

**NICARAGUA CANAL: REPORTS OF THE  
COMMITTEE ON FOREIGN RELATIONS  
OF THE SENATE IN THE  
FIFTY-FIRST, FIFTY-SECOND, AND FIFTY-  
THIRD CONGRESS. 2D SESSION, REPORT  
NO. 331, PP. 1-255**

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# **COMMITTEE ON FOREIGN RELATIONS**

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53D CONGRESS, }  
2d Session. }

SENATE.

{ REPORT  
{ No. 331.

Sen. 3183

IN THE SENATE OF THE UNITED STATES.

APRIL 14, 1894.—Ordered to be printed.

MR. MORGAN, from the Committee on Foreign Relations, submitted the following

REPORT:

[To accompany bill S. 1481.]

The action of the Committee of the Senate on Foreign Relations upon bills heretofore reported for aiding in the construction of an inter-oceanic canal through Nicaragua is set forth in reports No. 1944, Fifty-first Congress, second session, and No. 1142, second session of the Fifty-second Congress, made by Mr. Sherman as chairman of the committee.

Those reports are adopted in this report and are made a part thereof. Since December 22, 1892, the date of the last report of the committee, the president of the canal company has made an annual report to the Secretary of the Interior, as required by law, which, with his report made December 3, 1892, is appended to this report. These reports are made under oath by the president, and they set forth the actual condition of the work on the canal and of the canal property up to December, 1893. Before the date of the last of said reports work on the canal was suspended in consequence of the disturbed state of the money market, and has not been resumed.

In consequence of such suspension there has been some loss, but not of a serious character, in the depreciation of the plant connected with the construction of the canal, but all the dredges and machinery requisite for dredging, and the houses, structures, and wharves necessary for the work on the eastern division, have been supplied, and, with slight repairs, are in condition for the immediate resumption of the work on the canal.

These facilities for the work have been carefully prepared, and at a very low cost. The work on the canal and railroad alongside and the deepening of the channel leading into the harbor at Greytown has been done at a cost that is within the estimates of the engineers.

Some expected difficulties have been solved in respect of clearing the canal line, and as to the nature of the soil in the low grounds between the seashore and the divide formed by a ridge of low hills to the west of the mouth of the canal. These apprehended difficulties have been developed and overcome and leave the entire line of the canal, from ocean to ocean, free from all practical embarrassment arising from any uncertainty as to the nature of the soil through which it is to be constructed.

ENGINEERING AND COST.

The engineering work on the canal, upon which depends its success as a waterway, has been done so thoroughly as to escape even a sug-

gestion that it is faulty, or that it needs correction, after a critical examination by many of the best engineers in the United States and in Europe.

The details of the engineering and the estimates of cost of the canal are given in the previous reports of the committee and need not be here repeated as no occasion has arisen for any alteration in them.

The grand total of the estimates of the actual cost of the canal, completed for full service and extending to deep water in the Caribbean Sea and Pacific Ocean, through completed harbors, is stated in the report of Chief Engineer A. G. Menocal "revised to conform to information obtained up to January 1, 1890," at \$52,067,340.55. To this sum Mr. Menocal added "surveys, hospitals, shops, management, and contingencies, 25 per cent," amounting to \$13,016,835.45, making the grand total of \$65,084,176.

At the request of the chief engineer, the Maritime Canal Company submitted the full data of his estimates to a board of five engineers, who were selected without any suggestion from Mr. Menocal, for critical examination and revision.

This board was composed of the following named engineers: John Bogart, E. T. D. Myers, A. M. Wellington, H. A. Hitchcock, and Charles T. Harvey, all of them men of distinguished ability and established reputation.

They united in a report dated May 9, 1892, in which they increased the estimates of Mr. Menocal to the sum of \$73,166,308 for actual cost of the canal and \$14,633,263 "to cover specified and unspecified contingencies, labor agencies, shops, police, sanitary service, and incidentals." The grand total of their estimate was \$87,799,570.

The reasons for the increase of the estimates are stated fully in their report.

