

China and Central America

Overview of a shared history

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OUTLINE

Bridge of the Americas:

**Central
American
region**



Central America in a nutshell

- 522,000 km² with 38 million inhabitants.
- Central America is the fauna, flora and cultural **bridge** of the American continent.
- From Guatemala to Costa Rica: around 200 years of independent life of CA.
- But Panamá has a different story as was proclaimed independent in the early 1900.
- Common colonial history but **different outcomes**.



Maya Civilization – (1)

- The Mayan culture was a civilization that developed in what are now the territories of Guatemala and Mexico, as well as in Belize, and the western part of Honduras and El Salvador.
- In Guatemala, on the streets you can hear people talking maya and almost half of its population is from indigenous ancestry.



Maya Civilization – (2)

- E.g., In Guatemala, 93% of the population speaks Spanish.
- There are 22 live languages with maya origin specially in rural areas.



Highlight's of Central America early history

- Spanish colony and part of the administrative unit from Guatemala to Costa Rica. Panamá was part of Colombia (South America).
- Guatemala was the head of the Captaincy General of Guatemala, but with the independence (1821), 5 countries emerged from Guatemala to CR.
- Panamá independence happened in 1904 from Colombia, with the support of the US that became intrinsically merged with the country because of the construction of the Panama Canal.
- The US Foreign Policy is intertwined with CA history after 1821.

Honduras in a nutshell

- It is one of the most populated countries in Central America with 10 million inhabitants, but one of the poorest and most unequal countries in Latin America.
- Its protruding geographical position places it slightly indented in the Caribbean Sea, making it a shield against the hurricane winds of Caribbean origin. Honduras, in its northern zone, is one of the most climatically vulnerable countries in Latin America.
- From the social point of view, Honduras suffers from a generalized level of poverty, high level of inequality, low educational level and scarce infrastructure.
- Its agricultural vocation is based on coffee, bananas, seafood products, where it leads the world export of tilapia and is the second largest exporter of shrimp in Latin America.



El Salvador in a nutshell

- It is the smallest Central American country and, nevertheless, the one with the highest population density.
- Its territory combines a flat geography, which facilitates the development of its road infrastructure. Additionally, the combination of a small territory and an abundant labor force has created a clearly manufacturing vocation, since colonial times. This makes it the only economy in the Central American region where the manufacturing industry is more important than agriculture.
- The strategic position of its territory, practically equidistant from the north and south of Central America, and a flat geography allowed the development of an excellent road, port and air infrastructure making it an important logistic center for transportation in Central America, which makes the services area one of the strengths of its economy.



Nicaragua in a nutshell

- It is one of the largest and most populated countries in Central America but also with the lowest human and economic development in the Latin American region, similar to Honduras and Guatemala.
- Its economy is centered on agricultural exports, mainly to Central America and the United States; extractive exports of gold; exports of goods and services from special Free Trade Zone Regimes, where the main investors are North American multinationals.
- However, unemployment levels are very high because the dynamic sectors of the economy, gold mining and free trade zones, employ only a small proportion of the labor force.
- Hence, one of the decisive sectors in the economic performance is family remittances, which in 2023 will represent 60% of the country's foreign exchange income. In other words, **migration**.



Nicaragua

Lake Cocibolca is a freshwater lake located in Nicaragua. It has an area of 8000 km², being the largest in Central America. It has in its interior more than 400 islets, 3 islands and 2 volcanoes, it is also the only place that houses freshwater Bull **sharks**.



Panamá – (1)

- It is in southern Central America, and its main feature is that its territory narrows, which facilitates the connection between the two oceans.
- Panama is a small middle-income country, with a dollarized economy and the second highest GDP per capita in Latin America (USD \$20.754 in 2026) thanks to the high income provided by the Panama Canal, which represents a third of its GDP, in addition to the economic dynamics introduced by all businesses related, directly or indirectly, to the operation of the canal.
- With 4.5 million inhabitants, Panama has the fourth highest level of human development in Latin America but suffers from one of the highest income inequalities in Latin America.



Panamá – (2)

- Panama's importance does not derive from agricultural or industrial production, but from serving as a privileged route for maritime transport through its interoceanic canal.
- The large infrastructure constructions of both roads and the expansion of the Panama Canal have allowed it to have the highest economic growth rate in the region.
- Viewed as a whole, Panama's economy is traditionally linked to the operation of its interoceanic canal, which has made it an important logistics, transportation, financial and commercial center. Its traditional activities have been joined by the copper mining industry, starting in 2019, and growing tourism.
- Of course, its history is also linked to the Interoceanic Canal.



