%	14/28
3	CUBA	48.9%	299/612
4	SWEDEN	45.0%	157/349
5	SOUTHAFRICA	44.8%	179/400
6	SEYCHELLES	43.8%	14/32
7	SENEGAL	43.3%	65/150
8	FINLAND	42.5%	85/200
9	NICARAGUA	42.0%	37/92
10	ECUADOR	41.6%	57/137
11	BELGIUM	41.3%	62/150

- **Women Parliamentarians: The New Law 50% -50% lead Nicaragua to the second place in the world in 2016, tied with Andorra.**

SURVEY OF COST OF LIVING IN LATIN AMERICA: MANAGUA IN NICARAGUA (POSITION 213) ONE OF THE CITIES WITH LOW COST OF LIVING

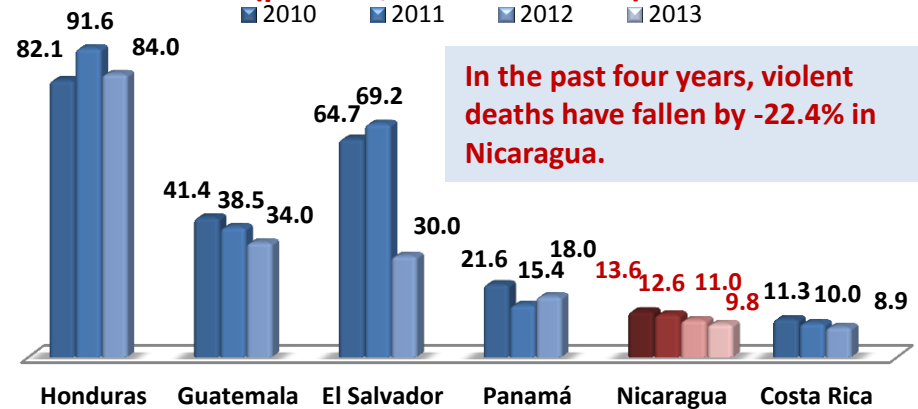
Posición Mundial entre 214 ciudades

2011	2010	CIUDAD	PAÍS
10	21	Sao Paulo	Brasil
12	29	Rio de Janeiro	Brasil
33	70	Brasilia	Brasil
51	100	Caracas	Venezuela
53	45	La Habana	Cuba
63	66	Bogotá	Colombia
75	123	Santiago	Chile
127	129	Montevideo	Uruguay
138	135	Lima	Perú
146	129	San Juan	Puerto Rico
148	166	Ciudad de México	México
159	161	Buenos Aires	Argentina
165	183	San José	Costa Rica
168	169	Ciudad de Guatemala	Guatemala
183	193	Monterrey	México
196	194	Quito	Ecuador
199	201	San Salvador	El Salvador
204	204	Asunción	Paraguay
208	204	Tegucigalpa	Honduras
212	211	La Paz	Bolivia
213	212	Managua	Nicaragua

FUENTE: MERCER

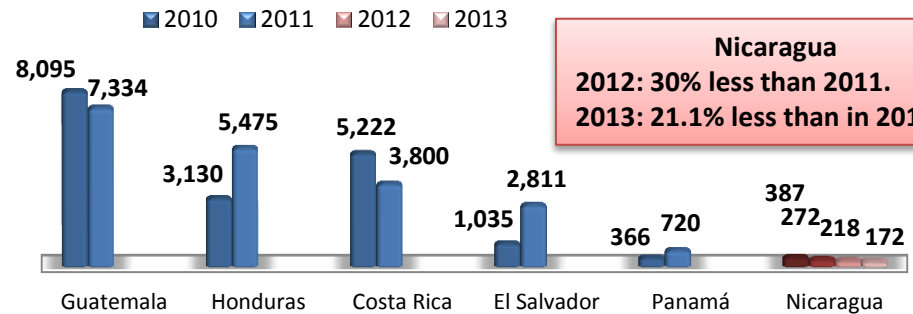
THE BEST PUBLIC SAFETY IN CENTRAL AMERICA

Homicide Rates in Central America (per 100,000 inhabitants)



In the past four years, violent deaths have fallen by -22.4% in Nicaragua.

Vehicle theft in Central America



Nicaragua
2012: 30% less than 2011.
2013: 21.1% less than in 2012.

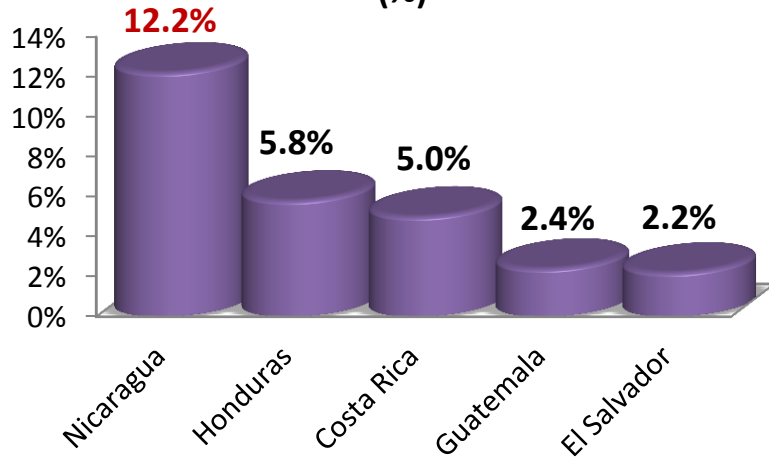
The National Police of Nicaragua (PNN) is a leader in Central America and in the world, as a police model with a "preventive, proactive and community" approach.

UNDP. 2013. Regional Human Development Report 2013-2014. Public security with a human face: diagnosis and proposals to Latin America.

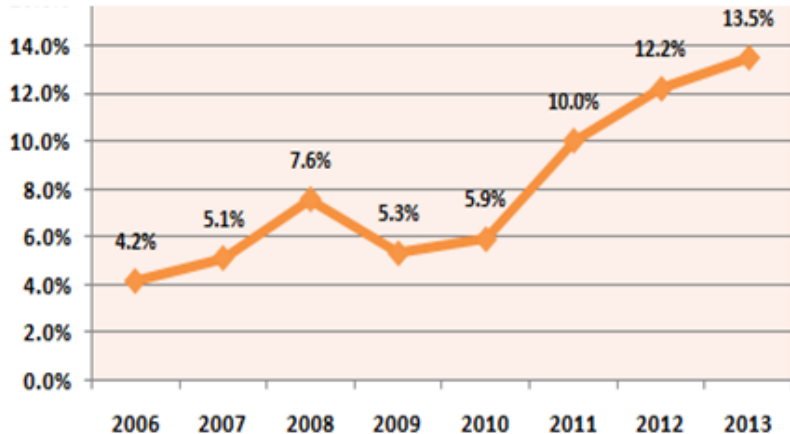


INVESTMENT BOOM

Ratio FDI/GDP in Central America, 2012 (%)



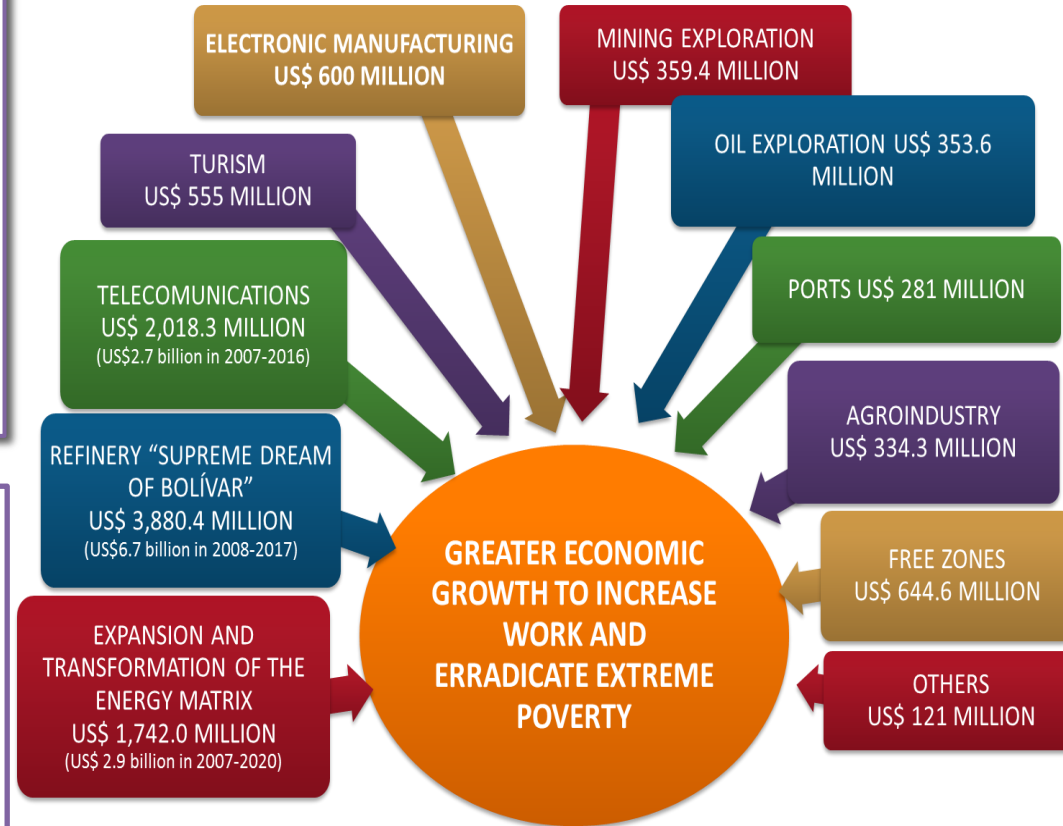
Ratio FDI/GDP, 2006 to 2012 and estimated 2013 (%)



Source: CBN, Ministry of Promotion, Industry and Trade; Investment promotion Agency

INVESTMENT PORTAFOLIO

US\$ 10.9 BILLION IN 2012-2016



* Confluence Industrial Complex Supreme Dream of Bolivar, Tumarín hydroelectric dam, and the Grand Interoceanic Canal and other projects

TRANSPORT AND COMMUNICATIONS INFRASTRUCTURE

ROADS



ACOYAPA-SAN CARLOS ROAD & SANTA FE BRIDGE



IMPROVEMENTS TO ROADS THAT CONNECT TO THE CARIBBEAN



COSTANERA ROAD; MANAGUA – RAMA; LA LIBERTAD – SANTO DOMINGO; BOACO – MUJ MUJ – RÍO BLANCO; RUTA ALTERNA A MASAYA;

PORTS



DEEP WATER PORT IN THE CARIBBEAN



BILWI PORT



CRUISE SHIP PORT, SAN JUAN DEL SUR, RIVAS (ROYAL CARIBBEAN)

AIRPORTS



AIRPORT IN PUNTA HUETE (MANAGUA)



AIRPORT IN SAN CARLOS (RÍO SAN JUAN)



AIRPORT IN SAN JUAN DE NICARAGUA (RIO SAN JUAN)



AIRPORT IN MONTELMAR (MANAGUA)



AIRPORT IN FRONT OF IGUANA BEACH (GUACALITO DE LA ISLA PROJECT)



AIRPORT IN OMETEPE ISLAND (RIVAS)



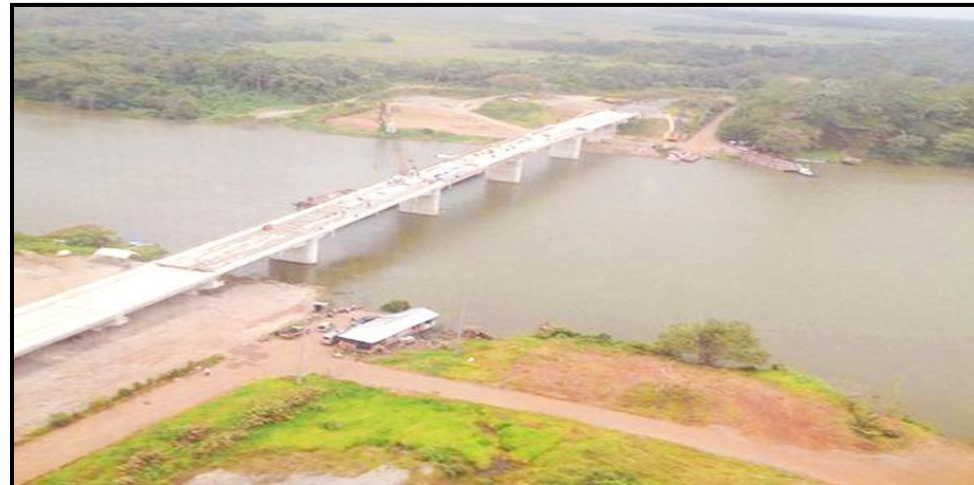
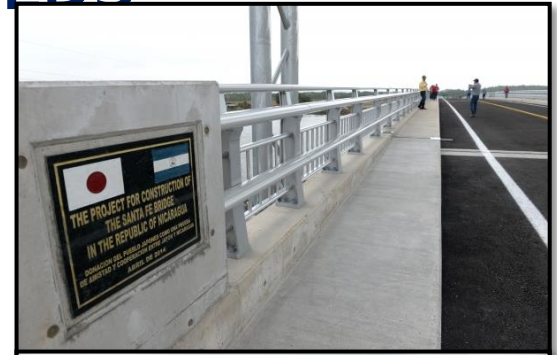
IMPROVEMENT OF AIRPORTS IN THE CARIBBEAN



FIRST COUNTRY IN CENTRAL AMERICA WITH ITS OWN SATELLITE (NICASAT 1): In orbit by 2016 Investment US\$ 300 million, 15 years of lifetime

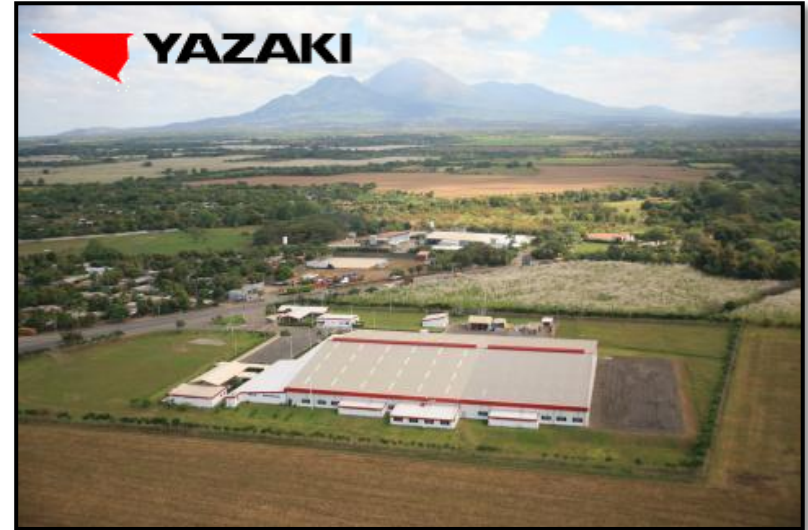
SANTA FE BRIDGE, RÍO SAN JUAN DE NICARAGUA HIGHWAY TO BLUEFIELDS

- It is a 360 meter bridge on the Rio San Juan de Nicaragua, linking Nicaragua with Costa Rica combined with the Acopyapa-San Carlos highway
- **The bridge has been financed by US\$30 million in grant funds from the Government and people of Japan**
- The preparation of the highway to Bluefields is historic as it will link the capital of the South Atlantic region with the Pacific for first time in Nicaraguan history.

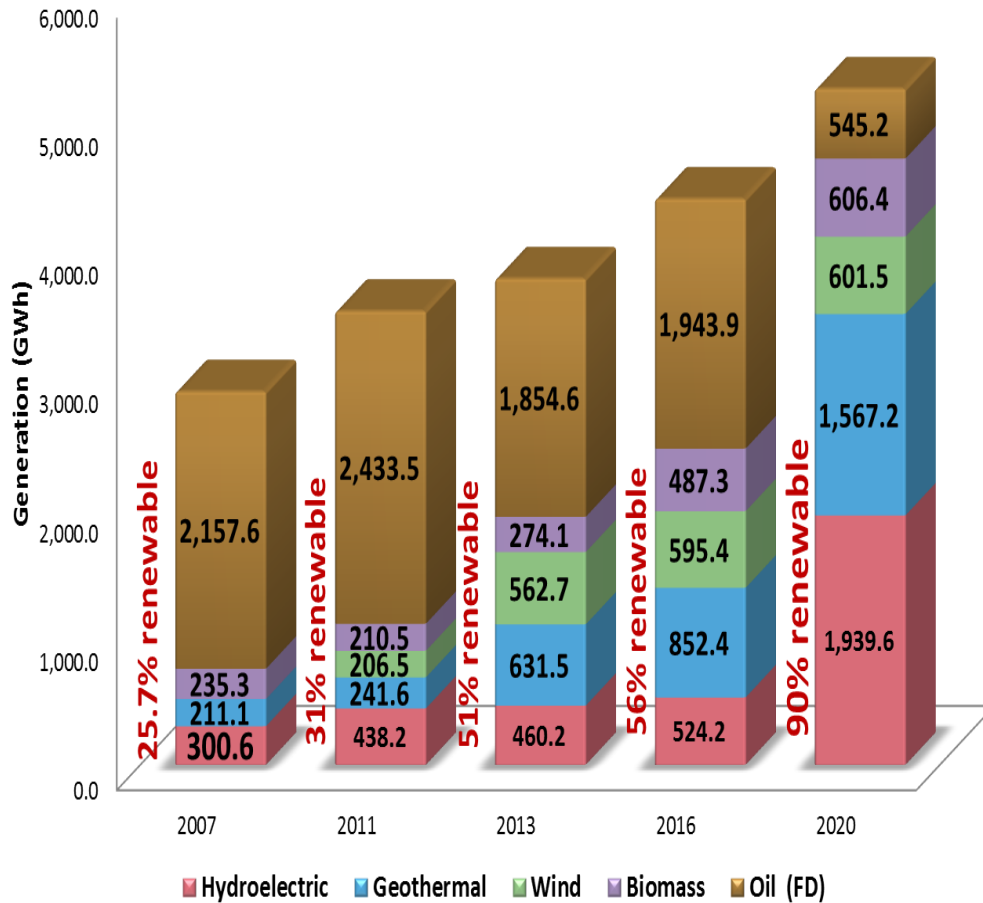


YAZAKI Nicaragua (formerly ARNECOM)

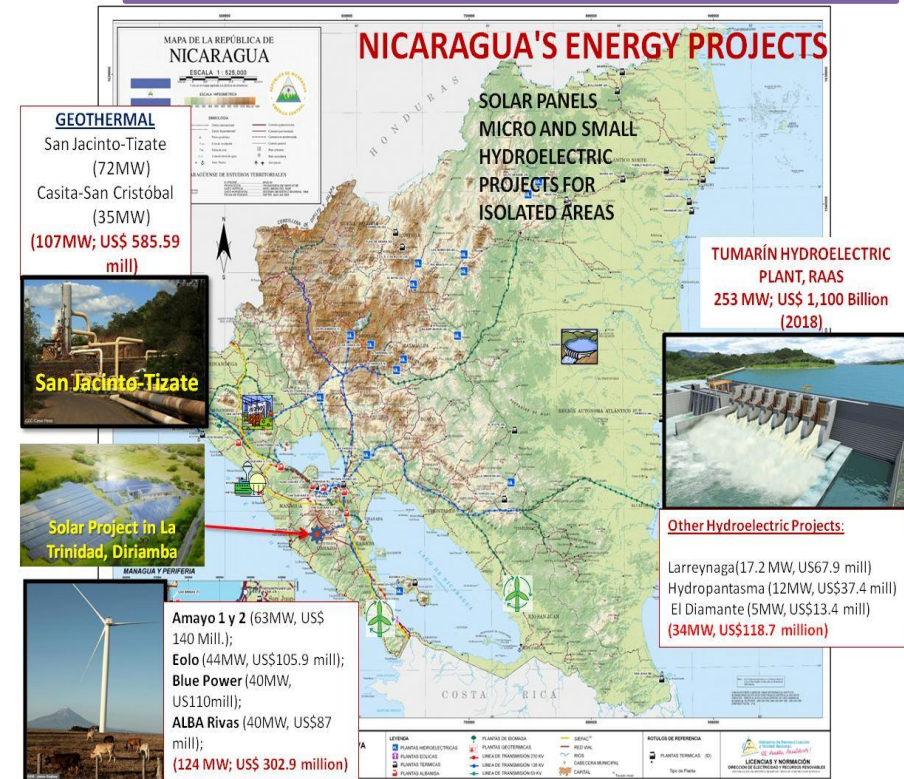
- *Yazaki Nicaragua* (formerly *Arnecom*), was established in the city of León in 2001.
- It is dedicated to the development of tools and electronic components for automotive companies like Ford, Chrysler and General Motors that have plants in countries like Mexico, United States and Canada.
- Began operations with 250 employees and currently **generates 13,000 jobs in 4 plants for the manufacture of harnesses and 1 plant for manufacturing cables.**
- It generates 12% of Free Trade Zone formal jobs in Nicaragua.
- **In 2013 exported US\$ 634.3 million, which represents 28% of total exports from free zones of Nicaragua.**
- Total investment recorded: US\$91 millions (2007-2013).
- There is a also German harness manufacturer in Nindirí, Nicaragua, Niemeyer.



