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China's Advance in Central America and Its Strategic Importance

A China-dominated cluster is emerging among the three regimes in Central America not friendly toward the U.S.

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During the past year, China and its companies have expanded their position in politics, security, information, logistics, and other key areas in Nicaragua, Honduras, and El Salvador, raising strategic concerns due to the region's proximity and connection to the United States.

The [expansion of China's activities](#) in the Western Hemisphere during the past two decades principally occurred in South America, relatively distant from the continental United States. China's interest has been dominated by commercial activities, although areas like military engagement and Chinese firms' involvement in strategic sectors with [“dual-use” potential](#) such as space, ports,

and digital infrastructure have raised concerns for Washington.

The Central American states to the north of Costa Rica – Nicaragua, Honduras, El Salvador, and Guatemala – attract the attention of Washington due to their geographic proximity, which ties them to U.S. security and politics through drug and migrant flows. Historically, owing to those states' diplomatic recognition of Taiwan, and (with the exception of Nicaragua), efforts by them to align themselves with the United States, their engagement with China has been limited.

That is changing rapidly.

The election of the Democratic Progressive Party (DPP) in Taiwan in January 2016 ended the de facto “truce” between Taiwan and China in the struggle for diplomatic recognition, leading to recognition of the People's Republic by the governments of [Panama](#) (2017), [El Salvador](#) (2018), [Nicaragua](#) (2021), and [Honduras](#) (2023). In each case, the signing of multiple, non-transparent [Memorandums of Understanding](#), official trips to China by delegations of government officials and well-connected business elites, and negotiations of free trade agreements (completed with Nicaragua [in August 2023](#), and currently in progress with [Honduras](#) and

[El Salvador](#)) set the stage for China's rapid advance, penetration by Chinese companies, and the weaving of webs of influence with business, political, and other elites through “people-to-people” diplomacy.

In [Costa Rica](#) and [Panama](#), engagement by China and its companies were complicated by relatively strong institutions in both countries applying laws and oversight by U.S.-friendly governments, which conflicted with Beijing's initiatives.

In [Nicaragua](#), and [Honduras](#), by contrast, leftist governments have embraced and facilitated China's advance, including activities in strategic transport, digital and electrical infrastructure, media and [security cooperation](#). At the same time, weak institutional capability and oversight by those governments decreased the likelihood that they can adequately control or benefit from China's activities in their territory.

In El Salvador, high-profile [China-built infrastructure projects](#) are advancing, even as the security policies of the Nayib Bukele government put it [at odds with the Biden administration](#).

These developments are creating the risk of a China-dominated cluster of the three anti-U.S. regimes in Central America, strategically

spanning the continent from the Gulf of Fonseca on the Pacific to the Atlantic coast. Such a bloc would separate North America and [U.S.-friendly Guatemala](#) from the increasingly China-engaged rest of the hemisphere to the south.

Nicaragua

In Nicaragua, Chinese companies were slow to propose projects in the country in two years following the [December 2021 recognition](#) of the PRC by the leftist authoritarian regime of Daniel Ortega and Rosario Murillo. Since 2023, however, China has announced numerous, although nontransparent, infrastructure projects.

These include a new \$396 million ([2.87 billion yuan](#)) airport to the north of Managua, Punta Huete, to be built by [China State Construction and Engineering](#) (CSCE); the [Managua-Masaya-Granada](#) rail line to be built by [China Civil Engineering Construction Corporation](#); and [China State Construction Engineering](#) work to improve the highway along Nicaragua's Pacific coast, [among other roads](#). The biggest potential Chinese project over the long-term, aside from the defunct [Nicaragua Canal](#), involves a [masterplan](#) for the eventual construction [of a rail line](#) from Corinto, on the Gulf of Fonseca in the Pacific, through

Managua to Bluefields on Nicaragua's Atlantic coast.

Beyond logistics infrastructure, the Ortega government has also authorized three Chinese mining companies to set up operations in remote, difficult-to-observe parts of the country. A 36,600 hectare project [in Nuevo Bijugual](#) in the Caribbean northeast is being undertaken by the obscure Chinese group Xinxin Linze, alongside nearby concessions to [Zhongfu Development](#), and to China-based Thomas Metals [in Chinandega](#).

Other examples of China's advance in Nicaragua include tentative Chinese commitments to build the 120 MW [Mojokowla](#) and [253 MW Tumarín](#) hydroelectric facilities, a 150 MW thermoelectric facility [in San Benito](#), and a [solar park in Matagalpa](#). [Nicaragua is also sending journalists](#) to China and might [train Nicaraguan police](#) in China.

Honduras

In parallel to China's advances in Nicaragua, the Libre government of Xiomara Castro in Honduras is pursuing [\\$20 billion in work by China-based companies](#) to improve the already partially developed "dry canal" corridor from the Pacific to Atlantic coast of the country. It includes work by [China Harbor to expand](#) the Port of San Lorenzo in the

Honduran coast of the Gulf of Fonseca, work on the road from San Lorenzo on the Pacific, to Puerto Cortes on the Atlantic side of the country, as well as work on [bridges connecting Puerto Cortes](#) to the Honduran mainland, in order to support commercial traffic moving between the two coasts.