They were cautionary in their character and largely conjectural, as is shown by the following extract from their report:

We have carefully examined the unusually full maps, profiles, borings, samples of materials, etc., which have been prepared and collected under the directions of your chief engineer, and the completeness and excellent form of which reflect credit upon your engineering staff.

We find certain elements of the designs submitted which may probably be advantageously modified. This would in some cases reduce and in others increase the quantities. It is also altogether likely that some parts of the work may be let at lower and other parts at higher prices than are estimated. We, however, are disposed to base our conclusions on quantities and prices which should prove sufficient to accomplish it upon the assumption of good and honest management, backed by an ample treasury. We have necessarily borne in mind the fact that the cost of the notable precursors of this canal project, both at Suez and Panama, has greatly exceeded the amount of the original estimates, and that this has been true of many other important works. While this might be, perhaps, in a large measure traced to unfortunate management, as well as the lack of such careful preliminary studies as have been laid before us in this case, we have nevertheless endeavored to guard against a similar result by a liberal allowance for every apparent contingency.

Acting on this principle, we have not yet deemed it wise to reduce the quantities or prices of your chief engineer's estimates in any instance, even when it appeared possible that this might prudently be done. His figures are, of course, founded upon a better knowledge of the local conditions than we can now possess. But to the extent to which it has appeared at all doubtful we have liberally increased one or both.

The Maritime Canal Company and the Canal Construction Company, composed of men of great business capacity and experience, proceeded to raise the money to inaugurate this work and to prosecute it until it would command the confidence of capitalists and the stock exchange, upon the basis of this increased estimate, and they have expended, wisely and with careful economy, more than \$4,000,000 upon it. The work, so far, has fallen within the estimates of Mr. Menocal,

The Government of Nicaragua caused a careful examination of the work to be made, in order to ascertain and determine whether it had been prosecuted in compliance with the conditions of the concession. The President of Nicaragua, in a message to the Congress of that Republic, made the following statement as to the operations of the Maritime Canal Company up to December 25, 1890:

The questions with the Interoceanic Canal Company, which were pending at the death of President Carazo, have been satisfactorily settled by an agreement made the 8th of October last year, and from that date the works of construction have been prosecuted, if not with the rapidity which we are bound to desire, with patriotic impatience, yet with the firmness, formality, and good judgment required to raise the credit of the enterprise in the money markets and attract the capital wanted for its realization.

The company has fully complied with the condition imposed upon it by article 47 of the Cardenas-Menocal contract—that is, to spend \$2,000,000 within the first year after beginning the work of construction; and all the preliminary works already finished and the works which are being carried on give us right to believe that the opening of your Isthmus will become within a relatively short time a beautiful reality. Only yesterday a vessel of great draft entered the harbor excavated by the canal company, in the same place where for so many years nothing could be seen but lagoons and banks of shifting sand.

The report of the commissioners appointed to inspect the work on the canal was made to that Government on November 6, 1890, and stated that after investigation they found that the Maritime Canal Company had expended between October 5, 1889, and October 7, 1890, the sum of \$3,099,971.02 upon the canal.

This report was received and published in the Official Gazette of November 22, 1890, and thereupon it was officially stated by President Sacaza that all the requirements of article 47 of the concession had been fully complied with by the Maritime Canal Company of Nicaragua.

#### THE ACTION OF CONGRESS.

While this work was being thus successfully prosecuted by private citizens, with their own money, and after a contract had been made with a construction company for the entire work to be done on the canal, the Senate, on April 11, 1890, adopted the following resolution, in an executive session:

*Resolved*, That the Committee on Foreign Relations be, and it hereby is, directed to inquire into what steps have been taken under the act of Congress entitled "An act to incorporate the Maritime Canal Company of Nicaragua," approved 20th February, 1889, and what are the present conditions and prospects of the enterprise; and to consider and report what, in its opinion, the interests of the United States may require in respect of that interoceanic communication.

In obedience to that resolution, the committee proceeded to make inquiry and summoned before it all the persons who had accurate knowledge of the subject committed to them. The statements of the persons examined and the papers laid before the committee are printed in the report of the committee made, unanimously, on the 10th January, 1891.