EXPANSION AND TRANSFORMATION OF THE ENERGY MATRIX



Small-scale Energy Projects: Solar and Micro and small hydro



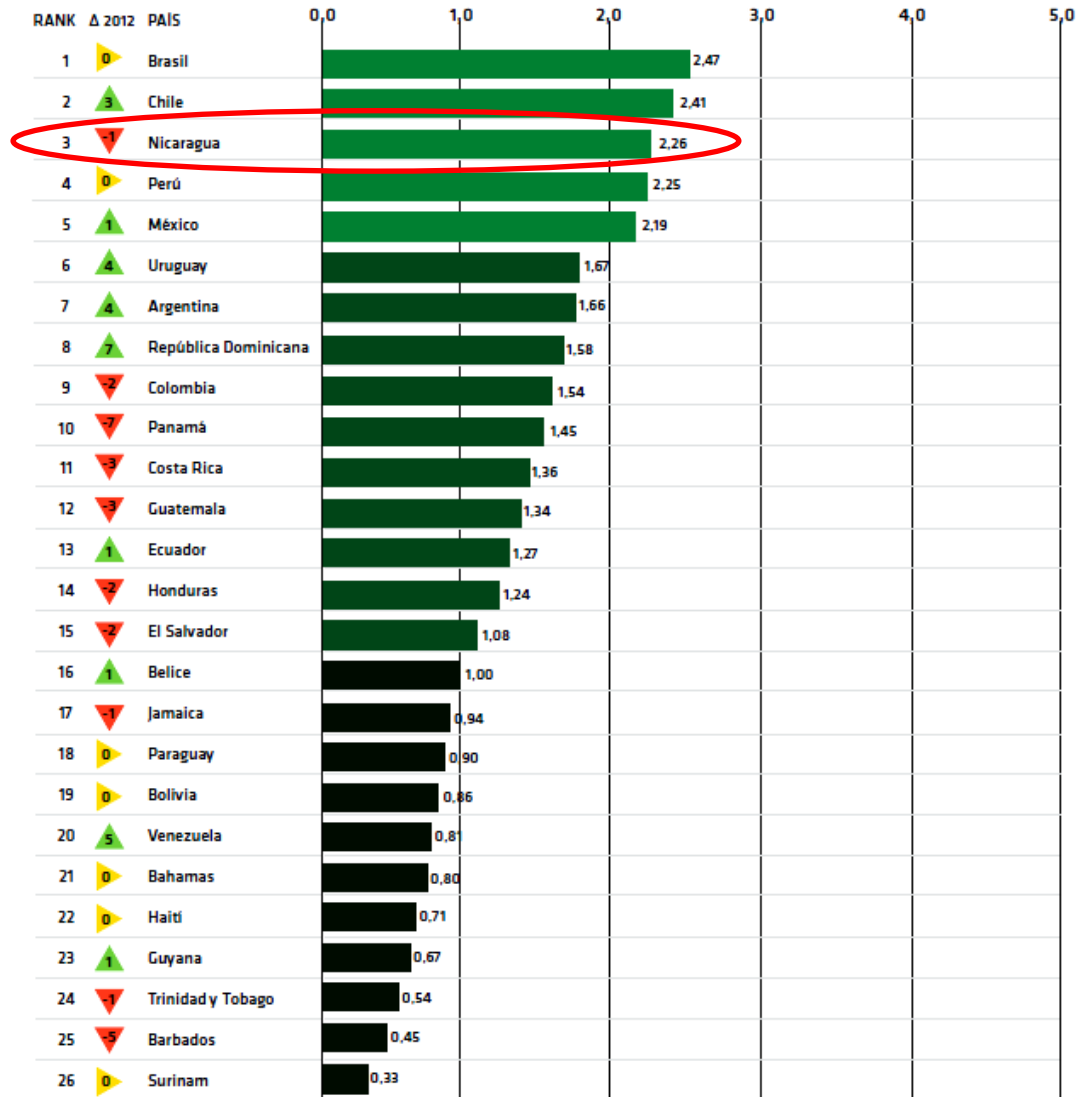
- **2012-2020: U.S. \$ 2.9 billion investment, over mainly foreign direct investment**
- **103% of demand (peak) recorded in 2012 and 97% and 75% of the planned by 2016 and 2020.**

Electricity coverage rose from 54% in 2007 to 76% in 2013, with the target of 85% by 2017

BLOOMBERG'S

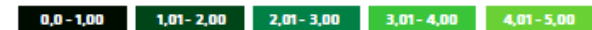


- In the Bloomberg and Interamerican Development Bank (IDB) *Climatescope*, second edition, Brazil, Chile and Nicaragua top the list of most attractive markets for clean energy in Latin America and the Caribbean.
- Despite being the second poorest country in the region, Nicaragua was ranked among the first three, just behind Brazil and Chile, due to the high penetration of renewables in its energy matrix and significant flow of investment in proportion to its small economy.
- Nicaragua was the country that received the highest score in the categories “*Suitable Setting and Clean Energy*”, “*Investment parameters*” and “*Loans to Projects relating to Climate Change*”.
- In 2012, Nicaragua saw its installed renewable energy capacity grow 40% due to the US\$ 292 million that was allocated to clean energy market in the context of an economy of US\$ 10,500 million.



La flecha verde se refiere al incremento, la roja a la disminución y la amarilla indica que no se ha producido ningún cambio

Color según rango de puntuación



INDUSTRIAL COMPLEX "SUPREMO SUEÑO DE BOLIVAR"



- Refinery with a processing capacity of 140,000 b / d, US\$ 3.6 billion
- Petrochemical Industry: US\$ 2.8 billion

FUEL STORAGE COMPLEX IN MIRAMAR



Fuel Distribution Plant Miramar **1.08 million barrels, US\$ 306 million**



- Pipeline Monkey Point- Puerto Sandino: \$ 270 million
- GLP Project: US\$ 25.9 million



Storage complex in Corinto

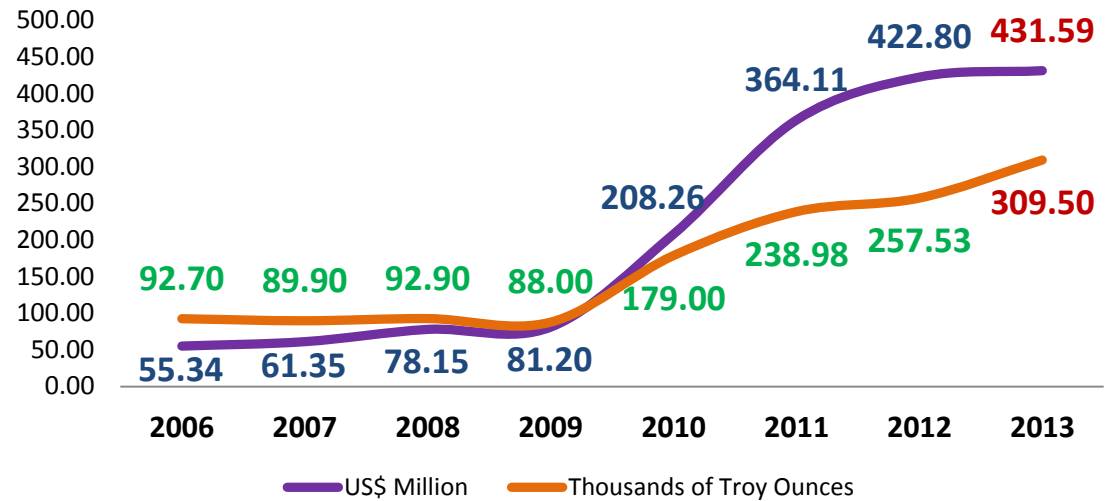
Total Investment Industrial Complex: US\$ 6,700 million

**By 2020, Nicaragua will become
a net energy exporter of
Electrical Energy and Petroleum
Derivatives**

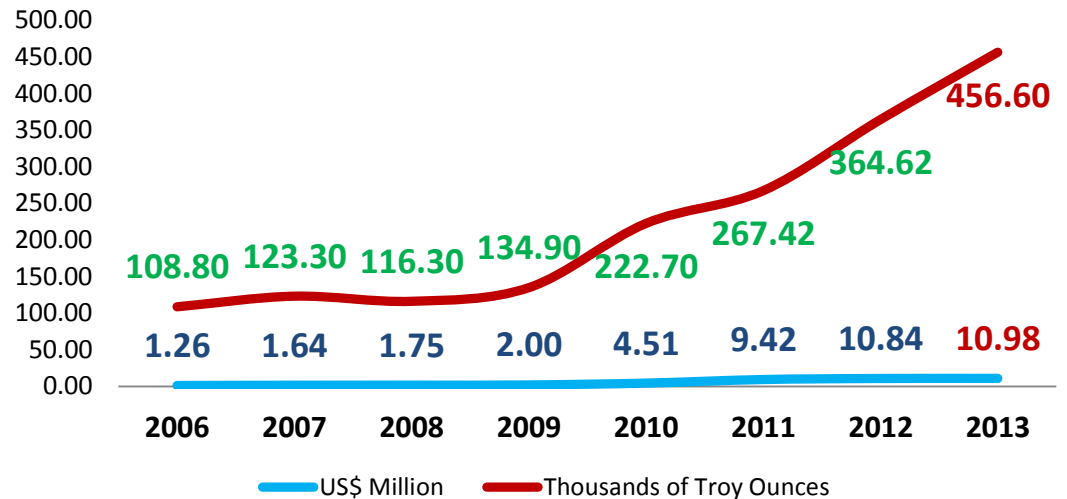
GROWTH AND TRANSFORMATION OF MINING

Product	US\$ million
Gold/ Silver	442.57
Meat	383.84
Coffee	349.47
Sugar	175.96
Dairy	172.92
Peanuts	102.93
Beans	44.82

Gold Exports (Value and Volume)



Silver Exports (Value and Volume)

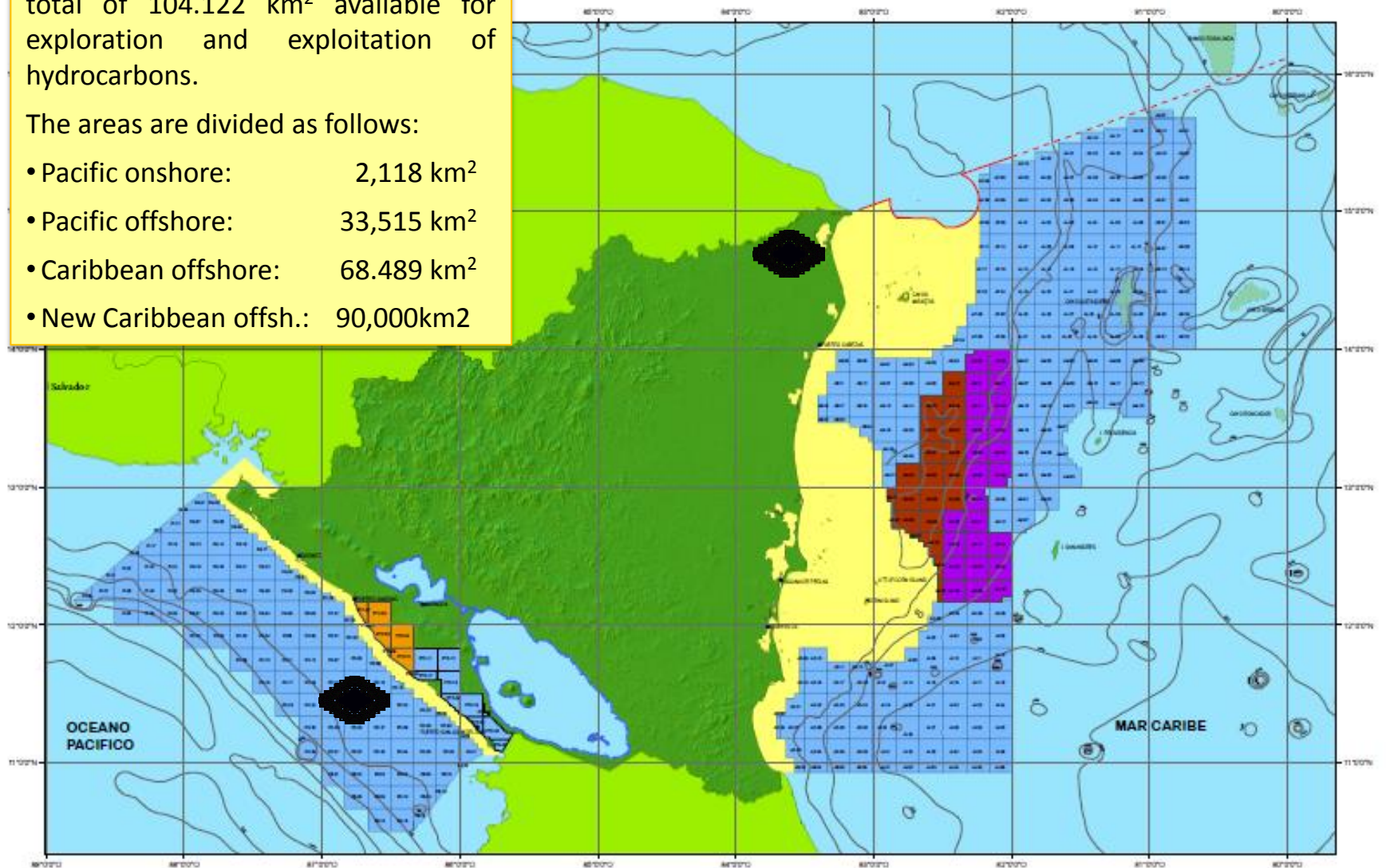


In 2013, mining was the main export product of Nicaragua

The Government of Nicaragua has a total of 104.122 km² available for exploration and exploitation of hydrocarbons.

The areas are divided as follows:

- Pacific onshore: 2,118 km²
- Pacific offshore: 33,515 km²
- Caribbean offshore: 68.489 km²
- New Caribbean offsh.: 90,000km²



LEYENDA

- Indoklanisa
- Noble Energy Nicaragua Ltd.
- Infinity Energy Resources
- Areas Disponible
- Areas de Restriccion Ambiental

AREAS DISPONIBLES PARA EXPLORACION Y EXPLOTACION DE HIDROCARBUROS DE NICARAGUA

MINISTERIO DE ENERGIA Y MINAS
DIRECCION GENERAL DE HIDROCARBUROS

Escala Grafica
Datum: D_WGS_1984
Esferoide: CGS_WGS_1984

NICARAGUA AT ITS BEST MOMENT

- Growth of 5% level for three years running
- Macroeconomic stability, increased employment and poverty reduction
- A portfolio investor 2012-2016 of US\$ 10.9 billion
- Exports have doubled and investments have increased 4.7 times
- **Lowest cost of living in Latin America and the Caribbean**
- **Best safety in the region**
- **Strong social cohesion**

RECONCILIATION, UNITY, BALANCE

2006 triumph FSLN coalition “*Unida Nicaragua Triunfa*” (United Nicaragua Triumphs)



FSLN



YATAMA
Indigenous party



Partido Resistencia
Nicaragüense
(Former “*Contras*”)



INCLUSION AND BALANCE OF NATIONAL RELATIONSHIPS

SOCIAL COHESION



Gobierno de Reconciliación
y Unidad Nacional
El Pueblo, Presidente!



COSEP
CONSEJO SUPERIOR DE LA EMPRESA PRIVADA



UNAG, UPANIC
FEDEGAN
COOP
CABINETS



National
Government

+

Big and small producers

+

Workers

PROSPERITY-PEACE - STABILITY - SECURITY- COMPLEMENTARITY-WORK - VOLUNTEERING



+



+

Asociación de Municipios de Nicaragua
Arjunic

+

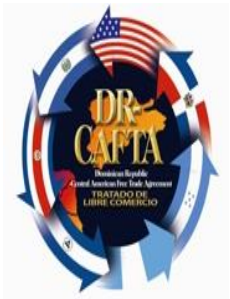


Regional Governments

Local Governments

People
organizaed

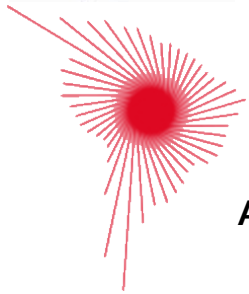
BALANCE OF INTERNATIONAL RELATIONSHIPS



Association Agreement EU - Central America

- Development Cooperation
- Trade exchange
- Funding
- Strategic Investments
- Social investment
- Security and defense

In CAFTA-DR , Nicaragua has increased its exports to the U.S by 127.6% (2006/2012)



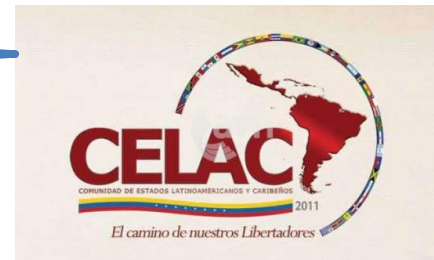
ALBA-TCP

In ALBA, Nicaragua has received US\$2,737.2 million in concessional finance (25 years, 2years grace, 2% per annun)

- Political Integration
- Economic Integration
- Commercial Integration
- Social Integration
- Cultural Integration
- Security Integration



ALBA-TCP



BALANCE OF INTERNATIONAL RELATIONSHIPS



Diplomatic and cooperation relations with Republic of China

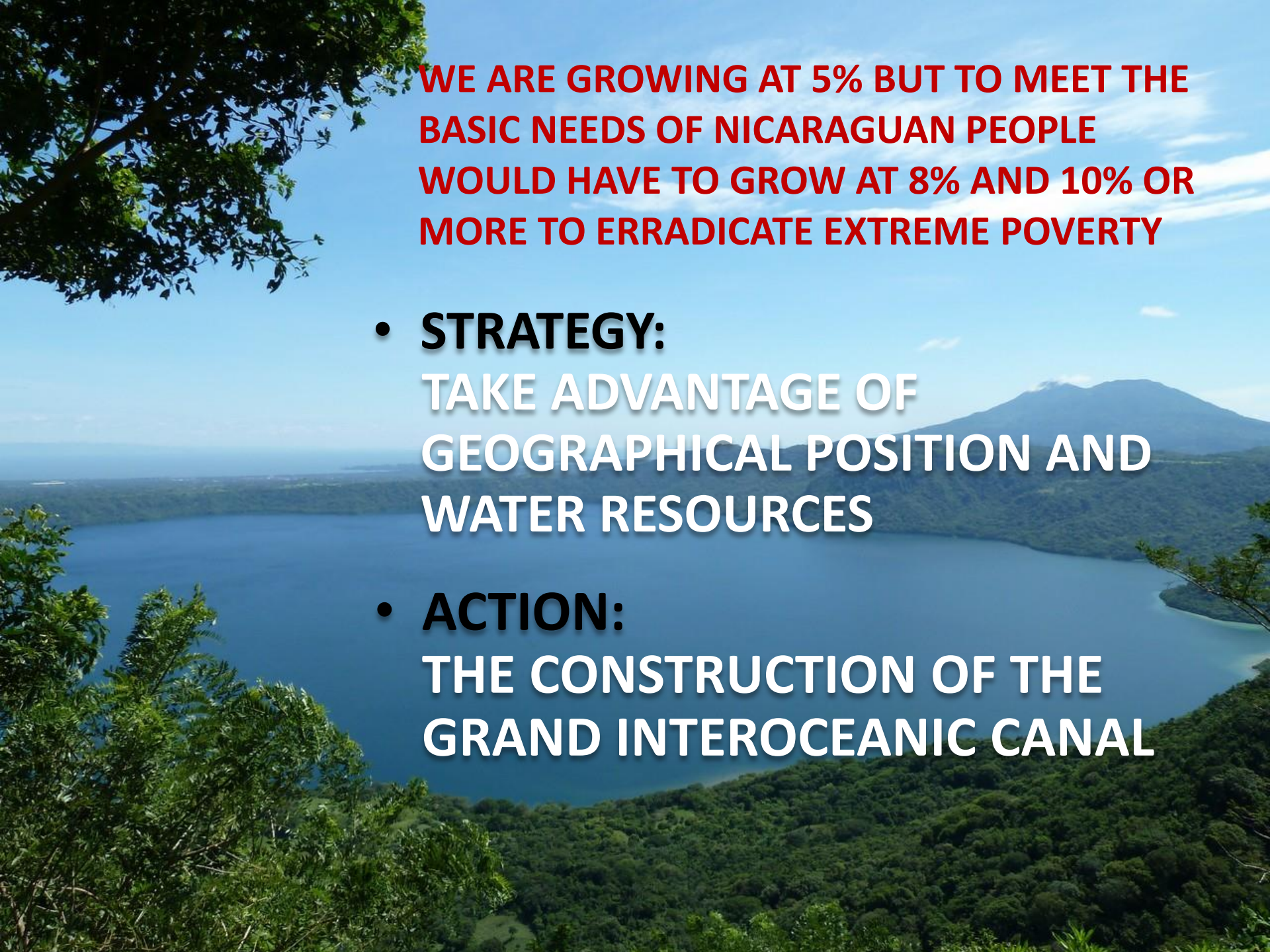
Trade relations with People's Republic of China



Meeting between President Daniel Ortega and President Ma Ying-jeou (2009)



The President of Nicaragua, Daniel Ortega, and the Chinese businessman Wang Jing (2013)



WE ARE GROWING AT 5% BUT TO MEET THE BASIC NEEDS OF NICARAGUAN PEOPLE WOULD HAVE TO GROW AT 8% AND 10% OR MORE TO ERRADICATE EXTREME POVERTY

- **STRATEGY:**
TAKE ADVANTAGE OF GEOGRAPHICAL POSITION AND WATER RESOURCES
- **ACTION:**
THE CONSTRUCTION OF THE GRAND INTEROCEANIC CANAL

A wide river flows through a lush green forest. The sky is blue with scattered white clouds. The text is overlaid on the lower half of the image.