Panama Canal – (1)

- Under the Spanish crown, most of the Central American territory was administered by the Captaincy General of Guatemala, but Panama was under the jurisdiction of the Viceroyalty of New Granada, which had its capital in Bogota (Colombia).
- After 1821, Panamá remains, by its own will, linked to Colombia.
- In 1903 the Republic of Panamá was born, and the same year, Panama and the US signed a treaty whereby the United States undertook the construction of an interoceanic ship canal. The construction by Panama Canal Co. took 10 years (1914) and US has 1% ownership.
- In 1977, President Jimmy Carter and Panama's head of government, Omar Torrijos, signed the Torrijos-Carter Treaty, which returned complete control of all canal territory to Panama on December 31, 1999.



Panama Canal – (2)



Trade, Investment & Cooperation between China-CA



China-CA diplomatic ties

- In this century and as part of China's geopolitical, commercial and productive rise, all Central American countries, except for Guatemala, have gradually developed relations with China.
- Costa Rica was the first country in the region to establish official ties with the People's Republic in 2007. Since then, a movement of geopolitical realism focused on diplomatic relations with China has been gradually consolidating.
- Panama established relations with China, in 2017; El Salvador, in 2018; Nicaragua, in 2021 and, most recently Honduras, in 2023.



China & CA trade evolution

- Since 2016, CA exports to China have maintained a slow but steady growth, while imports from China have doubled in the last decade.
- In general, the Central American region has an **asymmetrical** trade relationship with the world to the extent that it depends on imports, to supply its needs for consumer goods and many of its productive inputs.
- China is no exception and the high competitiveness in goods has made it the 2nd largest supplier of the entire Central American region. It accounts also for China being the region second trading partner.



China & CA trade ties (FTA)

- Costa Rica was the first country in the region to negotiate an FTA with China that has been in force for 13 years.
- Nicaragua, in 2021, established ties with China and since 2024 has an FTA in force.
- Honduras, established relations in 2023 and has been negotiating one.
- Only 4 countries in LAC have an FTA into place with China. CR is one of them, and we will look at the impacts of the decade-old FTA between China and Costa Rica.



A balanced outlook on trade

The imbalance between exports and imports cannot be seen from a simple perspective:

- On the one hand, many of the imports are final consumer goods that the country does not produce.
- On the other hand, other goods are relevant inputs for Costa Rica's own endogenous production.
- E.g. In the first decade of the FTA among the most important imports that CR received from China were cell phones, laptops, television screens, automobiles, tires, in short, products not produced domestically, which complement CR's economy. Other products are inputs such as iron or steel rolled products, which are incorporated into Costa Rican production processes.



Chinese investment in CA

- As for Chinese investment in Central America, the decisive factor for Chinese companies, as well as for its government, is of a strategic geopolitical nature.
- Central America represents the continental territory with the shortest distance between two oceans, which makes it a privileged logistical zone that has so far been exploited only in Panama.
- All Central America has this logistical potential, especially due to China's high technological competitiveness in the development of port, road and, above all, rail infrastructure.



Honduras-China trade

- Honduras is a major seafood producer and its exports to China are concentrated in the agriculture & fishery sector.
- However, exports are still relatively low at this time.
- Although its diplomatic relations date back to 2023, an FTA has been negotiated.
- This will allow better access to its agricultural and fishery products.



Honduras-China Investment

- The most relevant Chinese investment has been in the energy sector (PALUCA III), the most important hydroelectric plant in the CA.
- One could highlight the existing need in Honduras for investment in infrastructure construction that offers excellent opportunities for bilateral cooperation with China.
- From the point of view of academic and cultural cooperation, Honduras presents the enormous potential of its aboriginal Mayan tradition, with one of the three most important archaeological sites of that culture: **Copán.**



El Salvador-China trade

- Salvadoran exports to China have been relatively low. This corresponds to an underdeveloped agricultural profile.
- However, El Salvador stands out in CA in logistics, given its strategic positioning in the region and the fact that it has a good infrastructure.
- Although its diplomatic relations date back to 2021, the possibility of an FTA has been discussed.
- El Salvador has the particularity of being the other economy in the isthmus that is dollarized, like Panama.



El Salvador-China Cooperation

- In terms of cooperation, after a visit to Beijing in 2019, President Bukele announced the donation, of a “non-reimbursable and unconditional cooperation”,
- The most emblematic cooperations have been the National Library and the construction of a new National State Stadium,
- Chinese cooperation is also relevant in the face of one of the major social and health problems: the low coverage of drinking water service in constant crisis. Thus, the project for the construction of a water purification plant on lake Ilopango.



Nicaragua-China trade

- Nicaragua is mainly an agricultural country but has some areas such as textile manufacturing with export potential.
- It sells agricultural products to China and under the recently put into effect FTA to position its agricultural production such as beef, sugar, fish, shrimp, lobsters, sea cucumbers, peanuts, timber, raw gold, honey, and rum.
- The trade balance is clearly in deficit, but that is not in itself problematic, as we have explained and also given that Nicaragua's industry is still overcoming the difficulties of the 80s of the last century.