A free and full discussion was had between the committee and the officers of the Maritime Canal Company and the construction company, which resulted in the bill first reported by the committee to the Senate. That bill embodied the terms upon which it was ascertained that all persons concerned in said canal as owners or contractors were willing and consenting to place the concessions of Nicaragua and Costa Rica, and all that had been done under them within reach of the power of Congress in granting aid to the canal, so that the Government of the United

States would be fully secured against loss upon its guarantee of the bonds of the company to the amount of \$100,000,000.

The reduction of the stock of the company to \$100,000,000, the limitation of the issue of bonds to a like sum, the retirement and cancellation of all the existing contracts and obligations of the company, and the appointment of Government directors in the company, were the leading conditions imposed upon the Maritime Canal Company in the bill that was reported to the Senate. It is not necessary here to point out more fully the provisions of that bill.

This action of the Senate and its acceptance by the people created the belief and excited the desire of the country that the canal would be speedily constructed under the immediate auspices of the Government of the United States, and with the use of its credit.

This sentiment and conviction has increased from that time to the present, and it has been encouraged by the fact that the great leading political parties of the country have declared in favor of its construction by the United States, as far as that may be done under the concessions of Nicaragua and Costa Rica. In the annual messages of our Presidents this subject has uniformly received a strong indorsement. The policy of the measure then reported, and of the bill herewith reported, is largely based upon the duty of Congress to make the rates of tolls on the canal as cheap as is consistent with duty to the stockholders for the benefit of our coastwise commerce.

Under such circumstances it was natural that the owners of these concessions should confidently expect that they would be virtually required to yield their property and their rights as concessionaires to the disposal of Congress.

The action of the Senate was taken up, eagerly, by the people in all parts of the country, who, in State and commercial conventions, in boards of trade, and in earnest individual effort, discussed the subject and sent many memorials to Congress asking that the United States Government would proceed with the work, so that this should be "an American canal under American control." When the people had thus taken up the subject and were pressing its consideration it seemed to be impossible, as it would be unpatriotic, that the canal should be placed under the control of a European Government, or should be constructed by and placed in the power of European capitalists.

Under such conditions the property of the company and its credit were virtually placed in the power of Congress, and the company was so far deprived of its freedom of action that no effort was made to secure foreign aid, either from capitalists or governments.

Then the disturbance in the financial affairs of the world, which began in the Argentine Republic, extended to Australia and then to Europe, and finally to the United States, cut off all hope, apparently, of the construction of the canal for years to come by the unaided efforts of the company, and forced the suspension of work upon it.

When the canal company was thus rendered powerless, as it appeared, to go on with the work, capitalists from Europe made propositions to the company, which are yet pending, to enter into an agreement for the completion of the canal on terms far more liberal to its present owners than any that have been offered by the United States.

If action by Congress is delayed unreasonably the company will be compelled either to abandon the concessions and lose the money they have already invested in the canal or to accept the offers made to them by the foreign capitalists.



If either of these results should follow the inaction of Congress, the people could not censure the canal company for yielding to a fate that they could have avoided if Congress had not taken up the subject of constructing the canal through the aid of the United States.

The work done on the canal is permanent, as far as it has progressed, is important as a demonstration of the final success of the location and plan of the canal, and it will not be abandoned by the commercial world. The canal will be built.

#### THE CONCESSIONS.

The value of the concessions made by Nicaragua and Costa Rica to the "company of construction," which have been made permanent and irrevocable by the decrees of those Governments, could scarcely be overstated; and the Government of the United States, in its legislation, granting a charter to the company which is accepted by those governments, and is being acted upon and conformed to by them, is closely connected with all that is granted in those concessions.

The concessions are very liberal in grants to the canal company of every right and privilege that can be necessary for the construction, control, protection, neutrality, maintenance, and management of the canal. They are framed with extreme care in every particular, so as to define clearly the rights and privileges embraced in the grants and reservations. The concessions cover the period of two centuries. They cover a fee-simple grant of more than a million acres of land of very valuable quality, in a country that is elevated considerably above the water level, with an equable and healthy climate, with cheap and convenient transportation, after the canal is completed, covered with valuable forests; especially adapted to the culture of coffee, cocoa, sugar, sisal, and other valuable textiles, and all the tropical fruits.