**WHAT IS THE LOGIC OF THE GRAND
INTEROCEANIC CANAL OF NICARAGUA**

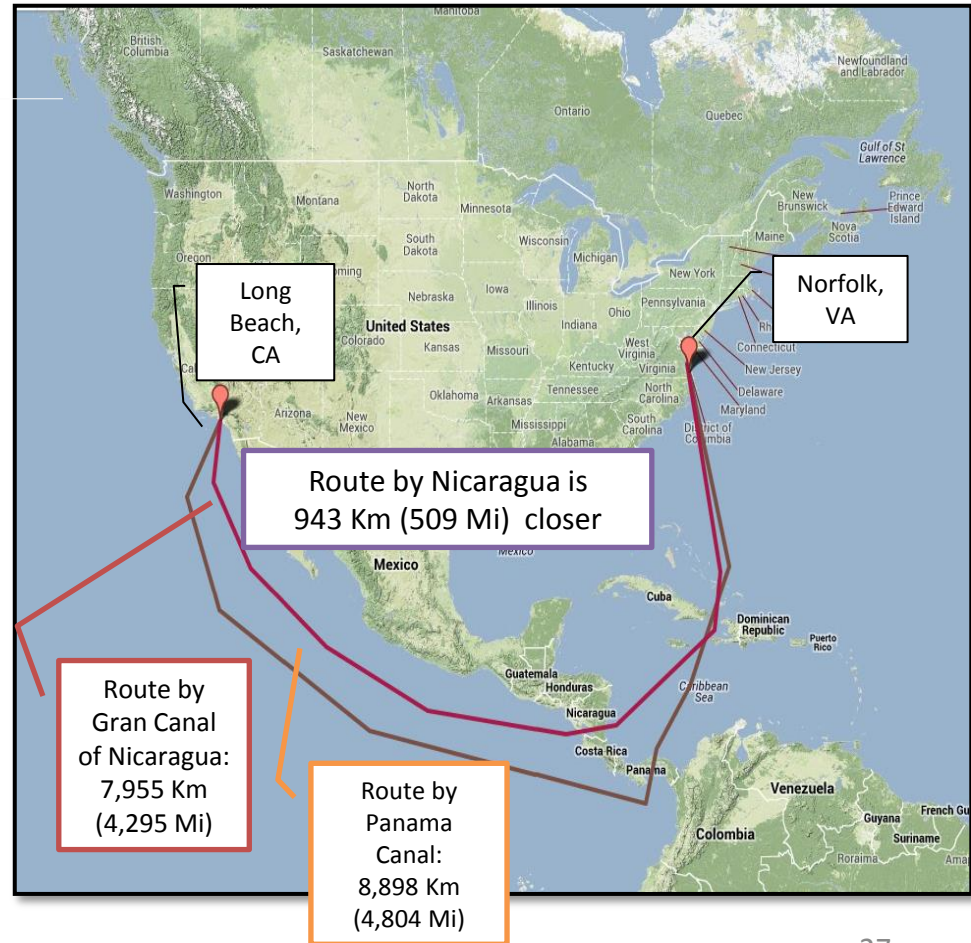
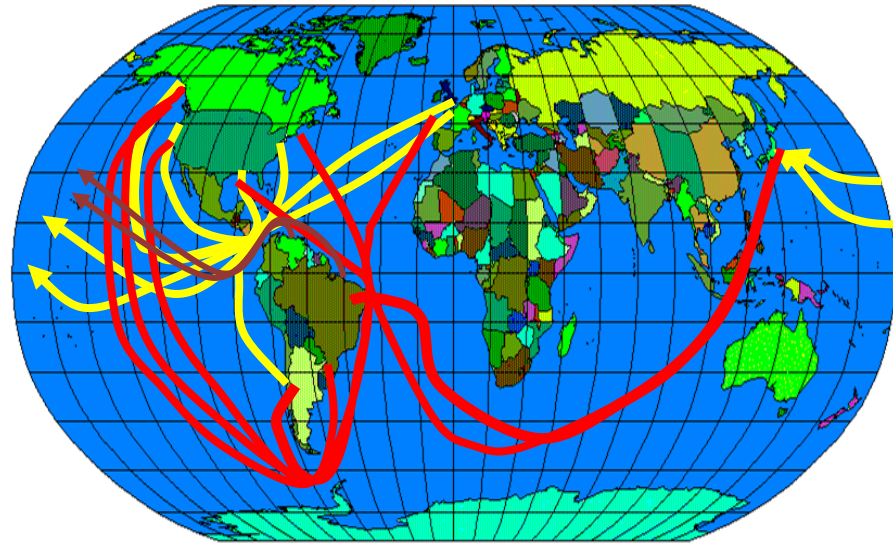
GEOGRAPHICAL POSITION

GEOGRAPHICAL PROXIMITY

Norfolk – Long Beach route

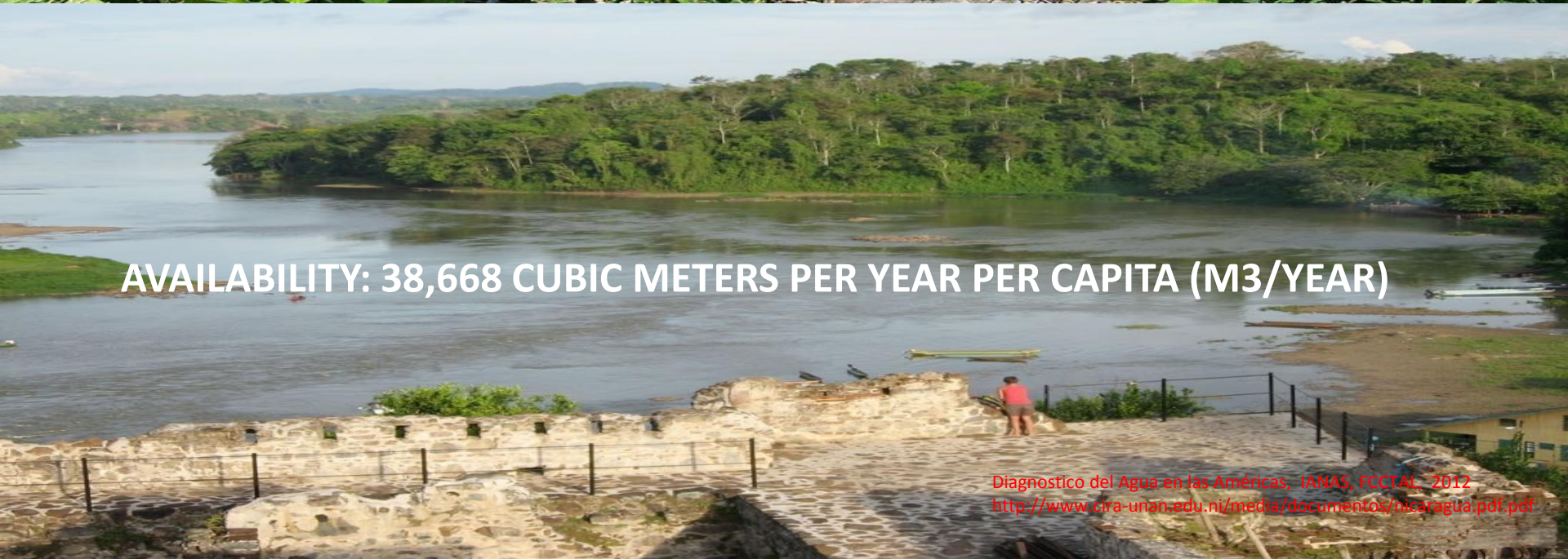
(Distances between Panama Canal and Grand Canal of Nicaragua)

WORLD SEABORNE TRADE



WATER RESOURCES

WATER NICARAGUA.....BLESSED WITH THE LARGEST WATER RESOURCES BETWEEN U.S. GREAT LAKES AND GUARANI ACQUIFER OF PARAGUAY BUT WITH THE LOWEST LEVEL OF UTILIZATION



AVAILABILITY: 38,668 CUBIC METERS PER YEAR PER CAPITA (M3/YEAR)

THE PROJECTS

THE GRAND INTEROCEANIC CANAL OF NICARAGUA: MULTIMODAL LOGISTIC CENTER FOR REGIONAL AND GLOBAL TRADE



1. A Ship Canal joining the Caribbean Sea and the Pacific Ocean



2. A Port on the Caribbean coast



3. A port on the Pacific coast



4. A Free Trade Zone on the Caribbean coast



5. A Free Trade Zone on the Pacific coast



6. A Dry Canal that is a railway between the two ports



7. A Pipeline to connect the Caribbean and the Pacific



8. An International Airport (or two...)



9. Additional infrastructure required by the others Projects



10. A global project to ensure integration and coordination of all subprojects

STATUS

The Government of Nicaragua and HKND Group ratified the Work Schedule of the Grand Inter-oceanic Canal of Nicaragua, to begin as scheduled, this December 2014, according to an official note released in Managua. Calendar ratification was signed by President Daniel Ortega and Mr. Wang Jing, Chairman and CEO of HKND Group, Concessionaire of the Grand Canal.




OFFICIAL NOTE

The President of the Republic of Nicaragua, Comandante Daniel Ortega Saavedra, and Mr. Wang Jing, President and CEO of HKND Group, Concessionaire of the Grand Canal, salute the Nicaraguan People and the International Community, in the New Year that is just beginning.

The Government of Nicaragua and the HKND Group, are also pleased to Ratify the timetable of the construction work on the Nicaragua Grand Canal, that will initiate on the scheduled date. The beginning of the Canal construction will take place, as contemplated, on December of this year, 2014.

On the Celebration of the New Year, all the good news about this important Project, contribute, we are sure, in strengthening The Optimism, the Trust and The Hope of the Nicaraguan People, in its' Country and in its' Future.

Managua, Nicaragua, January 10th, 2014


Daniel Ortega Saavedra
 Presidente de la República
 de Nicaragua


Wang Jing
 President &
 CEO of HKND
 Group



CRISTIANA. SOCIALISTA. SOLIDARIA!
 Comandante Daniel



ASAMBLEA NACIONAL

LEY No. 800

El Presidente de la República de Nicaragua

A sus habitantes, Sabed:

Que,

LA ASAMBLEA NACIONAL

Ha ordenado la siguiente:

LEY DEL RÉGIMEN JURÍDICO DE EL GRAN CANAL INTEROCEÁNICO DE NICARAGUA Y DE CREACIÓN DE LA AUTORIDAD DE EL GRAN CANAL INTEROCEÁNICO DE NICARAGUA

Capítulo I

Objeto, Orden Público y Naturaleza

Artículo 1 Objeto.

La presente Ley tiene por objeto desarrollar el régimen jurídico de El Gran Canal Interoceánico de Nicaragua y crear la entidad denominada Autoridad de El Gran Canal Interoceánico de Nicaragua que representará al Estado de la República de Nicaragua en la creación y conformación de una Empresa para la construcción y operación de El Gran Canal de Nicaragua.

Art. 2 Orden público e interés supremo nacional.

Para todos los efectos legales se declara de prioridad e interés supremo nacional el proyecto de El Gran Canal de Nicaragua, incluyendo los correspondientes estudios, diseño, construcción y operación. El Gran Canal de Nicaragua constituye un patrimonio de la nación nicaragüense y por su naturaleza tendrá las características de total neutralidad y de servicio público internacional, cuyo funcionamiento no podrá interrumpirse por causa alguna. Las normas que se dictan en la presente Ley son de carácter general y servirán de marco jurídico para los reglamentos que al respecto se expidan, de manera que El Gran Canal Interoceánico de Nicaragua brinde siempre un servicio continuo, eficiente y seguro.

estará sujeta al pago de impuestos, derechos, tasas, cargos, contribuciones o tributos, de carácter nacional o municipal, con excepción de las obligaciones en materia laboral y las tasas por servicios públicos. El Estado de Nicaragua se beneficiará del cincuenta y uno por ciento (51%) de los beneficios netos de la Empresa Gran Nacional de El Gran Canal de Nicaragua recibidos de la Autoridad de El Gran Canal Interoceánico de Nicaragua.

...operación. El Gran Canal de Nicaragua constituye un patrimonio de la nación nicaragüense y por su naturaleza tendrá las características de total neutralidad y de servicio público internacional, cuyo funcionamiento no podrá interrumpirse por causa alguna. Las normas que se dictan en la presente Ley son de

que estén comprendidas dentro del área del proyecto, así como las que fluyan hacia El Gran Canal Interoceánico de Nicaragua o sean

“The Grand Canal of Nicaragua is a heritage of the Nicaraguan nation and by its nature will have the characteristics of complete neutrality and international public service, the operation may not be interrupted for any reason.”

c) Autoridad de El Gran Canal Interoceánico de Nicaragua:

Es una entidad que representa al Estado de Nicaragua a cargo de supervisar la conservación, mantenimiento, mejoramiento y modernización de El Gran Canal Interoceánico de Nicaragua. Es una persona jurídica de carácter público, constituida y organizada conforme la presente Ley, con patrimonio propio y duración indefinida, con plena capacidad para adquirir derechos y contraer obligaciones y que será el ente encargado de promover, coordinar, supervisar, regular y normar todo lo relacionado al ámbito geográfico que se ocupe en la construcción y operación de El Gran Canal de Nicaragua.

d) El Gran Canal Interoceánico de Nicaragua: Que en la presente Ley también se podrá denominar El Gran Canal de Nicaragua, será construido para el tránsito interoceánico de barcos

THE MASTER CONCESSION AGREEMENT AND IMPLEMENTATION FRAMEWORK WITH NICARAGUA HK INVESTMENT DEVELOPMENT COMPANY, LTD. (HKND)

Law 840 grants to HKND Concession to conduct studies, and to promote further concessions for subprojects.

Fiscal and legal incentives to attract investments to the Canal and subprojects.

Commission of the Development of the Grand Canal Project will monitor financial and physical execution of each subproject and will issue all environmental permits and constructive permits.

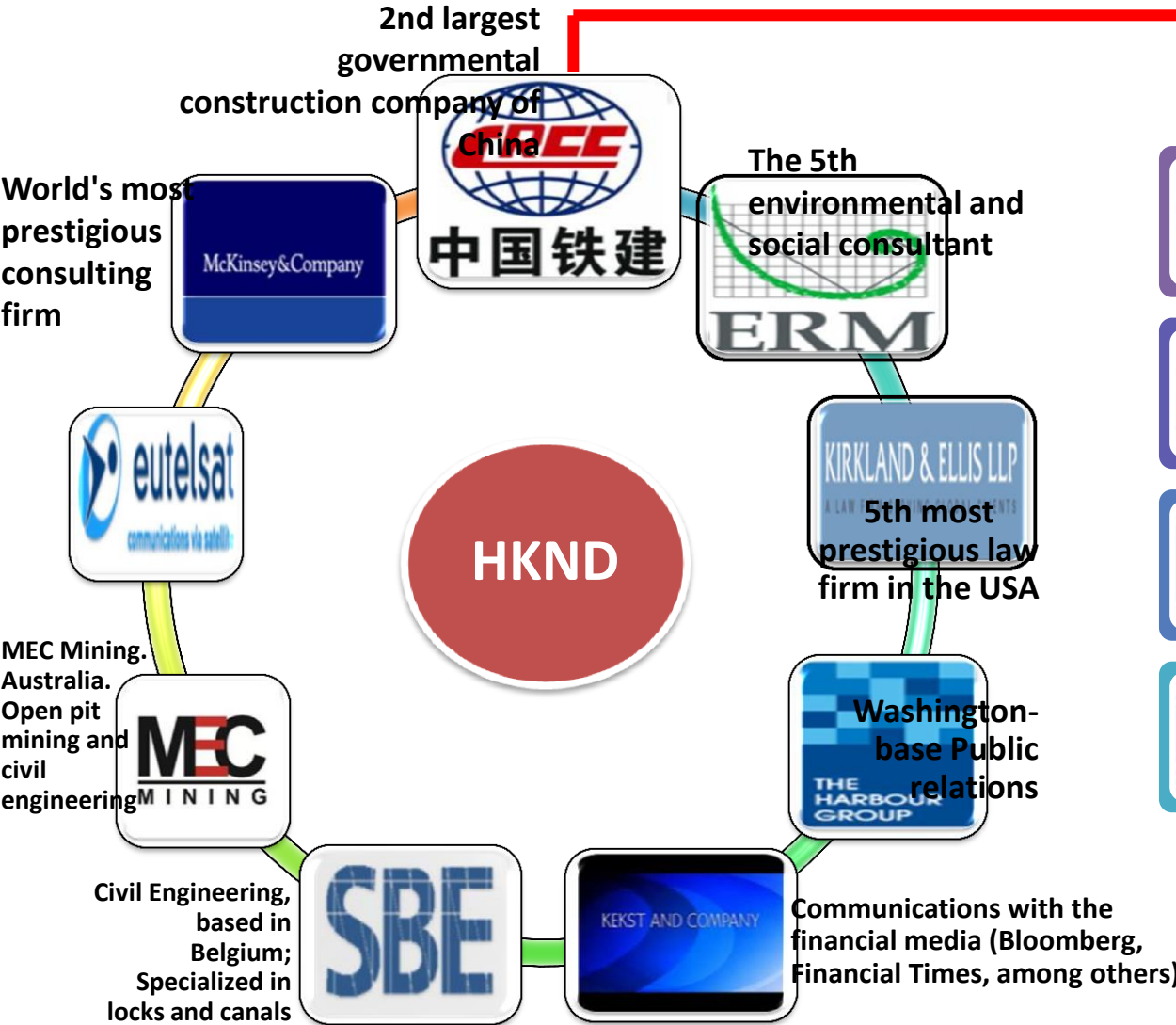


Concession of use for a period of 50 years, renewable for another 50 years.


Nicaragua will start, 1% of shares and shall be increased by 10% its stake in every 10 years. Also receive \$ 100 million in 10 annual payments for the concession.

Each sub project should have its feasibility studies and a plan approved by the Commission of the Grand Canal Project.

FIRMS CONTRACTED BY HKND



 Group of Xuzhou Construction Machinery (XCMG)
No. 7 construction machinery industry of China

 China Ocean Shipping (Group) Company (COSCO);
World leader in shipping

 International Shipping Container Marine of China (CIMC);
The world's largest manufacturer of shipping containers

 National Corporation of China Building Materials (CNBM)
Major industry group of building materials of China



..And other investors when feasibility studies are concluded

From *Financial Times* article: “Public face of the \$40bn project to boost China-Latin America links”

The screenshot shows the Financial Times website interface. At the top, it says 'FINANCIAL TIMES' and 'ft.com > world > asia-pacific > China'. There are navigation links for 'Home', 'World', 'Companies', 'Markets', 'Global Economy', 'Lex', 'Comment', 'Management', and 'Life & Arts'. Below that, there are regional dropdown menus for Africa, Asia-Pacific, Europe, Latin America & Caribbean, Middle East & North Africa, UK, US & Canada, and The World Blog. The article title is 'Public face of \$40bn project to boost China-Latin America links' by Kathrin Hille in Beijing and John Paul Rathbone in London, dated July 1, 2013. The main image shows Wang Jing, a man in a suit, speaking at a microphone. Below the image is a caption: 'Wang Jing denies any association with the Chinese government'. The article text begins: 'It is one of the largest proposed infrastructure projects in the world. The feasibility study alone is set to cost \$900m. And when complete, the Nicaragua Canal, should lower transport costs for shipping oil from Latin America to China.' Another paragraph starts: 'The \$40bn project certainly does not lack for ambition. Neither, it seems, does Wang Jing, the public face of the newly-registered Hong Kong company, HKND Group, which this month won approval from Nicaragua's Congress to build and operate the 50-year concession to link the country's Atlantic and Pacific coasts.' A video player is visible on the right side of the article, showing a man holding a flag. Below the video are three small news thumbnails: 'Army ousts Egypt's Islamist president', 'Beijing tries to contain ethnic unrest', and 'Malaysia PM rejects election claims'. At the bottom of the screenshot, there is an advertisement for Bank of China with the text: 'RMB: New Choice Bank of China, Your Premier Bank of RMB Services.'

“It is one of the largest proposed infrastructure projects in the world. Only the feasibility study would cost \$900 million. And when finished, the Nicaragua Canal should reduce transportation costs for shipping oil from Latin America to China.

“At this time, 4,000 people, including McKinsey staff, British environmental consultancy ERC, the U.S. firm Kirkland, and research institutes belonging to the CRC, who are working on the feasibility study. Mr. Wang said that HKND could cover with its own funds, the operating cost up before the start of the works, scheduled for late 2014”



WALTER P. BASTIAN

**Deputy Assistant Secretary for the Western Hemisphere
U.S. Department of Commerce
International Trade Administration**

US would be willing to invest in Nicaragua canal

A U.S. Department of Commerce official says the United States and U.S. investors would be willing to invest in the building of a canal across the middle of Nicaragua as long as the process is transparent.

The Associated Press

>

MANAGUA, Nicaragua —

A U.S. Department of Commerce official says the United States and U.S. investors would be willing to invest in the building of a canal across the middle of Nicaragua as long as the process is transparent. Deputy Assistant Secretary Walter Bastian says that he finds the project "fascinating" and that the U.S. government will follow up to see if there is interest from U.S. investors. Bastian said Tuesday while visiting Nicaragua that for the U.S. it is important that the process of awarding contracts is transparent and that those contracts have legal certainty.



Assistant Secretary, Bureau of Western Hemisphere Affairs, U.S. Department of State

Assistant Secretary Jacobsen traveled to Beijing, China, November 10-13, 2013 to co-chair the Sixth U.S.–China Sub-Dialogue

on Latin America, an annual dialogue with China's Ministry of Foreign Affairs to share views and policy priorities on Latin America and the Caribbean.

La Secretaria de Estado de EE.UU. para el Hemisferio Occidental, Roberta Jacobson, dijo en Beijing a periodistas **que considera a la República Popular China como un socio comercial y que la construcción del Canal Interoceánico en Nicaragua beneficiará el comercio en el planeta**, por lo que es una obra extraordinariamente positiva. La alta funcionaria apuntó que el gobierno de su país percibe a China como un socio y no un enemigo en América Latina. Significó que Washington considera extraordinariamente positiva la creciente participación mediante inversiones en esa parte del continente americano. Jacobson sostuvo un encuentro con un grupo de periodistas en la capital del gigante asiático, tras participar durante tres días en el VI Diálogo anual China-EE.UU. sobre América Latina. La funcionaria norteamericana aseguró que la creciente implicación de China en sus relaciones tanto comerciales como de inversión en América Latina es algo extremadamente positivo para la región y Norteamérica. Recordó que el comercio con China es uno de los factores que han contribuido al crecimiento de Latinoamérica en los últimos años, el cual junto con las inversiones se efectúan de acuerdo con las normas internacionales acordadas por todos, y en cumplimiento de los estándares locales, lo cual es absolutamente bueno..

A la espera de los estudios

- Powers dice que inversores estadounidenses esperan para decidir si invertirán o no



La embajadora de Estados Unidos en Nicaragua, Phyllis Powers, indica que empresarios norteamericanos han contactado a la Embajada para pedir cita para conocer estudios del Gran Canal.

LA PRENSA/ ARCHIVO
Gloria Picón Duarte

La embajadora de Estados Unidos en Nicaragua, Phyllis M. Powers, manifestó que están esperando los estudios de factibilidad del Gran Canal para que inversionistas norteamericanos decidan si participarán o no en el proyecto.

“No se puede decidir sobre inversión si no hay información sobre estudios de factibilidad, estudios medioambientales y las reglas de competición, para decidir inversión. Hay muchas cosas que necesitamos ver, para ver si inversionistas quieren invertir o no”, dijo la embajadora al asistir a un congreso de mujeres empresarias.

La diplomática agregó que no tiene conocimiento acerca de que inversionistas norteamericanos se hayan reunido con autoridades del Gran Canal, para tener información, pero aseguró que algunas compañías los han contactado para conseguir una cita. “Están esperando estos estudios”, indicó Powers.

PEMEX DOBLA PRODUCCION DE CEMENTO EN NICARAGUA 2015, 2017

- **CEMEX anuncia nueva molienda de CLH en Nicaragua**
- **Monterrey, México. 5 de mayo de 2014**
- CLH invertirá aproximadamente 55 millones de dólares
- Capacidad de producción alcanzará hasta 860 mil toneladas de cemento en 2017
- CEMEX, S.A.B. de C.V. ("CEMEX") (BMV: CEMEXCPO) anunció hoy que su subsidiaria CEMEX Latam Holdings, S.A. ("CLH") (BVC: CLH) construirá una nueva planta de molienda de cemento en Ciudad Sandino, Managua, **que se espera incremente su capacidad de producción de cemento en Nicaragua en aproximadamente 104%.**
- CLH invertirá aproximadamente 55 millones de dólares en la construcción de la nueva molienda que se efectuará en dos fases, 2015 Y 2017, para alcanzar una capacidad anual de producción de cemento que se estima sea de hasta 860 mil toneladas en 2017.

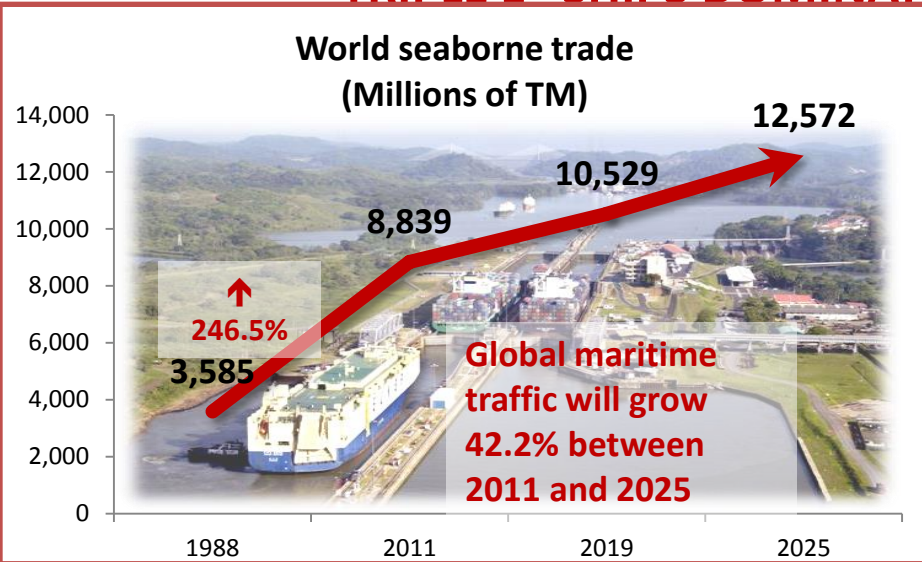


WHAT IS THE NEED FOR A GRAND INTEROCEANIC CANAL IN NICARAGUA?