Importantly, the Soto Cano Air Base, site of the U.S. Forward Operating Location (FOL) Joint Task Force Bravo (JTF-B), is a logical location for Chinese logistics and commercial warehousing and distribution projects as China-based companies develop the interoceanic corridor.

The state telecommunications organization Hondutel has committed [to overhaul](#) the national telecommunication system working with Huawei and other Chinese equipment. Honduras has expanded Chinese work on the nation's electricity grid, including [Patuca II](#) to be built by PowerChina, which will be the third hydroelectric facility in the country to be contracted to a China-based firm (following [Patuca III](#) and [Aqua Zarca](#)).

The Castro government in Honduras has also embraced Beijing by sending significant numbers of [journalists to China](#) for orientation and training visits and participating in China's programs [to train](#)

Honduran Foreign Ministry and other government personnel,

El Salvador

In El Salvador, China's advance is also substantial and even more strategically significant in the context of Chinese infrastructure projects. In El Salvador, China-based companies have built a [tourist pier](#) on the Pacific, a major new [national library](#), and are currently working on two [water treatment](#) facilities and a national [sports stadium](#). China-based telecommunications companies [Huawei](#) and ZTE are well established as device and infrastructure suppliers in the country.

In the logistics domain, China-based firms have long demonstrated interest in [developing the port of La Union](#) on the Gulf of Fonseca, including a wide array of supporting commercial facilities [within a special economic zone](#) (SEZ) there, giving Chinese companies operating there special privileges and autonomy. In the first months following El Salvador's 2018 recognition of the PRC, Chinese Salvadoran businessman [Bo Yang](#) purchased [parts of Isla Perico](#), territory that could play a role in the future development of the zone.

Joint Implications

Although China's interest in the port during the prior Salvadoran government of Salvador Sanchez Ceren did not translate into a concrete project, the factors that may have previously prevented it from occurring, and the environment limiting China's presence in the region in general, have now changed. Today, the Gulf of Fonseca is now ringed by three countries that recognize the PRC, each with motivations for working with Beijing as an alternative to dependence on the United States.

In March 2024, the Honduran Congress [ratified a treaty](#) between its government and Nicaragua ending a dispute over maritime boundaries in the Gulf of Fonseca, paving the way for greater commercial cooperation in the development and use of the Gulf.

Today, China's development of La Union, despite its suboptimal characteristics as a port, would complement its development of San Lorenzo in Honduras and Corinto in Nicaragua in the development of a Chinese-dominated international port complex in the Gulf and Pacific coast to the south, linked to the Atlantic via Chinese-built and operated infrastructure across Honduras to Puerto Cortez, and eventually across Nicaragua to the Atlantic port of Bluefields. Associated future

special economic zones would grant privileged access to China-based companies operating there, with likely limited supervision by the three Beijing-friendly governments operating them.

In strategic terms, such a new Central American “cluster” would give China and its companies a base of operations from which to project commercial and political influence operations into the rest of Central America, Mexico, and the Caribbean. The associated commercial revenues and Chinese investments would strengthen the survivability and empower the authoritarian (albeit distinct) paths of all three regimes.

In the near term China’s growing influence in the cluster could induce the fragile democratic Arevalo regime in Guatemala to the north, and Belize to the northeast, to abandon recognition of Taiwan. It would also likely facilitate pressure on the center-right Rodrigo Chavez government in Costa Rica in the south to abandon its principled stance in resisting the penetration of the country by China’s [telecommunications](#) and other companies.

China’s economic and political empowerment in the area would also create opportunities for Russia and Iran to strengthen their presence in the increasingly anti-U.S. hub, and give both

extra-hemispheric actors, as well as anti-U.S. regimes in Cuba and Venezuela, new routes to Asia independent of the U.S.-dominated Panama Canal.

The pro-China cluster would complicate U.S. efforts to work with the countries of the region to manage migration, drug, and weapons flows, and other shared security challenges. [In time of war](#), it could give China and supporting anti-U.S. actors including Russia, Iran, Venezuela, and Cuba, a base of operations far closer to the U.S. homeland than the China-operated [deepwater port of Chancay](#), and a vehicle for sustaining forces in the Caribbean and cutting the United States off from the Panama Canal and South America.

Conclusion

China's advance in El Salvador, Honduras, and Nicaragua is only in its preliminary stages. Although it is developing quickly with the embrace of those three governments, there are significant obstacles, including hesitation by Chinese banks and companies to invest in Nicaragua, discomfort among [democrats and conservatives in Honduras](#) with the deepening radicalism of the Castro government, and similar discomfort in El Salvador over the growing distance between the Bukele government and the Biden administration,

with [more than a quarter](#) of Salvadorans living in the United States.

The time to anticipate and address such risks is now, while they are still manageable.

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