Mr. Menocal, the chief engineer of the maritime canal of Nicaragua, in a recent letter addressed to the chairman of this committee, thus describes the lands granted to that company in the concessions of Nicaragua and Costa Rica:

U. S. NAVY-YARD, *Norfolk, April 9, 1894.*

Hon. JOHN T. MORGAN,  
*U. S. Senator:*

DEAR SIR: Referring to your inquiries in connection with the lands granted by Nicaragua and Costa Rica in their respective concessions to the Maritime Canal Company of Nicaragua, I beg to say that, as a large proportion of this land is comprised in alternate irregularly shaped lots on both banks of the river San Juan, from the lake to Ochoa, and on the flowage line of the basins in the valleys of the San Francisco and Desiedo, their aggregate acreage can only be accurately determined after a careful location of all the lots fronting on the sinuous banks of the river and basins. However, it may be safely estimated that the fee simple grants by Nicaragua aggregate not less than 800,000 acres and those by Costa Rica 200,000 acres.

Both Nicaragua and Costa Rica have placed at the disposal of the company, free of charge and without reservation, all the spaces belonging to the States, whether on the mainland or in the lake and its islands, or at the ports, roadsteads, or rivers, necessary for the construction of the canal and its accessory works, and for the deviations of streams as well as for reservoir, the areas flooded by waters raised by the construction of dams, and the spaces occupied by the ports, railroads, light-houses, buildings, etc. The acreage of the lands included in these easements may be estimated at not less than 150,000 acres, and 50,000 in Nicaragua and Costa Rica, respectively.

All the lands occupied by the canal from the Atlantic to the lake belong to the states of Nicaragua and Costa Rica. West of the lake the canal is located through private lands, and the canal company has already paid to the Government of Nicaragua \$50,000 for 2,000 acres of land required for the construction of the canal on that side, as provided in Article XX of the concession.

Of the 1,000,000 acres of lands included in the fee-simple grants of Nicaragua and Costa Rica 300,000 acres are located in alternate lots on both sides of the canal and along the banks of the river San Juan from the Atlantic to the lake, and 640,000 acres are comprised in 40 lots of 20 square miles each granted by Nicaragua, and 25 lots of 8 square miles each ceded by Costa Rica. These lots are to be selected by the company in accordance with these governments from the existing public lands.

As to the value of these lands, it is difficult to arrive at a fair estimate at present. Between the lake and the Atlantic the country is covered with a virgin forest, containing an unlimited supply of timber, well adapted for constructions of all kinds, and of great value in connection with the building of the canal and for exportation when adequate means of transportation to the ports have been established. At present the unimproved navigation on the river San Juan is the only route connecting the Atlantic with the interior of the country. There are several large streams, tributaries of the San Juan, which, by the building of the canal, would be made navigable several miles into sections of the country now inaccessible by land or water, but these streams, like the mother river, are now in the same condition the Spanish conquerors found them.

The soil is uniformly fertile and offers many advantages for the cultivation of sugar, rice, beans, corn, fiber plants, coconuts, bananas, oranges, pineapples, and other tropical and semitropical plants, and in the highlands specially adapted for the cultivation of coffee. This statement is sustained by the dense growth and high forests covering that section of the country and by the small settlements found on the banks of rivers, where the native huts are surrounded by exuberant orchards and vegetable gardens, from which the settler gathers two or more crops annually by only dropping the seeds and letting nature take its course.

On the coast the land is low, but well drained by numerous small streams and small lakes, and is specially adapted for the cultivation of bananas and other tropical fruits. A few miles to the interior the foothills are met with, and from there to the lake the country is rolling, with intervening fertile valleys, the hills rising 50 to 300 feet; the whole being well watered and covered with a luxurious growth and giant trees.

Under the modifying influence of the northeast trades constantly cooling and purifying the air, the temperature varies from about 74° at night to 85° in the shade at noon, rarely reaching 90°; and as to the healthfulness of the country I can add to the official records of the Government surveying expeditions and of the canal company my own personal experience in the last twenty years. During that time I have made eleven trips to Nicaragua, with an average residence in the country of about six months on each trip, or five and one-half years altogether. While there, myself and assistants were constantly engaged in the arduous work of exploring this uninhabited section, cutting our way through the dense undergrowth, wading rivers and swamps, and running instrumental lines in all directions where the topography suggested any favorable features for the location of the canal.