- **WORLD MARITIME TRANSPORT**
- **INCREASE IN SIZE OF SHIPS**

THE WORLD NEEDS A LARGER CANAL

TRIPLE E SHIPS DOMINATE WORLD SEABORNE TRADE



Source: HKND-Group.com

Evolution of container ships

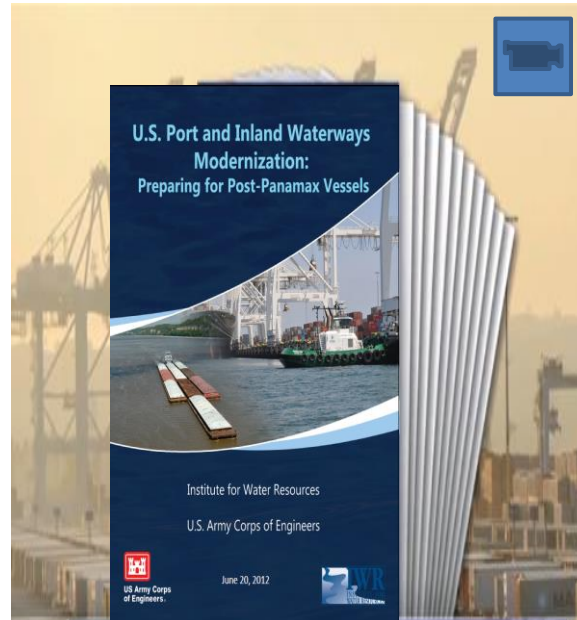
TEU: twenty-foot equivalent units, length x width x depth below water in metres

Ship Type	TEU Capacity	Dimensions (m)
Early container ship (1956-)	500 – 800 TEU	137x17x9m
Fully Cellular (1970-)	1,000 – 2,500 TEU	215x20x10m
Panamax (1980-)	3,000 – 3,400 TEU	250x32x12.5m
Panamax Max (1985-)	3,400 – 4,500 TEU	290x32x12.5m
Post Panamax (1988-)	4,000 – 5,000 TEU	285x40x13m
Post Panamax Plus (2000-)	6,000 – 8,000 TEU	300x43x14.5m
New Panamax (2014-)	12,500 TEU	366x49x15.2m
Triple E (2013-)	18,000 TEU	400x59x15.5m

Transiting the Panama Canal today

Can transit the Panama Canal after expansion

Can not transit by Panama Canal even after expansion



By 2030 post-Panamax vessels will represent 30% of all vessels and 60-70% of world trade

Vessels of 10,000 TEUs and over accounted for 48% of the order book as of October 2011. It is evident that large ships are displacing smaller ships in all trade routes due to cost efficiencies of larger ships

US Army Corps of Engineers, 2012

Adapted with permission from The Geography of Transport Systems, Jean-Paul Rodrigue

MAERSK TRIPLE E CONTAINER SHIPS

- 400 meters long, 59 meters wide y 73 meters high, 12.6 meters deep
- Too big for Panama canal, even after expansion

**20-30% REDUCTION IN
COST OF METRIC
TONNE SHIPPED**

**50% REDUCTION
IN GREEN HOUSE
GAS EMISSIONS
PER TONNE**

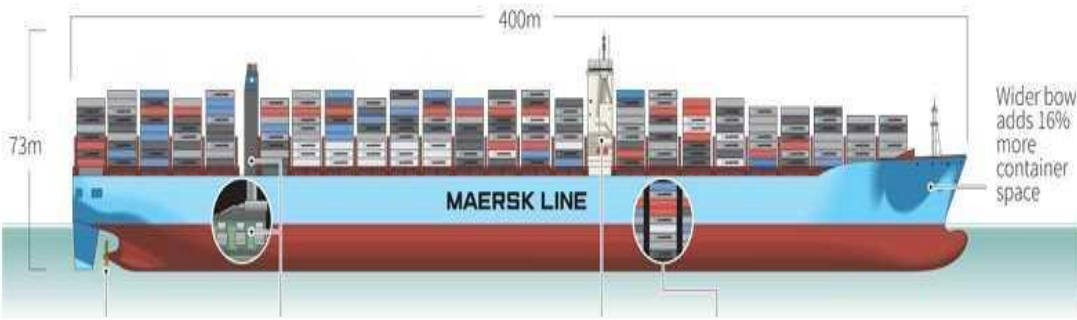
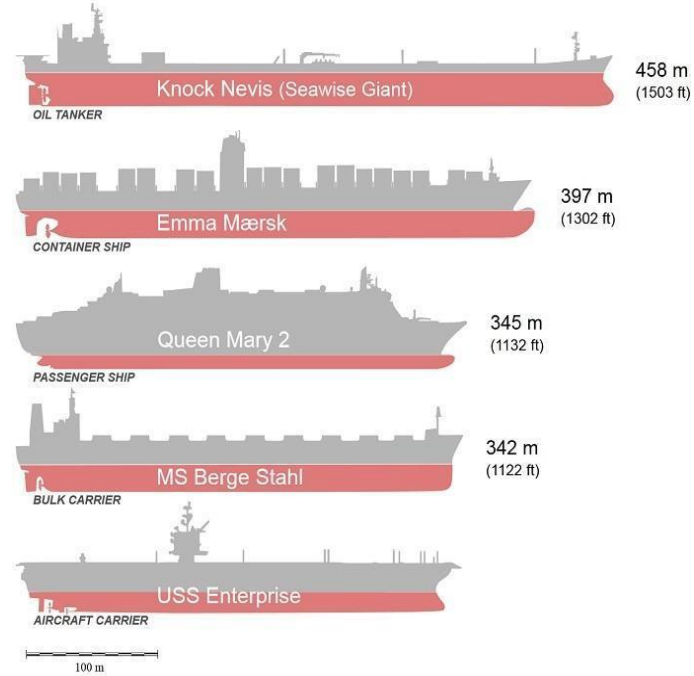
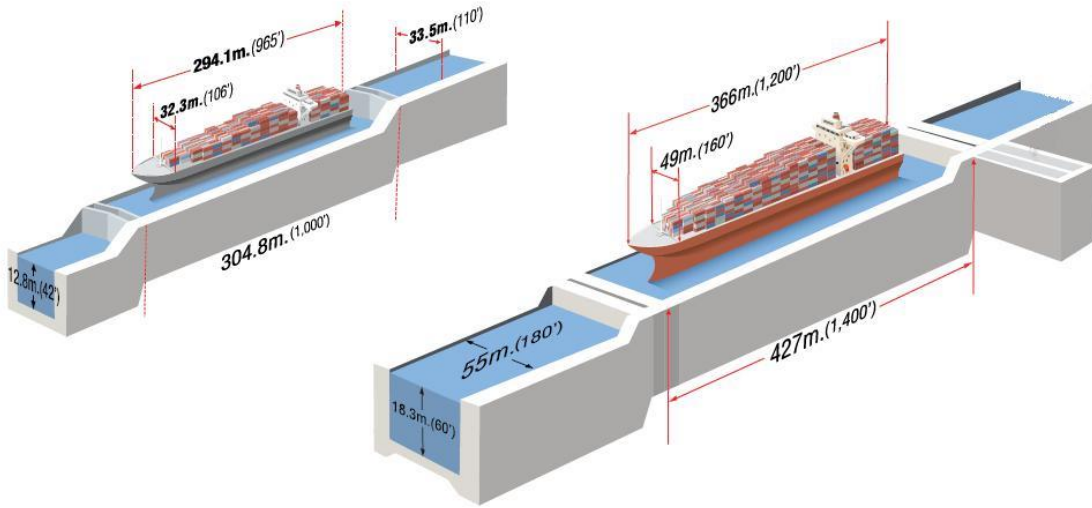


MAERSK TRIPLE E

LIMITATIONS OF PANAMA CANAL FOR LARGE SHIPS

ESCLUSAS EXISTENTES

NUEVAS ESCLUSAS

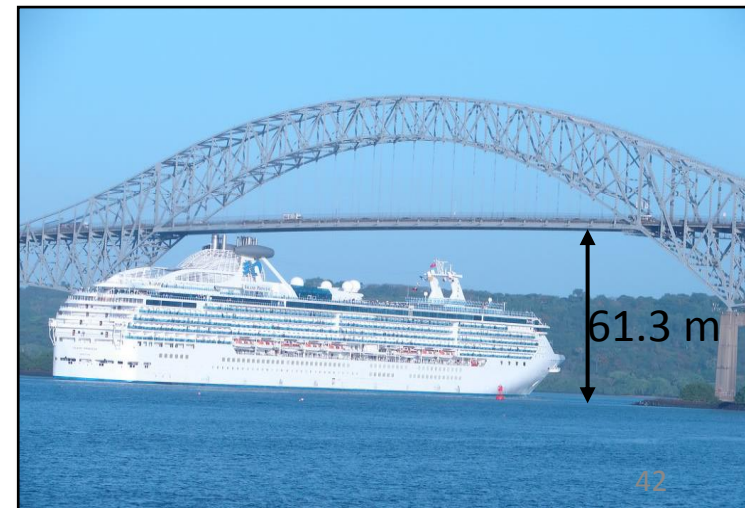


Wider bow adds 16% more container space

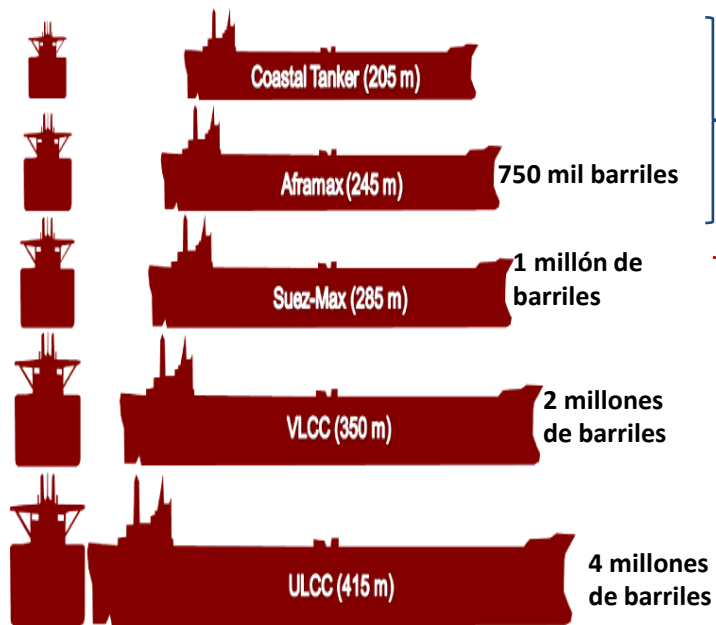
- Two four-blade propellers run by twin 32MW engines
- Engines moved backwards to increase stability
- Bridge moved forward to improve the line of sight and allow containers to be stacked higher
- U-shaped hull design provides more space below deck
- Vessel is too wide for the Panama Canal and too tall for all ports in the U.S.

Maersk EEE

Puente de las Américas

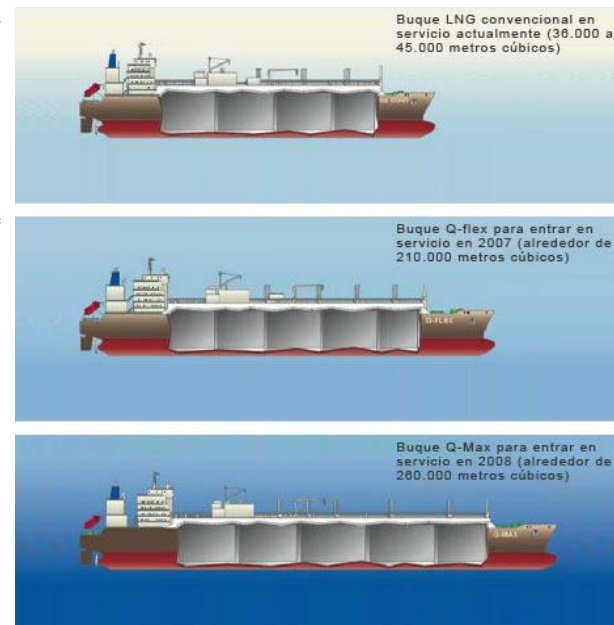


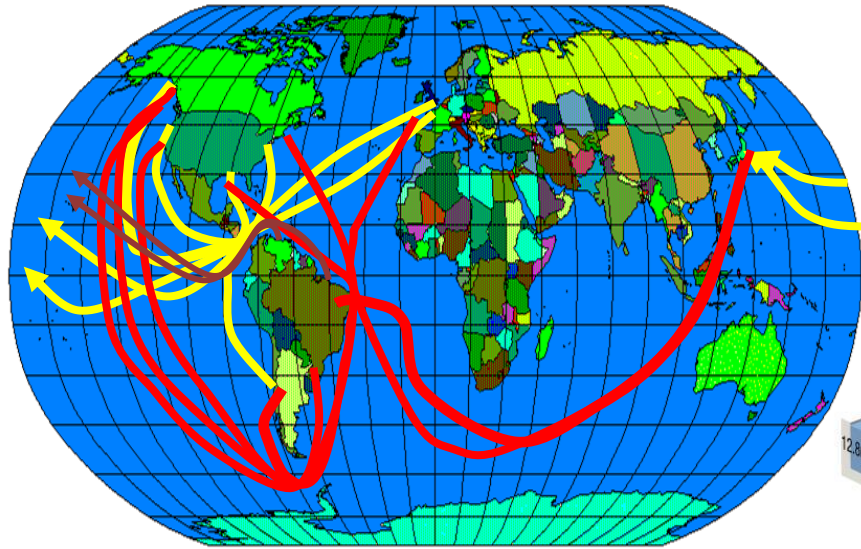
LIMITATIONS OF PANAMA CANAL FOR OIL TANKERS AND LPG SHIPS



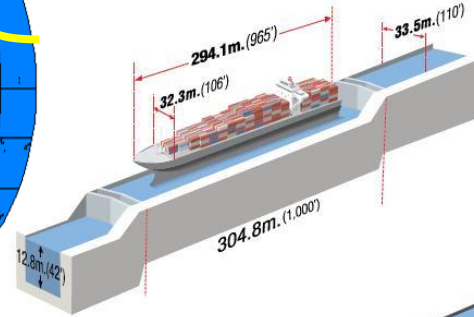
Will be able to use Panama Canal after Expansion

Will not be able to use the Panama Canal even after expansion

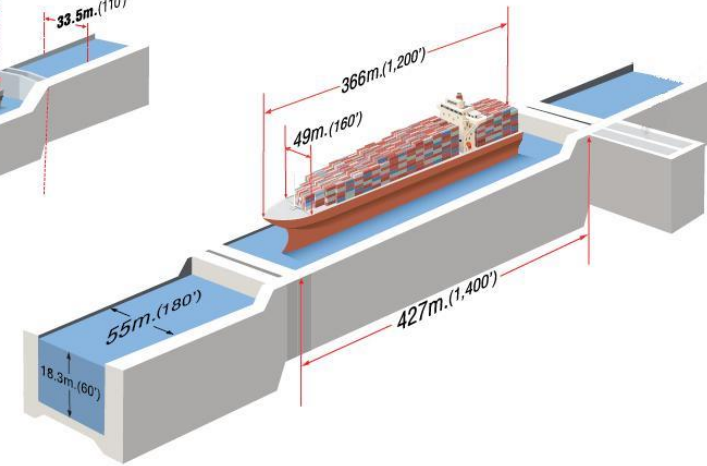




Existing Locks



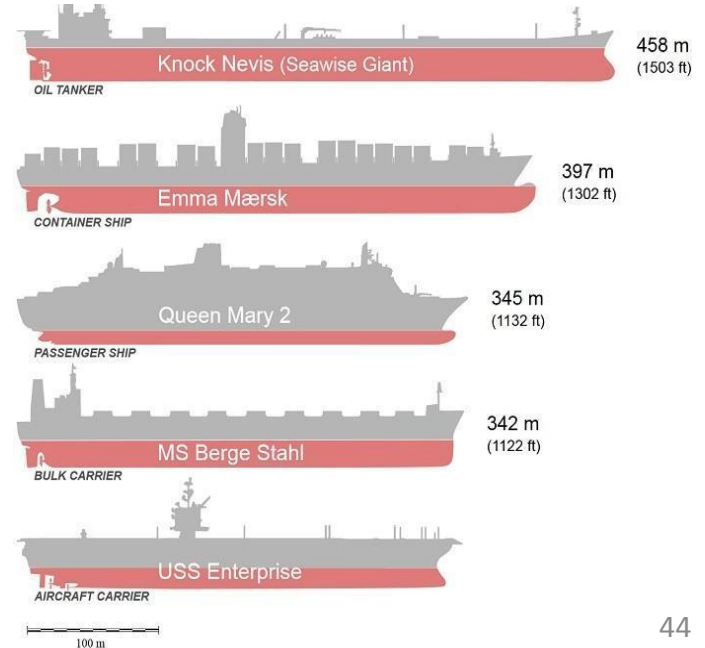
New Locks



Time saving by the Nicaraguan Canal: Up to 12 trips instead of 9

- Venezuela-Japan: 14.4 days
- New York-Japan: 10.9 days
- Chile-Netherlands: 11.4 days
- Chile-New York: 11.1 days
- Brazil-California: 4 days

Monetary saving by the Nicaraguan Canal: Up to US\$ 2 million per round trip

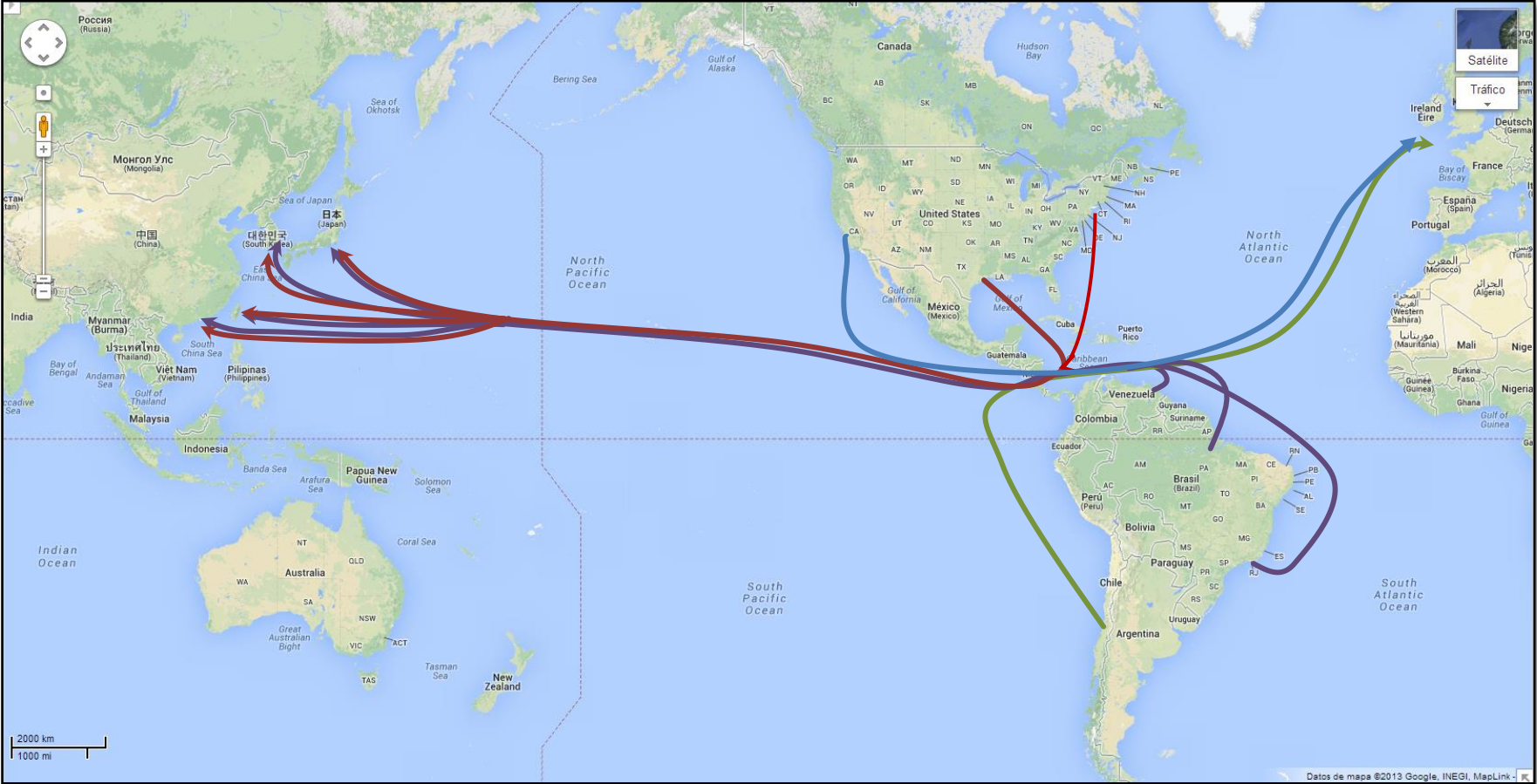


WHAT IS THE FUTURE TRAFFIC FOR THE GRAND INTEROCEANIC CANAL OF NICARAGUA?