Nicaragua-China Investment

- Nicaragua has the conditions to have access between the Pacific and Atlantic seas. This potential has marked its history. Having an interoceanic canal has always been Nicaragua's dream.
- Prior to the establishment of diplomatic relations, there was the possibility of a Chinese investment for the construction of this canal.
- There have been Chinese investments in Nicaragua in the energy and technology sectors, but more recently they have focused heavily on the extractive sector, as Nicaragua is the only Central American country with **gold mining areas**.



Panama Trade & Investment

- Panama is the second largest exporter in the region to China.
- Its exports have increased substantially, especially linked to copper mining, where there is also strong Chinese investment.
- It is the country that receives the most investment from China in the entire Central American region.
- In Panama, China has prioritized its investments in infrastructure, energy, transportation and real estate.



Panama Real State Incentives

Panama offers excellent conditions to invest, with recent legislation that allows investors to easily obtain Panamanian permanent citizenship.

It is **Decree No. 722 -Permanent Residency Option-**, allows with an investment in the real estate sector to obtain permanent residency for the investor and his family, within a period of 30 days. In addition, there is a world-class program for Panama's pensioners and retirees.



China-Panama relation

- It is also important to note that the first Chinese pioneers arrived in 1850 in Panama.
- Since then, a very prolific Chinese community has deepened its ties with Panama consolidating Chinese investment in that country, including real estate.



Cooperation & Belt and Road Initiative



Chinese cooperation in CA

- Since 2016, China outlined its policy to strengthen cooperation based on the principle of “equality and mutual benefit” in areas such as cultural exchange, trade and investment, agriculture, energy, infrastructure, manufacturing and technological innovation.
- Although these guidelines cover a wide range of projects, Chinese cooperation in CA tends to focus on the energy and transportation sectors, given the strategic nature of having maritime outlets in both oceans for the entry and exit of products between China and Central America.



Belt and Road (BRI) Chapter El Salvador

- Bukele administration joined BRI in 2020. There are investments in the drinking water and sewage system of the boardwalks, as part of the “**Surf City Project**”.
- **City Surf** is a major tourist project that aims to unite the beaches of the north and south. Libertad pier was renovated thanks to Chinese cooperation.



Belt and Road (BRI) Chapter Nicaragua

- In 2023, Nicaragua joined BRI and agreed to deepen its “strategic cooperation” through energy, infrastructure, and mining projects.
- Nicaragua is seeking China’s support to make better use of its maritime access for logistics purposes.
- Nicaragua does not have a deep-water port in the Atlantic and has historically relied on the ports of Costa Rica and Honduras for its exports to Europe and the U.S. East Coast.
- Major port projects, such as the modernization of the **Port of Corinto** and the construction of a deep-water port in the Caribbean city of Bluefields, are part of this initiative, which is expected to boost the country’s trade.



Cultural, Archaeological and educational Cooperation between China-CA



“Sanxingdui and the Maya looked at the same sky and the same stars on the Horizon”

- Prior to the establishment of diplomatic ties, the two countries have cooperated for several years in bilateral archaeological research at the Mayan site of Copán (Honduras).
- Cooperation in this field is of great interest to both China and Honduras, given the traditional and ancestral possible ties between the Sanxingdui Culture in China and the Mayan Culture.



Two civilizations developed in places at similar latitudes and with a similar climate

- Sanxingdui is known as "one of the greatest archaeological discoveries of the 20th century," while many historians call the Maya "the Greeks of the New World."
- Li Xinwei, a researcher with Chinese Academy of Social Sciences said: "They looked up to the same starry sky and lived in similar temperature zones," explaining the affinity of their natural environments.
- Sanxingdui's remnants of bronze-made trees bear a striking resemblance to the sacred ceiba tree in the Mayan Civilization.



Educational & Cultural cooperation

- Chinese embassies in Latin America and the Caribbean play a very important role in promoting the Chinese language and culture.
- China offers numerous opportunities for students to study there. It also provides extensive technical cooperation in various fields, such as healthcare, solid waste management, and more.
- And I want to point out the educational and cultural role of **Confucius Institutes** in LAC as they partner with Latin American universities on various programs.



Final thoughts - (1)

- CA diplomatic relations with China are very recent with the exception of Guatemala.
- China is CA's second largest trading partner,
- There is room for growth in the trade area but from CA's perspective there are a couple of obstacles such as:
 - The country's lack of direct maritime routes to this market is a major constraint and
 - In addition to the cultural and language barriers, requirements, sanitary protocols and complex paperwork, there are also complicated transportation logistics.



Questions?