We lived on the plainest food and slept at night under the scanty protection of a piece of canvas, a rubber blanket, or a few palm leaves. These hardships and privations were of several months duration, and on some of my trips without medical advice. Fortunately none was ever needed. No member of the party ever suffered serious inconvenience from illness due to the climate, and our health, far from being impaired, was generally improved, and we all returned to our homes in better condition than when we left it. The country, therefore, offers advantages for agricultural pursuits as well as for residence, and it is reasonable to expect that, with the building of the canal and the introduction of railroads, improved water transportation, and the increase of population, the land grants referred to will become very valuable.

Hoping that this information may be of some value to you in connection with the subject we both have so much at heart, I remain, with best wishes and kindest regards, yours sincerely.

A. G. MENOCAL.

All minerals in these lands are granted to the company, and they are regarded by careful observers as being valuable.

When the canal is completed these lands will be worth not less than \$10,000,000, and if they are sold during the progress of the construction will yield a large sum to the treasury of the company.

Among the valuable grants made to the canal company are the bed of the river San Juan from the location of the great dam into and through Lake Nicaragua, for all the uses and purposes of constructing the canal and of unrestricted navigation.

## COMMERCIAL AND POLITICAL VIEW.

A more general view of the value of the grants in these concessions to the commerce of the United States, to our coast-line traffic, and with reference to their importance in a military sense, necessarily raises the estimate of their value into a sum which, if counted in money, is really incalculable. The former reports of this committee, which are embodied in this report, contain exact data throwing the full light of truth upon this subject, and render a more extended comment unnecessary.

Several valuable papers that treat of these subjects have been recently printed by order of Congress, included in which are the reports of Capt. Scriven and Maj. Dutton of the U. S. Army, and others, besides reports upon Hawaii and our rights in Bering Sea, which bear with great force upon the commercial and military importance of the canal to the United States. Concessions of such value and importance that have already commanded an expenditure of more than \$5,000,000, wisely and economically employed in permanent work on the canal, under the careful direction of private enterprise, must be worth more to the owners than the money they have expended, and will command a greater sum in the market if they are offered for sale to all bidders.

To the United States, in a political and strategic view, and as a sea route to our Pacific coasts, shortened by more than half the length of the present ocean route, this waterway is of greater importance than the Suez Canal is to Europe and Great Britain, or than the freedom of the Bosphorus would be to Russia.

As a competitor with Great Britain and other transatlantic nations for the commerce of the Pacific Ocean, this canal is indispensable to the United States.

On these points, also, the previous reports of this committee were quite full, and they supply the data for almost exact estimates that any one can easily make, and need not now be repeated.

A general view of the geography of the coasts of the Atlantic and Pacific oceans and the lands that lie between them leave no room for doubt that the amount of tonnage that must pass through this canal will, almost in the beginning, equal that which now passes through the Suez Canal, and will be, in the near future, very much greater.

The exchange of commodities between the eastern coasts of America and the eastern coasts of Asia, and of Japan and the islands of the Pacific Ocean, which will seek the transit through Nicaragua as the shortest and most open route of navigation, will, of itself, supply more tonnage to pass through this canal than all that now passes through the Suez Canal.

The trade between these countries will be more direct than it is now, with London as the common point of distribution, and will therefore be cheaper than the present system. The Nicaraguan Canal will thus be given the preference over the Suez Canal by merchants and navigators. When we add to this the traffic that will pass in ships between the Eastern and Western coasts of the American hemisphere, the amount of tonnage that will pass through the Nicaraguan Canal must be largely in excess of that which will find its way through the Suez Canal. A carefully prepared statement is appended to this report, marked Exhibit No. 3, which shows the value of the commerce that is tributary to this canal.

The Cordillera range of mountains, extending the entire length of South America, forbid the hope that the eastern and western coasts of that continent can ever interchange their commerce by means of railways so as to make it advantageous.