WORLD

REGIONAL

THE INTEROCEANIC GRAND CANAL OF NICARAGUA: THE ROUTE FOR AMERICAN EXPORTS



— Iron, Oil and Gas Road from Venezuela and Brazil to Asia

— Route of fruit and wine from Chile to Europe

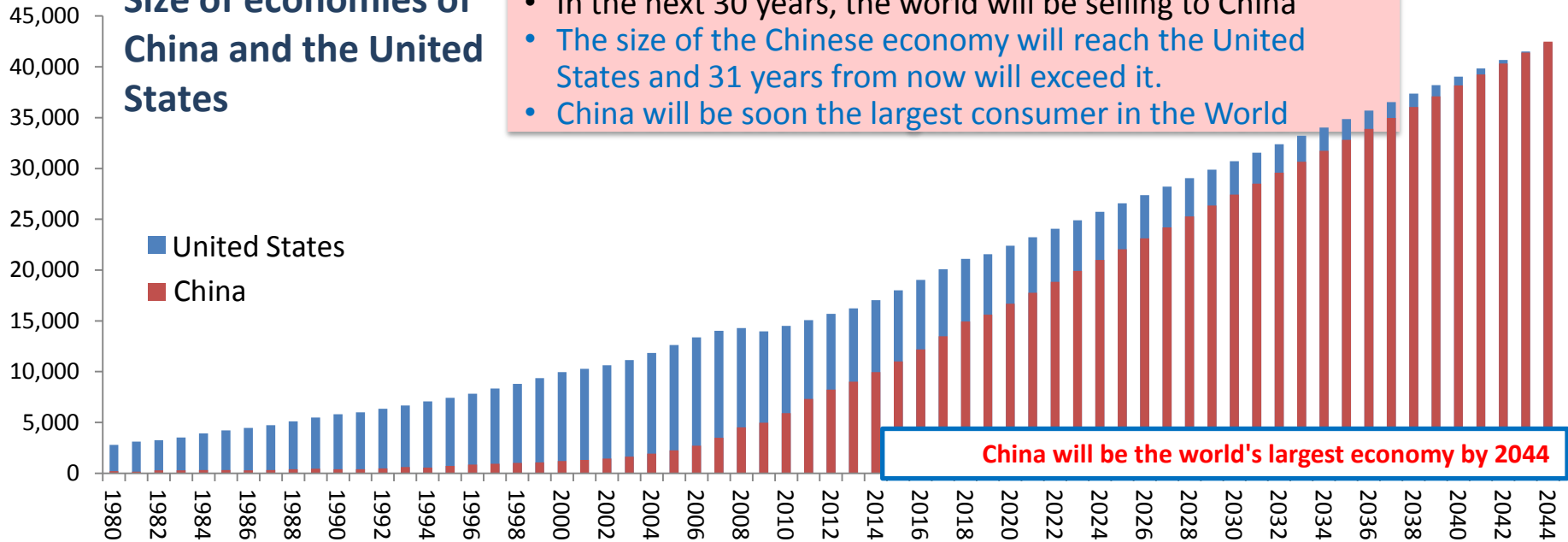
— Shale Gas and Oil Route from the United States to Asia

— Route from West Coast to Europe

CHINA: FROM SELLER TO BUYER

- In the past 30 years, the world was buying from China
- In the next 30 years, the world will be selling to China
- The size of the Chinese economy will reach the United States and 31 years from now will exceed it.
- China will be soon the largest consumer in the World

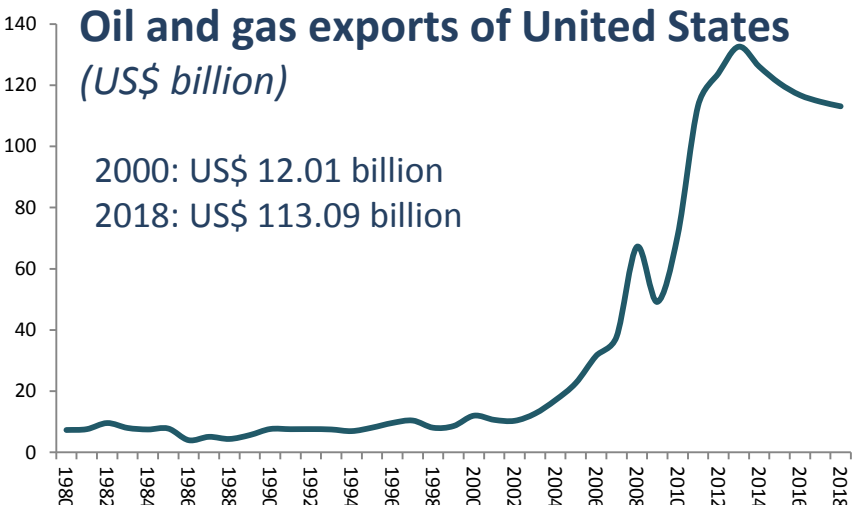
Size of economies of China and the United States



China will be the world's largest economy by 2044

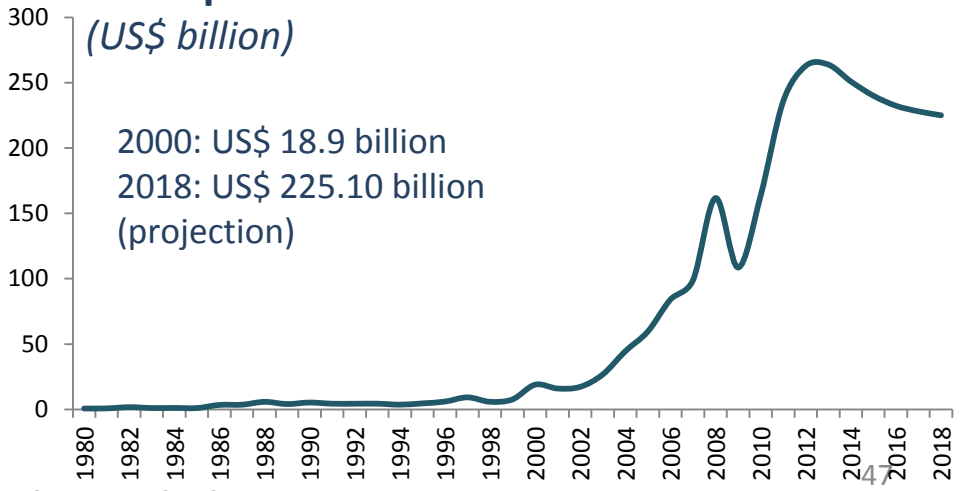
Source: IMF (1980-2018) & Own estimates (2019-2044)

Oil and gas exports of United States (US\$ billion)



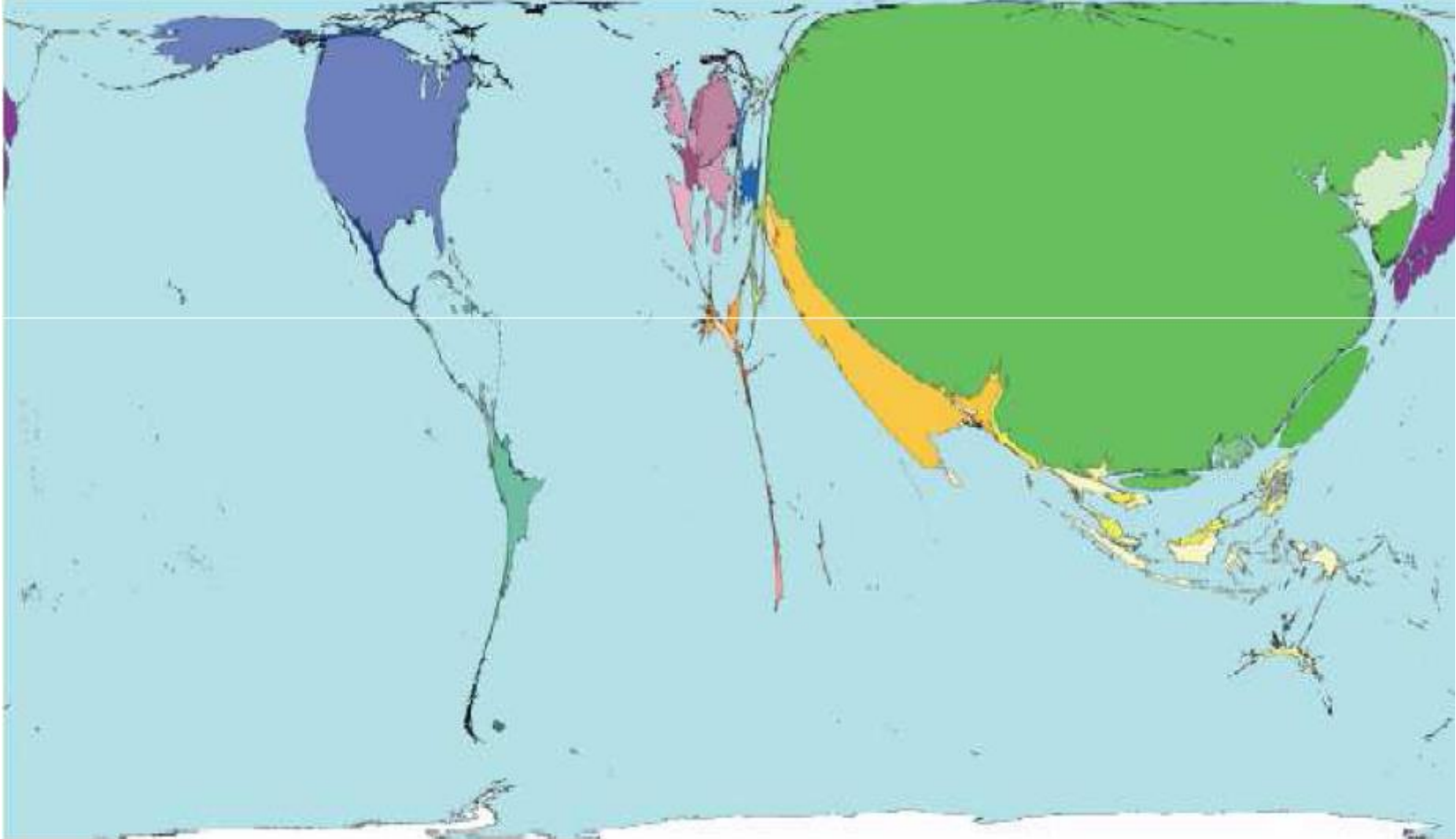
Source: IMF

Oil imports of China (US\$ billion)



Source: IMF

Port Throughput by Relative Share (*containers*)



Source: Gonzalez Iaxe, Freire & Pais (2011)

THE GRAND INTEROCEANIC CANAL OF NICARAGUA: THE REGIONAL TRAFFIC



Distance	San Benito, Nicaragua	Colón, Panamá	Differences (Km)
Managua, Nicaragua	35 Km	1,220 Km	1,185 Km
Tegucigalpa, Honduras	344 Km	1,576 Km	
San Salvador, El Salvador	544 Km	1,777 Km	±1,230 Km
Guatemala, Guatemala	946 Km	2,177 Km	
San José, Costa Rica	436 Km	878 Km	442 Km

WHO WILL BENEFIT MOST FROM THE GRAND INTEROCEANIC CANAL IN NICARAGUA?

- **WORLD MARITIME TRANSPORT**
- **SHIPPING COMPANIES**
- **LARGE SHIPPERS ON LARGE SHIPS TO AND FROM AMERICAS**
- **BUILDERS OF LARGE SHIPS**
- **MARINE ENGINES**

TEN LARGEST EXPORTING COUNTRIES

10. United Kingdom – \$479.2 billion
9. Russia – \$520.3 billion
8. Italy – \$524.9 billion
7. Netherlands – \$550.2 billion
6. South Korea – \$552.8 billion
5. France – \$589.7 billion
4. Japan – \$787 billion
3. United States – \$1.497 trillion
2. Germany – \$1.547 trillion
1. China – \$1.904 trillion



THE BIGGEST SHIPPING COMPANIES IN THE WORLD



1. A.P. Moller –
Maersk Group
Denmark

2.
Mediterranean
Shipping
Company S.A.
Switzerland

3. CMA CGM
S.A.
France

4. Evergreen
Marine
Corporation
Republic of
China (Taiwan)

5. China Ocean
Shipping
Container Line
People's
Republic of
China



6. Hapag
Lloyd
Germany

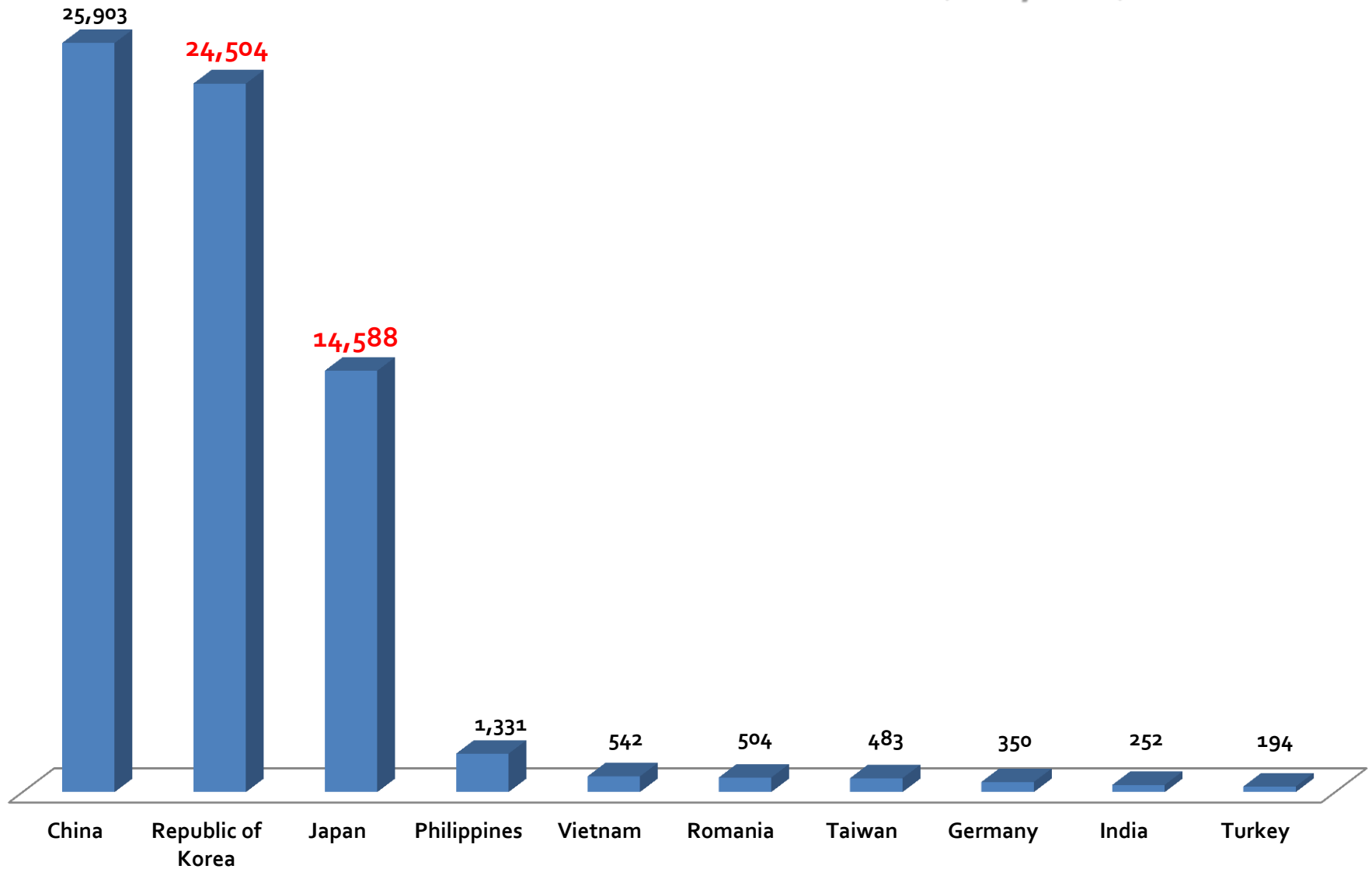
7. Hanjin
Shipping Co.
Ltd.
Republic of
Korea

8. Nippon
Yusen
Kabushiki
Kaisha
Japan

9. Mitsui
O.S.K. Lines,
Ltd.
Japan

10. Orient
Overseas
Container Line
Hong Kong
(P. R. of China)

LARGEST SHIPBUILDING NATIONS IN 2013, BASED ON COMPLETIONS IN GROSS TONNAGE (IN 1,000s)



Source: IHS, Shipbuilders' Association of Japan

Bulk Vessel Fleet and Order Book – 2010

Type of Vessel	Size (dwt)	Current Fleet		On order		% Change of Fleet Capacity
		No. of Vessel	Capacity (mdwt)	No. of Vessel	Capacity (mdwt)	
Handysize	10,000-40,000	2,636	72.0	793	25.9	35.4%
Handymax	40,000-60,000	1,801	89.2	884	50.4	55.9%
Panamax	60,000-80,000	1,408	101.1	273	20.3	20.2%
Post-Panamax	80,000-110,000	311	27.7	461	40.5	153.0%
Capesize	110,000-200,000	793	131.0	625	107.0	83.0%
VLOC	200,000+	172	41.4	151	43.8	109.8%
Total		7,121	462.4	3,187	287.9	62.7%

Note: million deadweight tons (mdwt)

Source: U.S. Army Corps of Engineers, June 2012.

THE LARGEST SHIPYARDS IN THE WORLD



1. Hyundai Heavy Industries, Korea.
2. Samsung Heavy Industries, Korea.
3. Daewoo Shipbuilding & Marine Engineering, Korea.
4. STX Offshore & Shipbuilding, Korea.
5. Hyundai Mipo Dockyards, Korea.
6. Jiangsu Rongsheng, China.
7. Hyundai Samho, Korea.
8. Oshima Shipbuilding Co., Japan.
9. Hudong-Zhonghua Naval Shipbuilding, China.
10. Jiangsu New YZJ, China.

OCEAN MARINE DIESEL GLOBAL MARKET AND GLOBAL MARKET SHARE

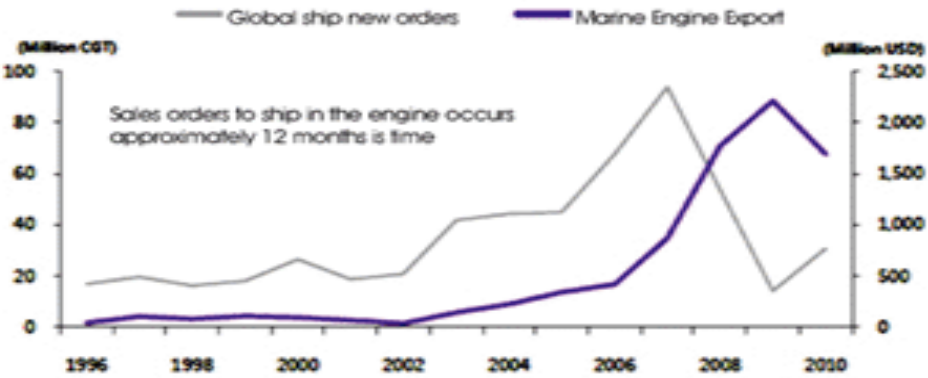


Figure 2. New ship orders and ship engine performance relationship

Source: The Korea International Trade Association, Clarkson

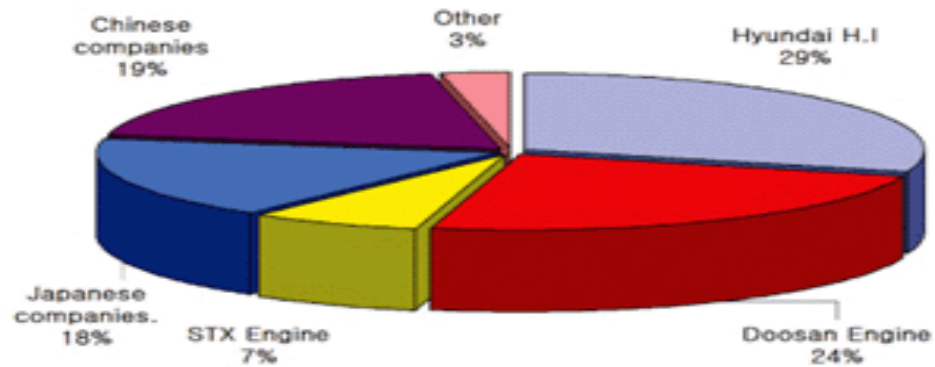


Figure 4. Global share of low-speed engine manufacturers (10,000 hp)

Source: Doosan Engine

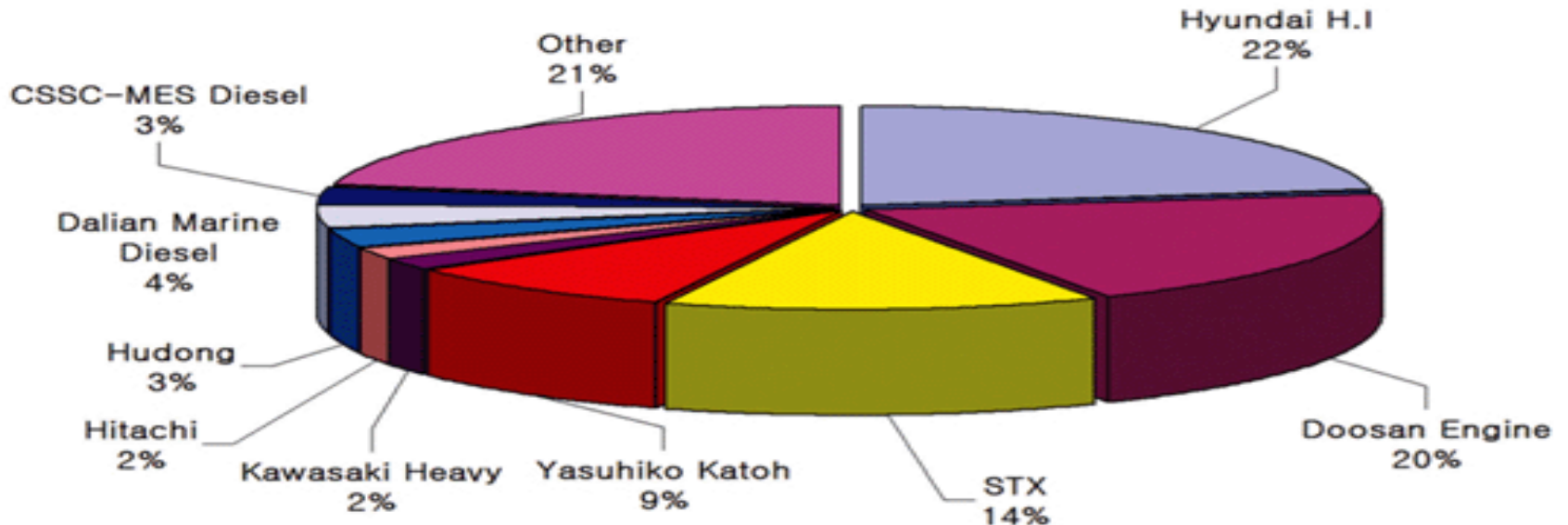
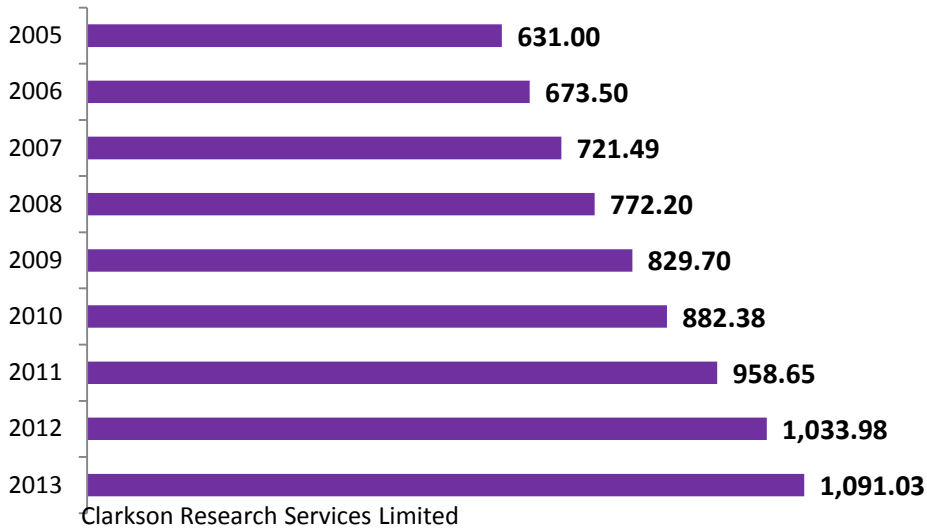


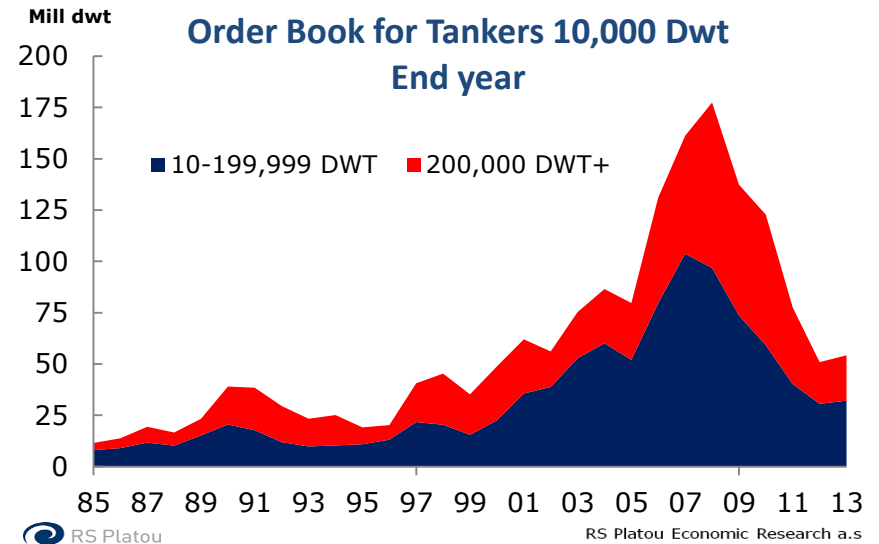
Figure 3. Global Company share of low-speed engine manufacturers (by sales).

Source: Rongsheng heavy industries

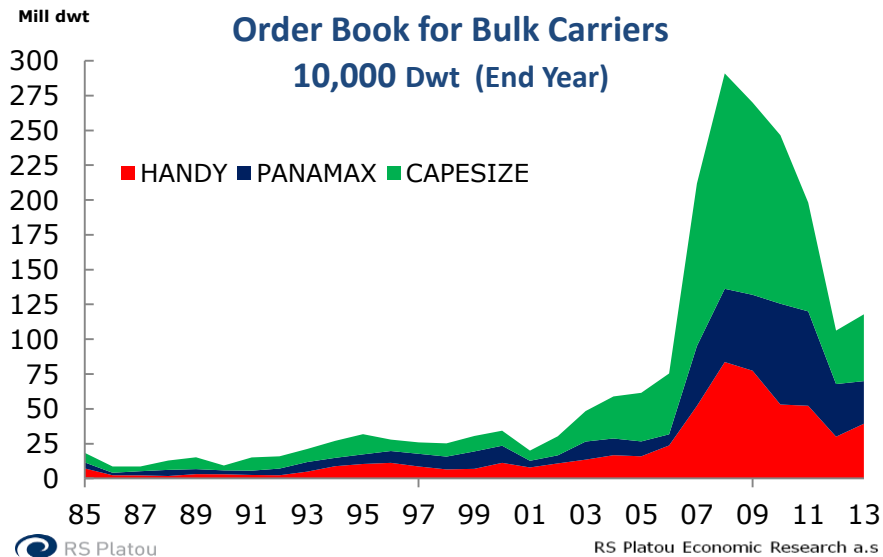
Growth Of World Fleet (Million GT, start year)



Order Book for Tankers 10,000 Dwt End year



Order Book for Bulk Carriers 10,000 Dwt (End Year)



Order Book for Container Ships End year

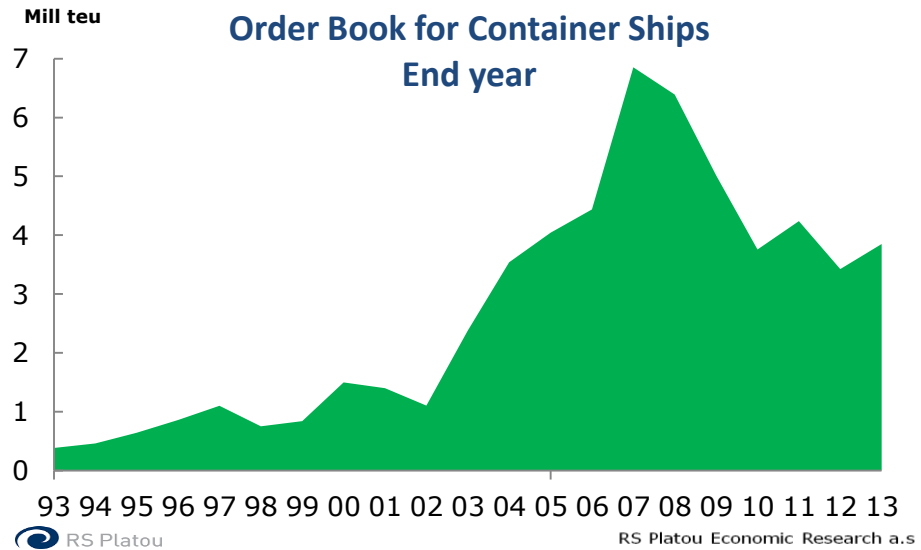
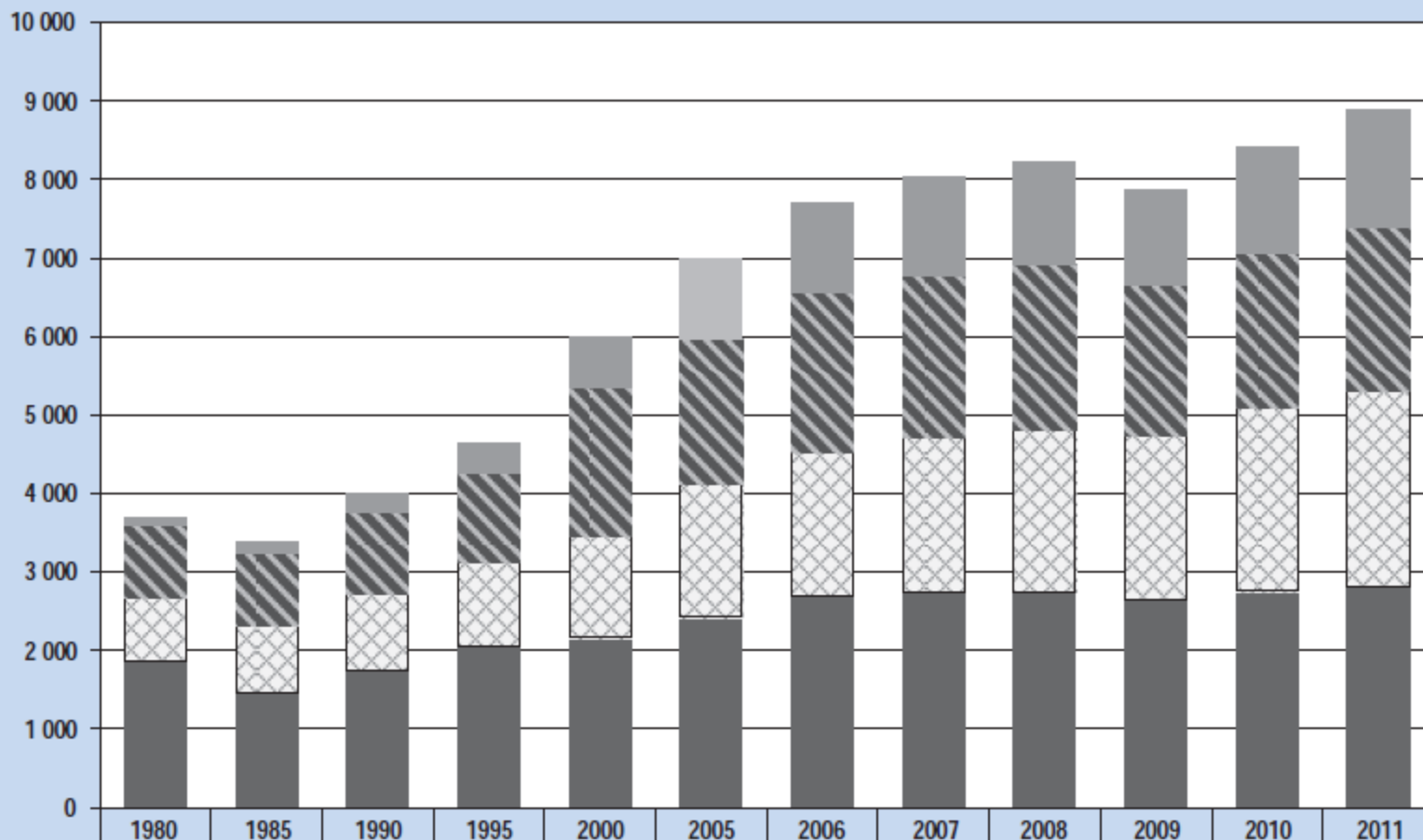


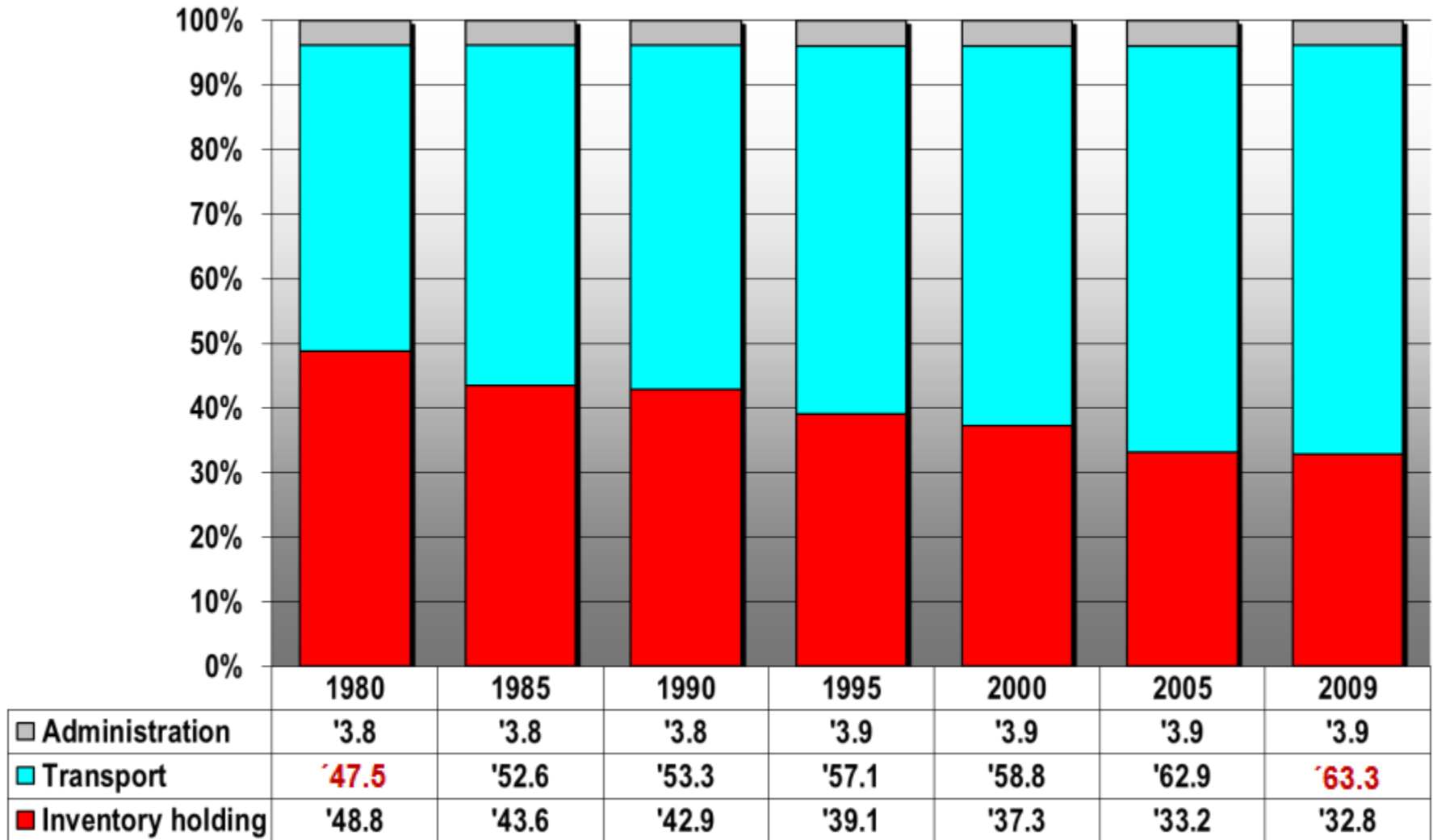
Figure 1.2. International seaborne trade, selected years (millions of tons loaded)



	1980	1985	1990	1995	2000	2005	2006	2007	2008	2009	2010	2011
■ Container	102	160	246	389	628	1 020	1 134	1 264	1 319	1 201	1 347	1 477
▨ Other dry	935	918	1 039	1 131	1 905	1 852	2 032	2 066	2 109	1 921	1 976	2 105
▩ Five major bulks	796	857	968	1 082	1 288	1 701	1 836	1 957	2 059	2 094	2 333	2 477
■ Crude oil and products	1 871	1 459	1 755	2 049	2 163	2 422	2 698	2 747	2 742	2 642	2 752	2 820

Source: *Review of Maritime Transport*, various issues. For 2006–2010, the breakdown by dry cargo type is based on Clarkson Research Services, *Shipping Review and Outlook*, various issues. Data for 2011 are based on a forecast by Clarkson Research in *Shipping Review and Outlook*, Spring 2011.

Logistics expenditure in USA, %



Source: CSCM – State of Logistics Report 2010

Source: "State of Logistics Report", USA

WHAT ARE THE INTERNATIONAL TRENDS FOR FINANCING AND CONSTRUCTION OF THE GRAND CANAL?

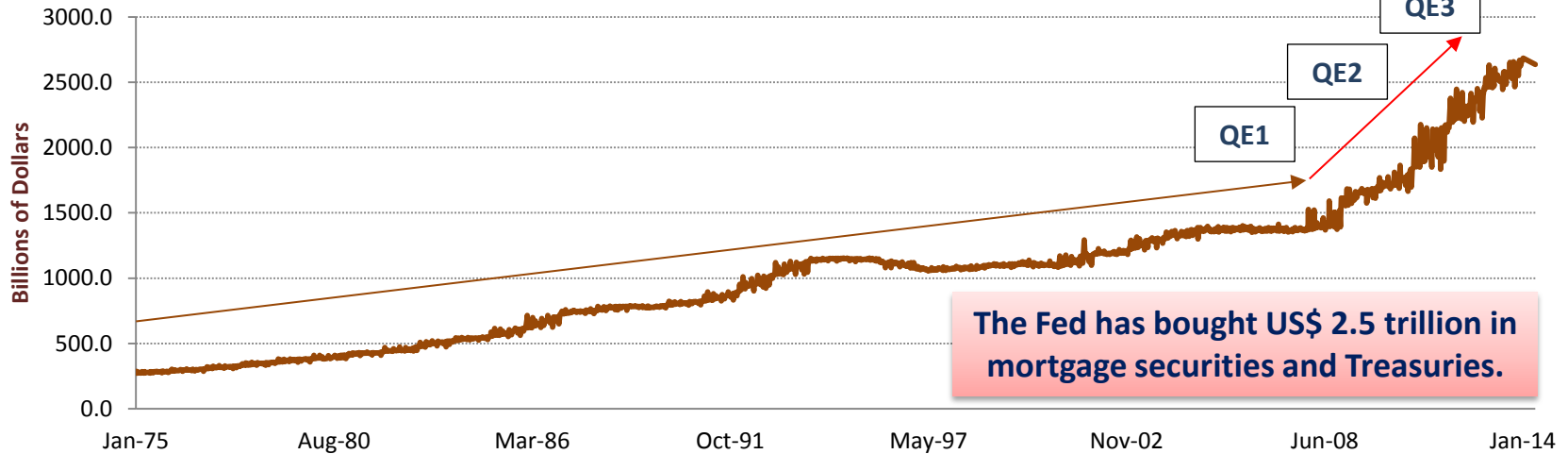
FINANCIAL MARKETS;

ENGINEERING AND CONSTRUCTION CONTRACTS;

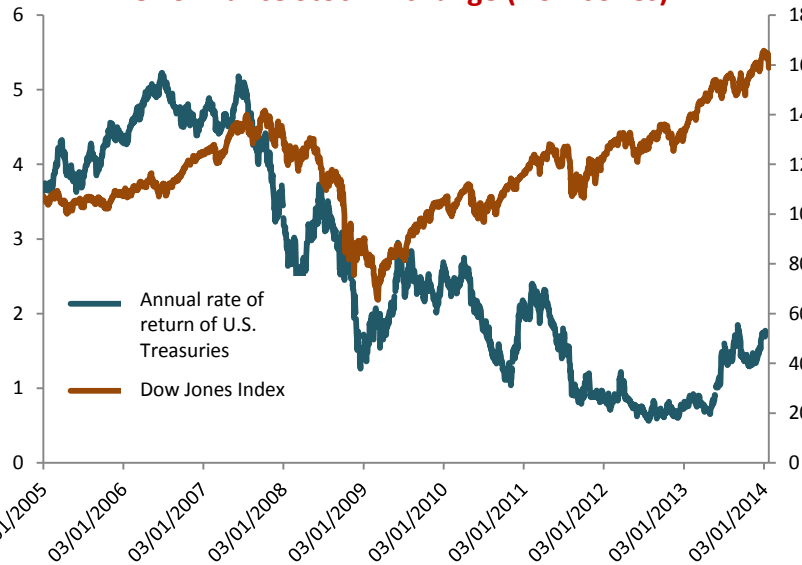
BUILDING MATERIALS AND EQUIPMENTS

GLOBAL CONDITIONS FAVOR THE CONSTRUCTION OF THE NICARAGUA CANAL

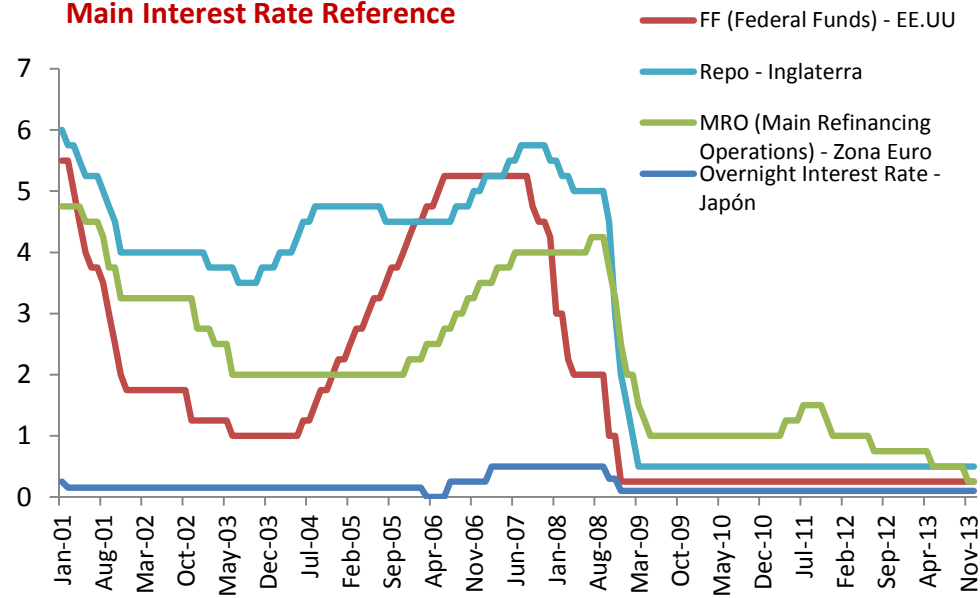
US Monetary Base (Billions of Dollars)



Liquidity (interest rates of the Bonds on 5-years) and Performance Stock Exchange (Dow Jones)

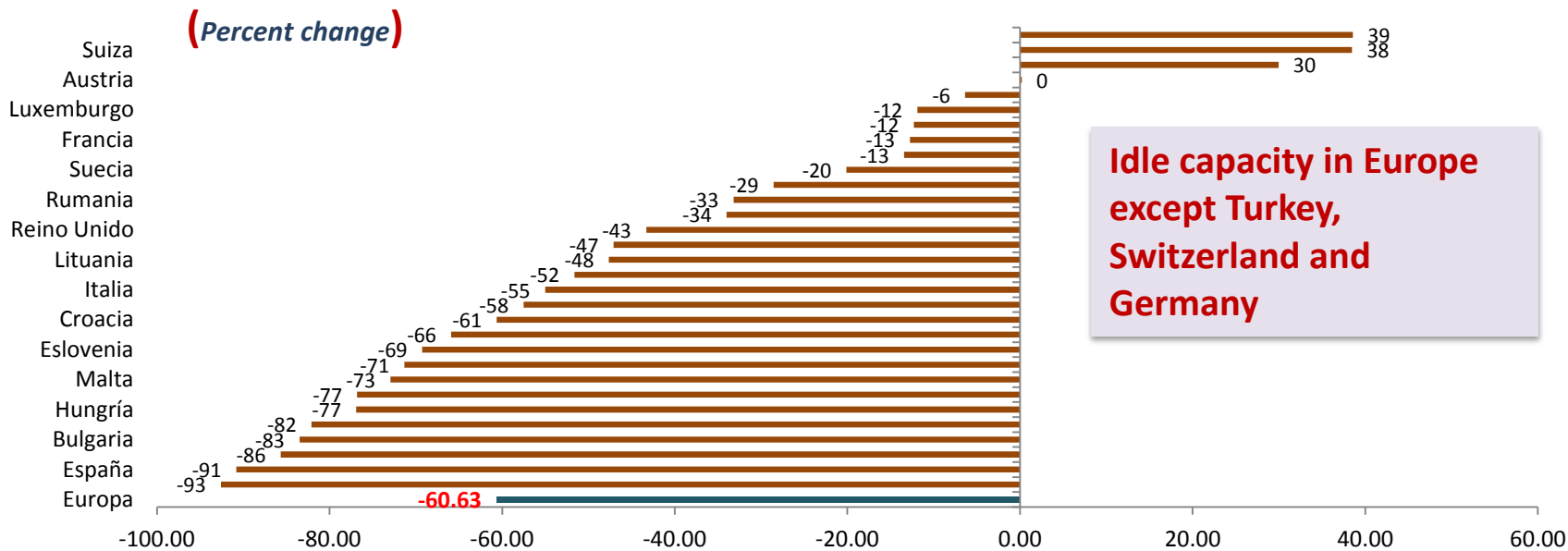


Main Interest Rate Reference

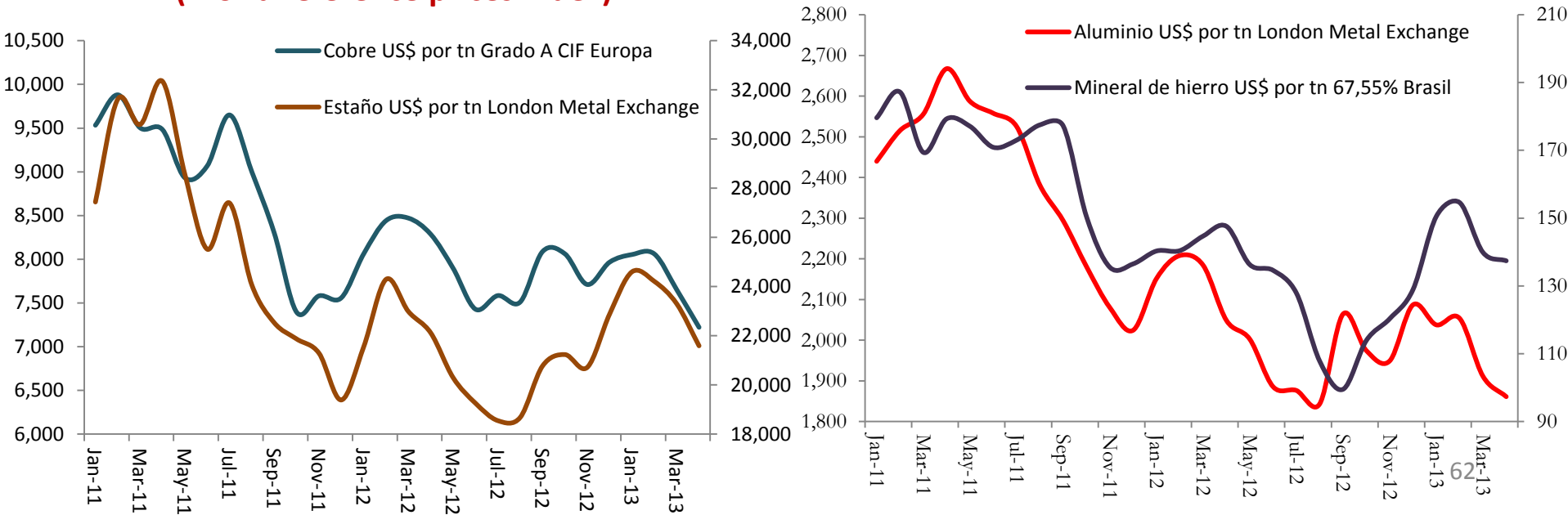


Source: FED,USA; European Central Bank, Bank of Japan, Bank of England

IDLE CAPACITY AND CONSTRUCTION MATERIALS PRICES FALLS IN TO EUROPE



(World reference prices Index)

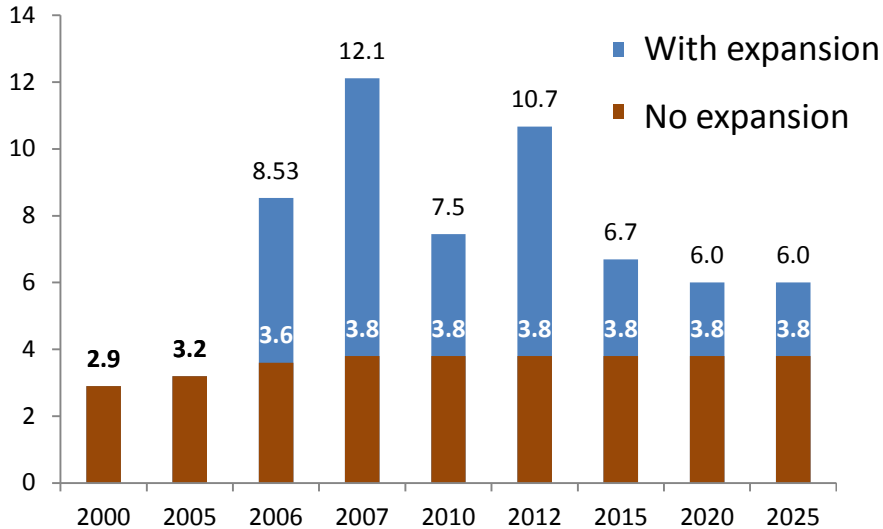


WHAT ARE THE EXPECTED ECONOMIC AND SOCIAL IMPACTS?

- **PANAMA CANAL EXPANSION**
- **THE CONSTRUCTION OF NICARAGUAN GRAND INTEROCEANIC CANAL**

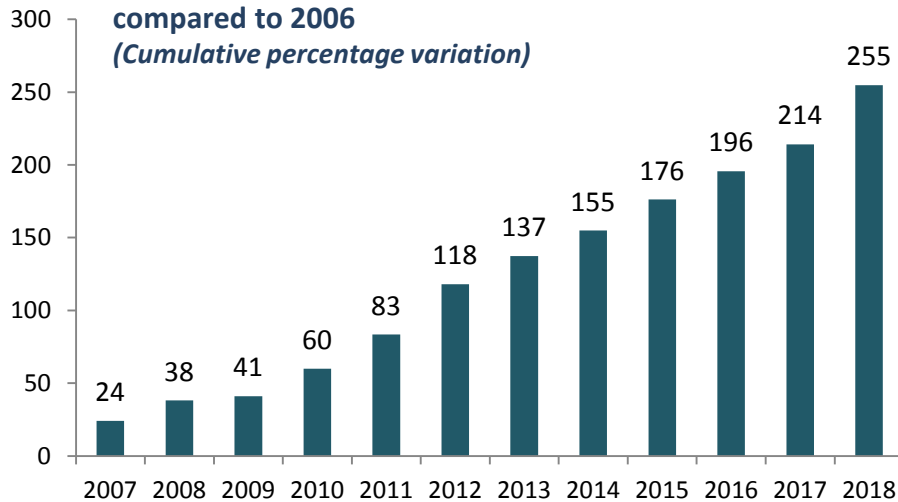
PANAMA CANAL EXPANSION: MAIN IMPACTS

GDP Panama: Actual data and projections with and without Expansion (Percentage Points)



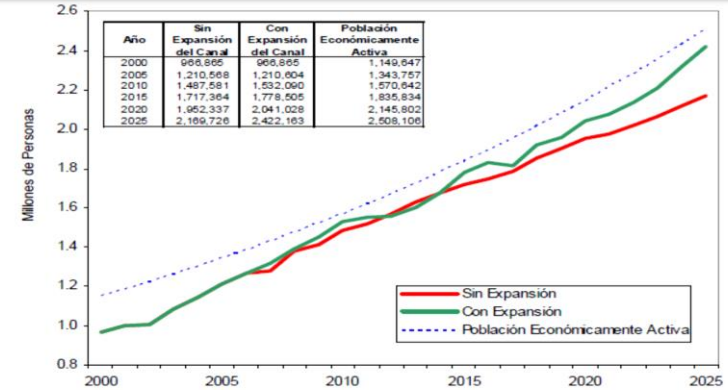
Source: PCA, ECLAC & IMF

Panama: Government income increase compared to 2006 (Cumulative percentage variation)



Source: Ministry of Economy of Panamá & IMF

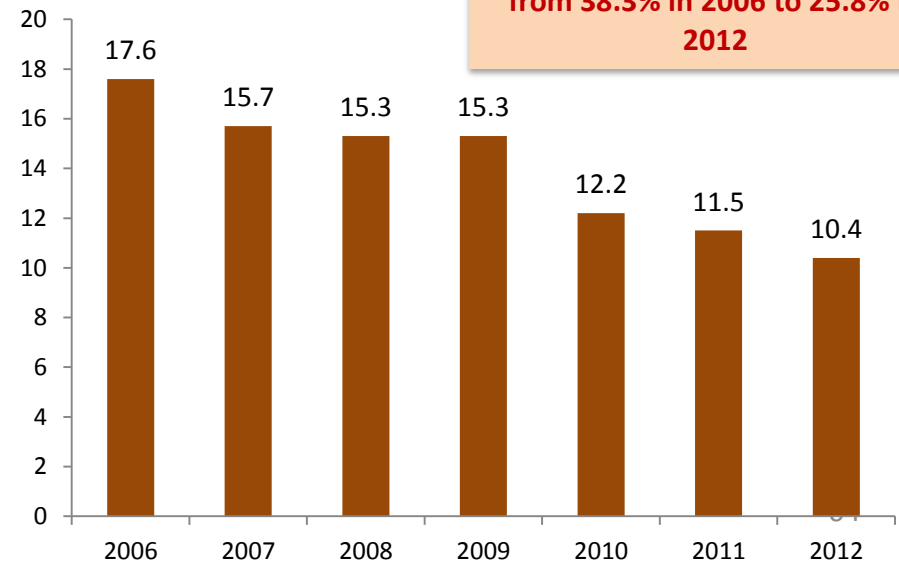
Employment trends with and without expansion of the Canal



Fuente: Preparado por Intracorp con base en información proporcionada por la Autoridad del Canal de Panamá y la construcción de un

2025: 252,437 new additional employments

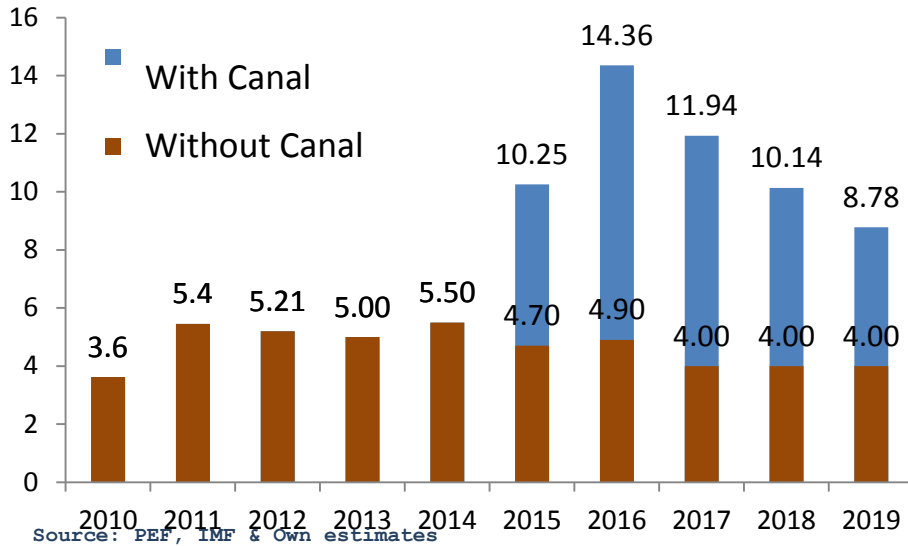
Extreme Poverty in Panama (Percentage Points)



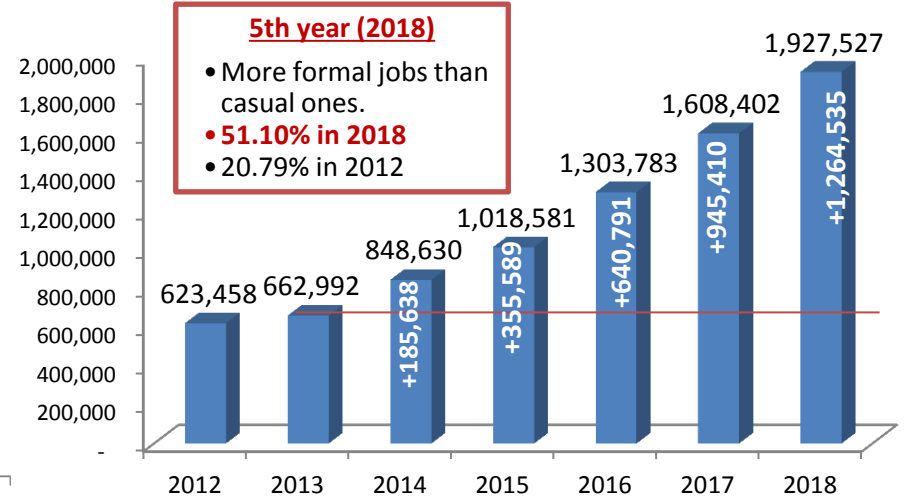
General poverty was reduced from 38.3% in 2006 to 25.8% in 2012

THE GRAND INTEROCEANIC CANAL OF NICARAGUA: MAIN IMPACTS EXPECTED

Economic growth with and without Canal (Percentage points)



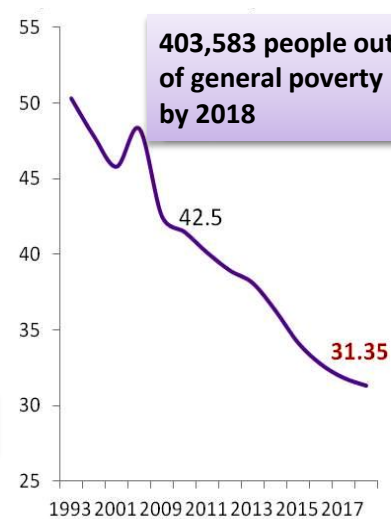
Formal employment in Nicaragua 2012-2018



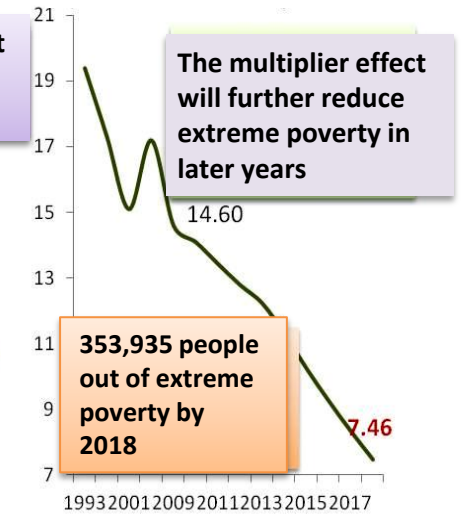
The increase in revenue, would be a source of funding to fight poverty.



General Poverty in Nicaragua (Percentage points)

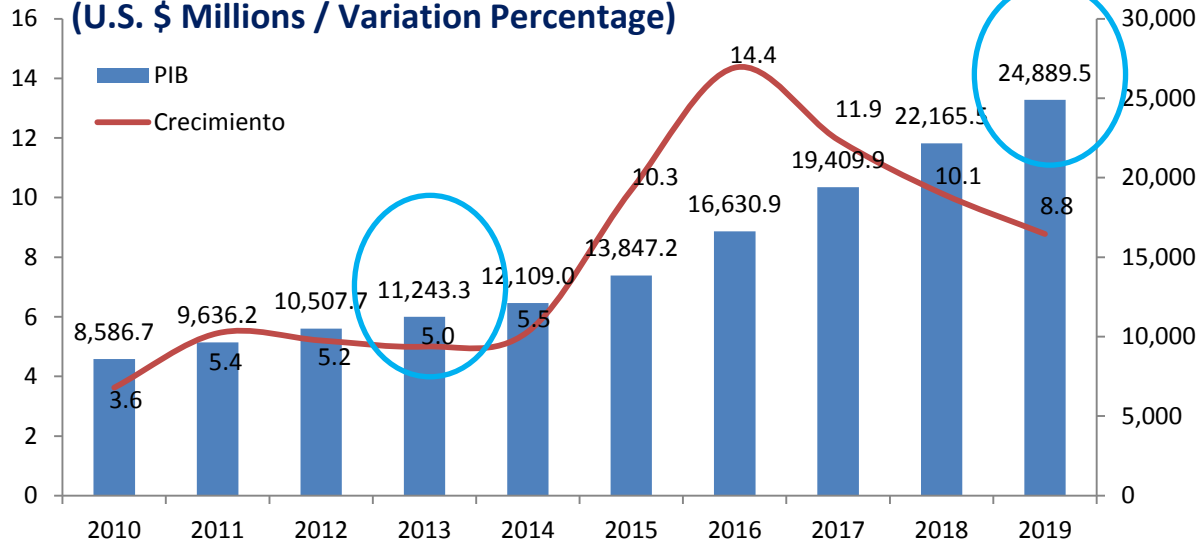


Extreme Poverty in Nicaragua (Percentage points)

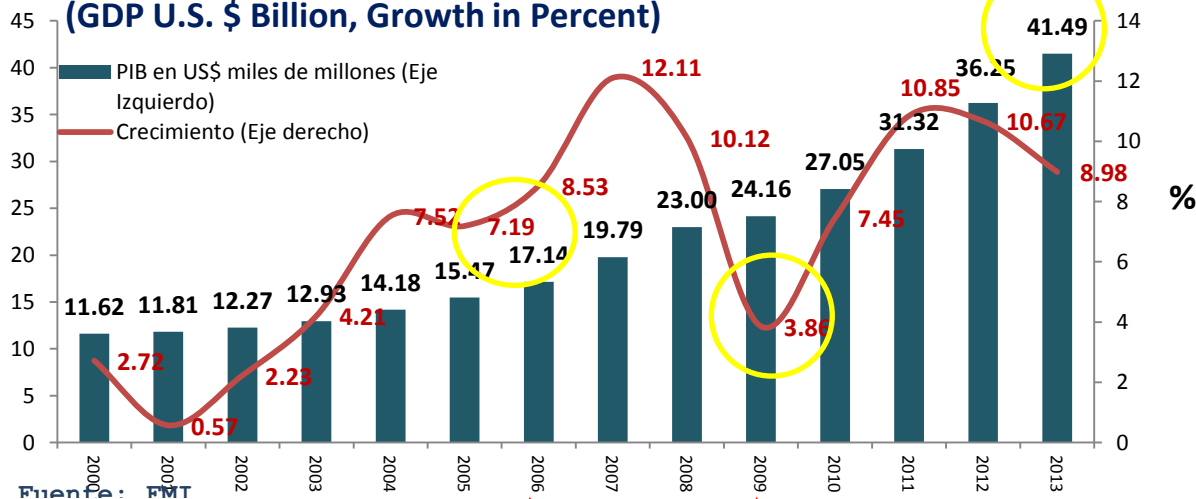


GDP GROWTH: NICARAGUA AND PANAMA

Nicaragua's economic growth with Grand Canal
(U.S. \$ Millions / Variation Percentage)



Panama's economic growth with Canal expansion
(GDP U.S. \$ Billion, Growth in Percent)



Fuente: FMI

Notice of the extension

The economic crisis

GREATER OPPORTUNITIES FOR INTEGRATION

- Opportunities for companies in construction and construction equipment and materials
- Opportunities for land and sea transport companies



Great boost to the construction



Busiest Central American Ports

- Improvement and modernization of ports
- Reduction of costs of maritime transport for TM (20-30%) due to EEE ships

Great need for skilled and unskilled labor



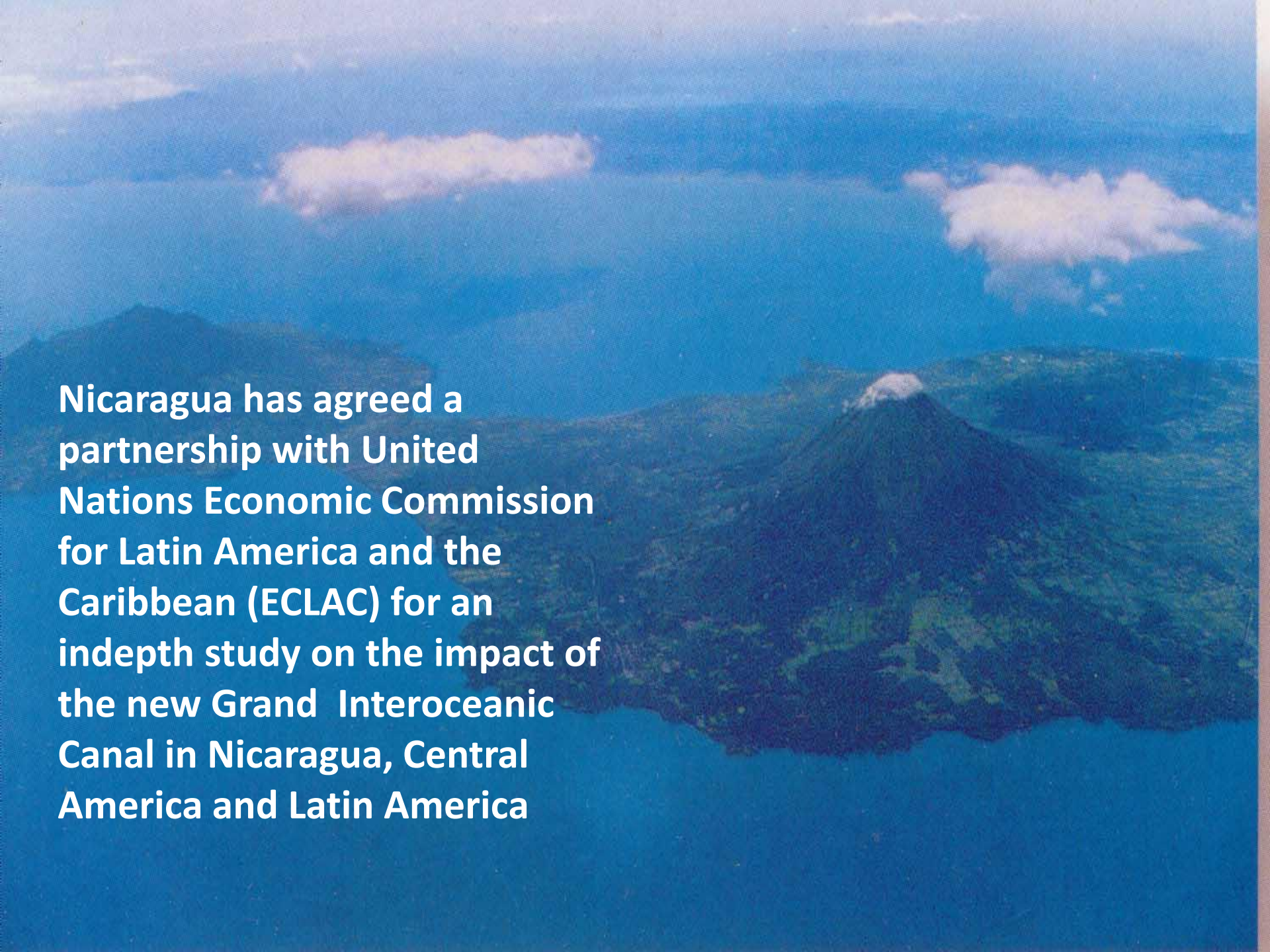
- Professionals
- Skilled and unskilled workers
- Middle and senior technicians
- Specialists

Increased trade flows of Central America



- Construction of a Multimodal Logistics Centre for Regional and Global Trade
- Reduction of time and costs of distribution (compared to Miami and Colon Free Zone)

GREATER MULTIPLIER EFFECT IN CENTRAL AMERICA

An aerial photograph of a volcanic landscape in Nicaragua. In the foreground, a large, dark, conical volcano with a small white plume of smoke or ash at its peak dominates the right side. The surrounding terrain is covered in dense green vegetation. In the background, a large body of water, likely Lake Nicaragua, stretches across the horizon under a blue sky with scattered white clouds. The overall scene is a mix of natural beauty and volcanic activity.

Nicaragua has agreed a partnership with United Nations Economic Commission for Latin America and the Caribbean (ECLAC) for an indepth study on the impact of the new Grand Interoceanic Canal in Nicaragua, Central America and Latin America

OPPORTUNITIES TO PARTICIPATE

PRIORITIES

Government of Nicaragua and HKND have agreed that the priority for procurement will be:

- Nicaraguan companies
- Central American enterprises
- Chinese and international companies

INCENTIVES

There are incentives for foreign companies to partner with Nicaraguan firms

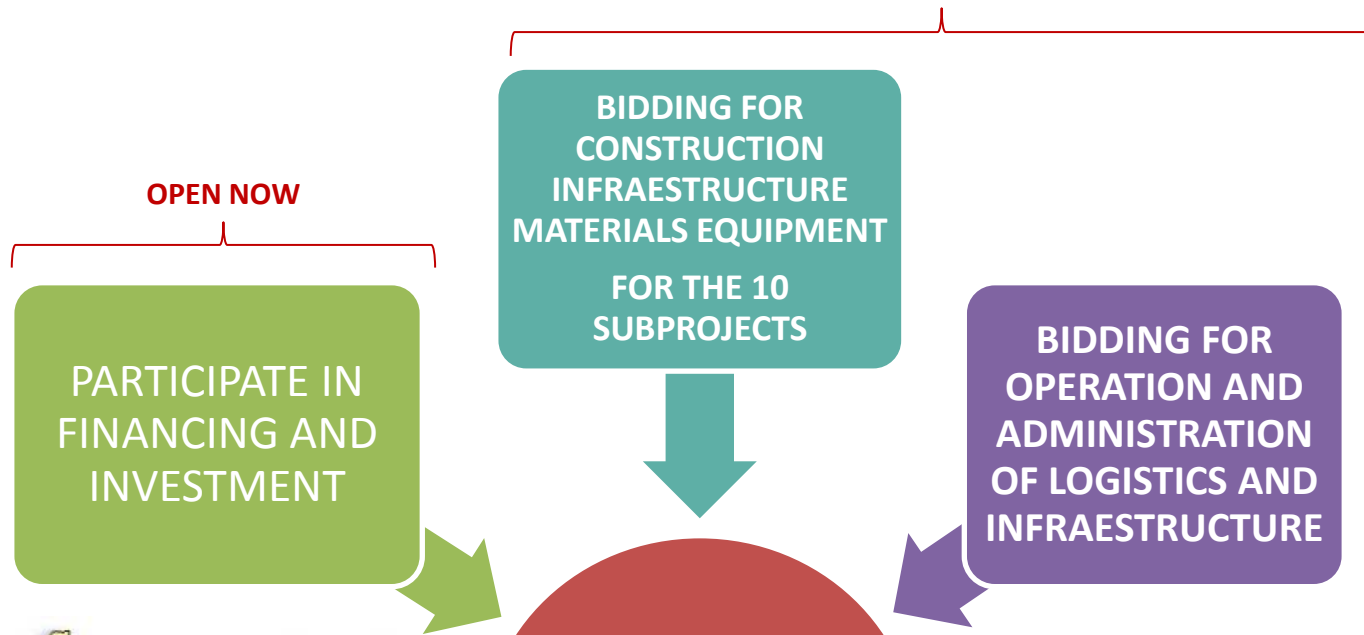
POTENTIALITIES

The relationship between HKND and Nicaraguan companies with foreign companies in the construction of the Grand Canal, may transform the Nicaraguan private sector in areas such as:

- Finance and other services
- Technology
- Logistics
- Supply chains
- Business Relations

HOW TO PARTICIPATE

WHEN FEASIBILITY STUDIES ARE COMPLETED

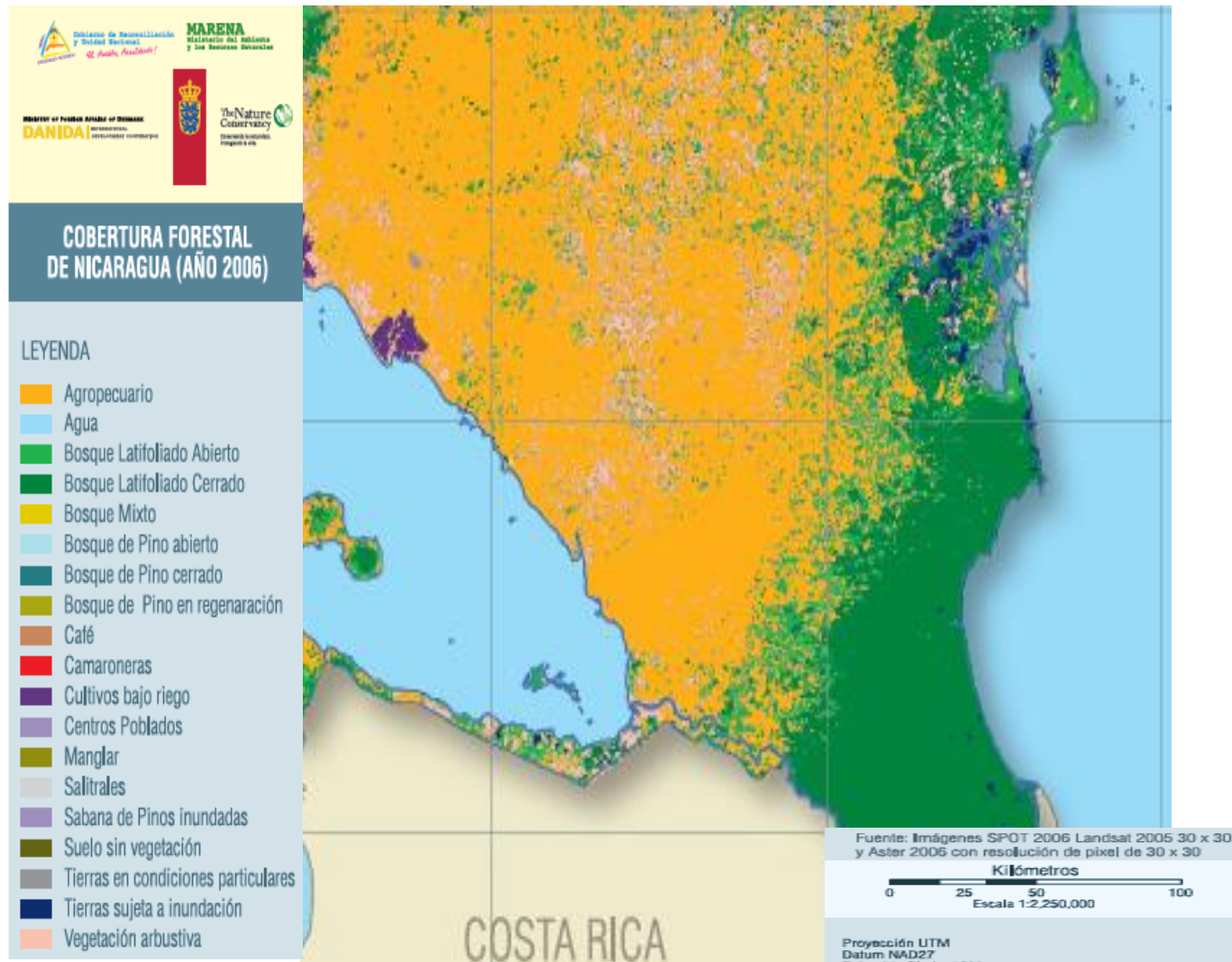


**FOR MORE INFORMATION CONTACT:
GRAND CANAL COMMISSION OF
NICARAGUA INTEROCEANIC**

Laureano Ortega
ortegalau@gmail.com
lortega@pronicaragua.org.ni
Paul Oquist
paul.oquist@presidencia.gob.ni
p3oquist@yahoo.com

WHAT ARE THE CHALLENGES AND OPPORTUNITIES FOR NICARAGUA?

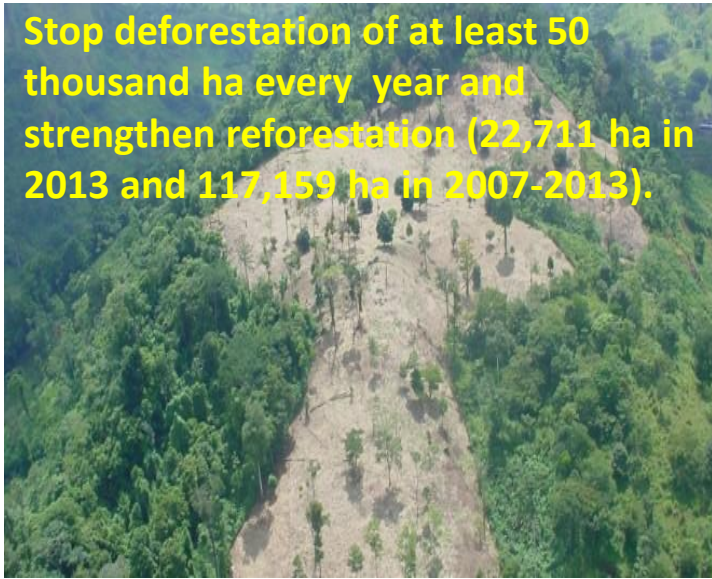
THE CHALLENGE OF AN ONGOING DEFORESTATION



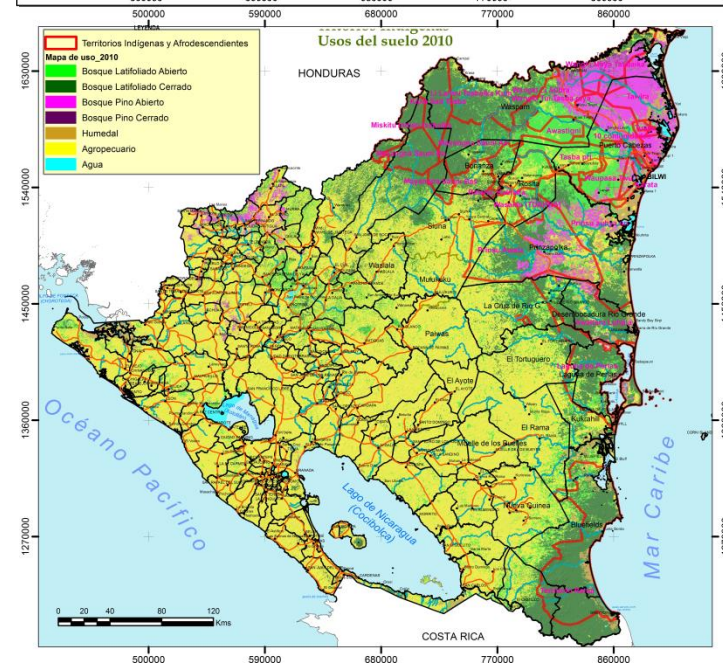
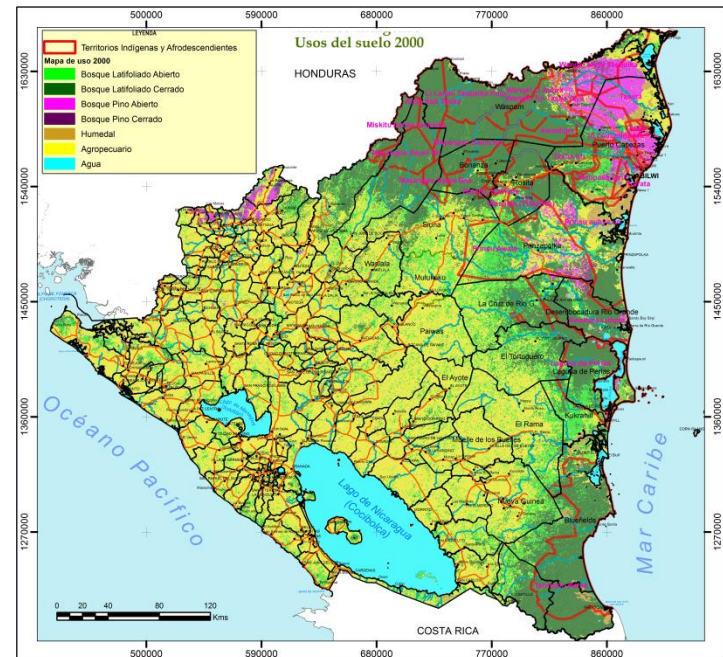
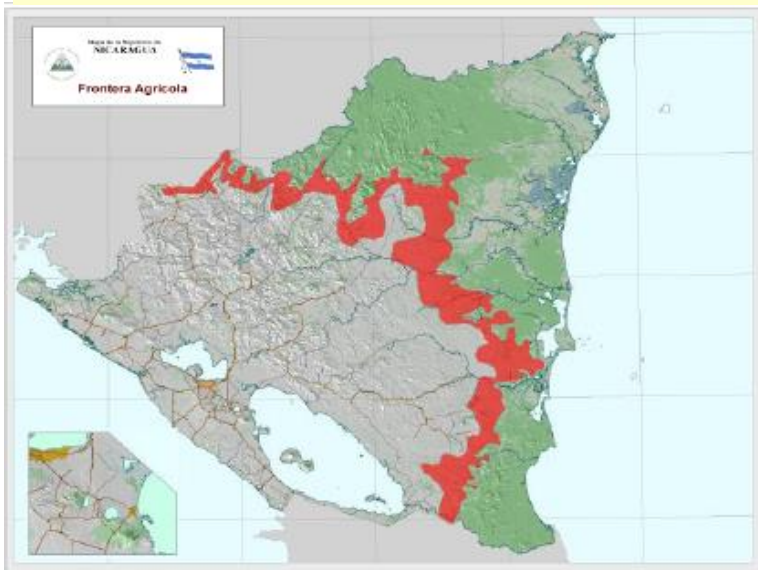
POSSIBLE ROUTES OF GRAND CANAL INTEROCEANIC, RUN THROUGH AREAS WITH DEGRADED SOILS BY INTENSIVE AGRICULTURAL AND LIVESTOCK ACTIVITY

THE CHALLENGE OF AN ONGOING DEFORESTATION

Stop deforestation of at least 50 thousand ha every year and strengthen reforestation (22,711 ha in 2013 and 117,159 ha in 2007-2013).



Containment of the agricultural frontier
(cutting of forest for agriculture)

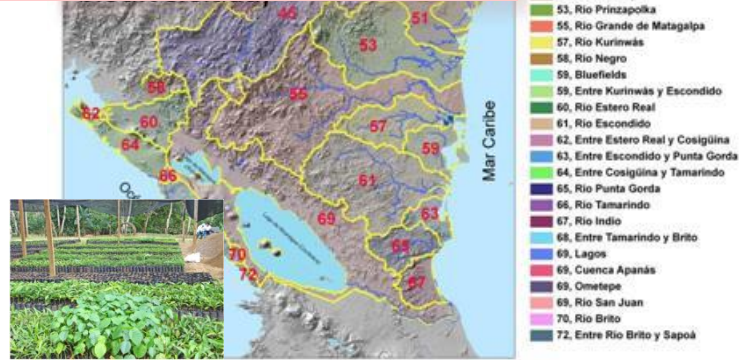


ENVIRONMENTAL MITIGACION

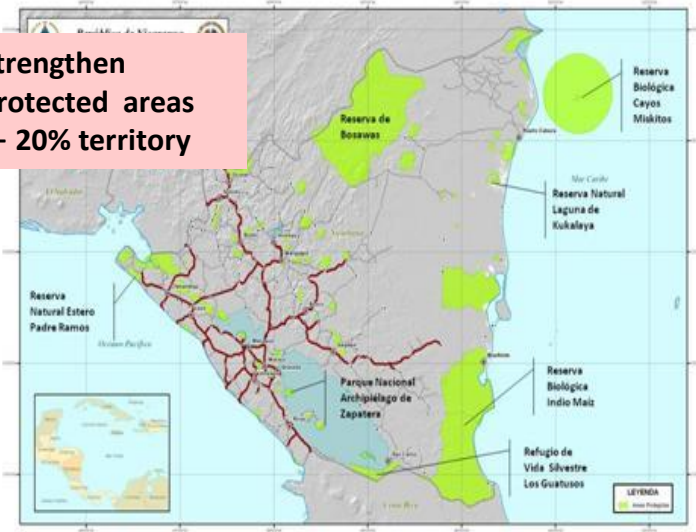
Transporte de sedimentos al Lago Cocibolca



Integrated watershed management (massive reforestation, reinjection of water, biodiversity protection)



Strengthen protected areas — 20% territory



- Protection of local populations from flood or drought.
- Environmental monitoring, climate and integrated health.



ECLAC estimate that in 2011 Nicaragua had adaptation needs over US\$ 1,900 Millions

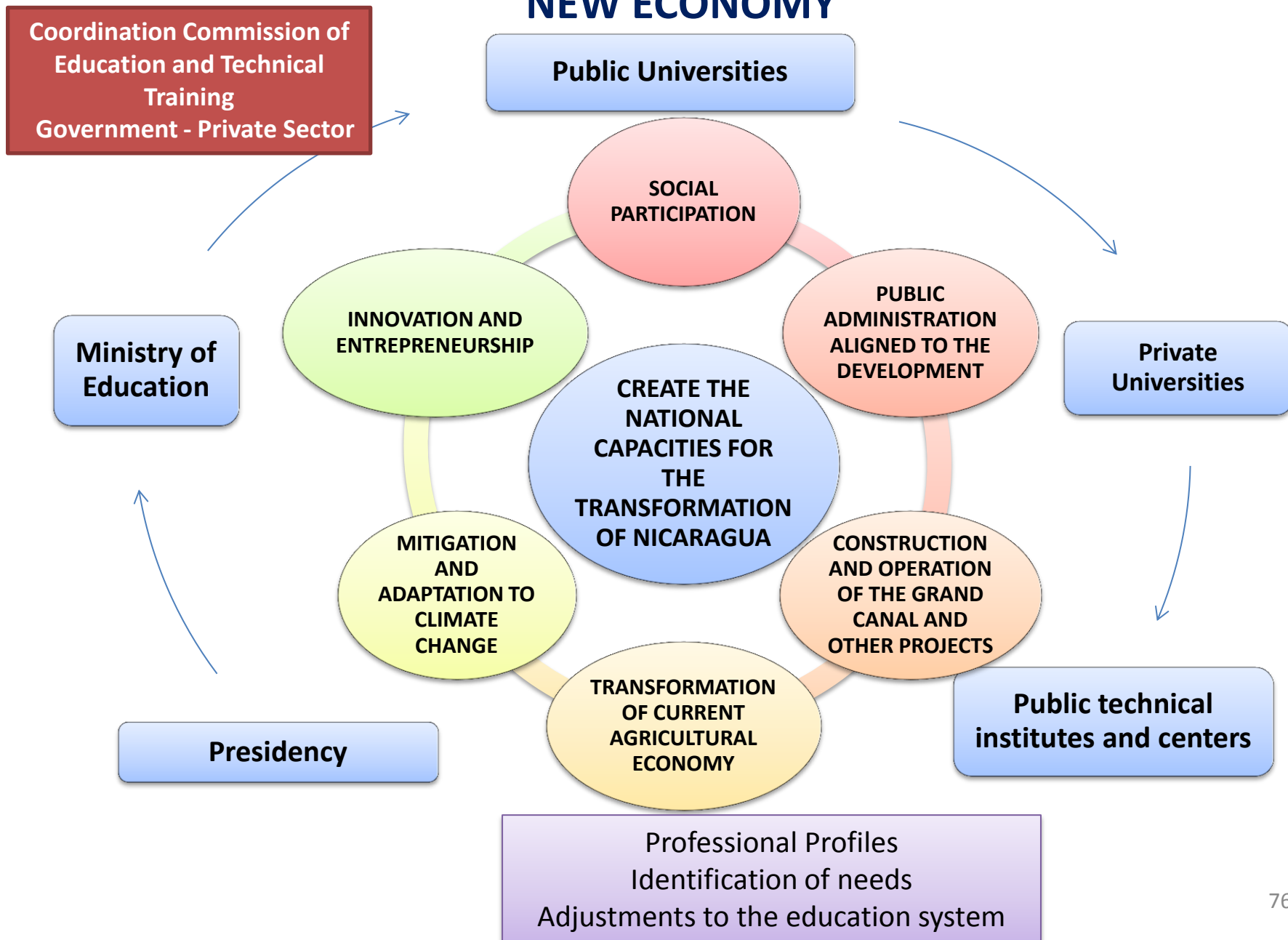
The Canal is a water project whose viability depends on water and this on massive reforestation and watershed management.

OPPORTUNITIES

- Opportunities for young Nicaraguans and Central Americans for professional, technical, and skilled formal sector employment in new fields, including:
 - Example 1: Railway
 - There hasn't been a railway in Nicaragua since 1991
 - New railway will have completely different technology
 - Example 2: Maritime country
 - Example 3: Regional and world multimodal logistical center



THE CHALLENGE OF TECHNICAL EDUCATION AND TRAINING FOR THE NEW ECONOMY



THREE WAYS TO INVESTS IN THE TRANSFORMATION OF NICARAGUA

INVESTING IN THE CURRENT INVESTMENT AND ECONOMIC BOOM

- Transformation of the Energy Matrix
- Agriculture and Agroindustrilization
- Turism
- Technology and telecommunications



INVESTING IN THE GRAND CANAL OF NICARAGUA

- 10 Projects
- Design and construction of infrastructure
- Supply of materials, equipment, technology, communications, financial services.



INVESTING IN THE MULTIPLIER EFFECT

- New urban, commercial and financial centers, in the Caribbean and Pacific Coast
- New infraestructure, transport, and communication needs
- New financial needs

The Grand Canal Interoceanic will double the GDP, the government budget and the number of workers in the formal sector . It will increase the purchasing power





**LE ESPERAMOS EN NICARAGUA
WE ARE WAITING FOR YOU IN
NICARAGUA**



THANK YOU

FOR FURTHER INFORMATION ON INVESTMENTS & CONTRACTS

NICARAGUAN CANAL COMMISSION:

Laureano Ortega

ortegalau@gmail.com

lortega@pronicaragua.org.ni

Paul Oquist

paul.oquist@presidencia.gob.ni

p3oquist@yahoo.com

**THE COMMISSION OF THE GRAND
INTEROCEANIC CANAL OF NICARAGUA**

MODEL BASED ON CHRISTIAN VALUES, SOCIALIST IDEALS AND SOLIDARITY PRACTICES

