

Spotlight on PRC Engagement in Honduras Relative to Central America

By Bryan Burgess, Samantha Custer, Rodney Knight, and Jonathan Solis

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1. Introduction

In March 2023, the government of Honduras formally established diplomatic relations with the People’s Republic of China (PRC), retreating from its long-standing recognition of Taiwan as an independent country. Later that year, Honduras signed a memorandum of understanding (MOU) to formally join China’s Belt and Road Initiative (BRI), laying groundwork for potential future economic cooperation. Honduras has joined other Central American nations in adopting the “One China” policy, including Costa Rica (2007), Panama (2017), El Salvador (2018), and Nicaragua (2021).¹ In Central America, only Guatemala and Belize continue to recognize Taipei as an independent Republic of China.

Beijing’s historical development finance to Honduras has been relatively modest, but President Xiomara Castro has expressed interest in collaborating with the PRC to attract new investments. High-profile diplomatic announcements have highlighted new bilateral agreements in various areas, including discussions to establish possible sister cities (Reuters, 2023 and 2024). It remains to be seen whether and how these aspirations translate into tangible benefits for the Honduran people.

This policy brief examines PRC official finance and public diplomacy engagement in Honduras and its Central American neighbors from 2000 to 2021. When possible, we benchmark these engagements with analogous ones from the United States, as another long-standing partner. This analysis comes at a critical juncture, as preliminary data indicates a massive uptick in new development finance commitments from Beijing to Honduras as of 2023. We surface five key insights. Historically, Honduras’ peak PRC development finance came several years prior to adopting the “One China” policy, but it may now be at an inflection point due to a massive uptick in new commitments in 2023. Beijing employs a two-track financing model—it bankrolls a few large-dollar infrastructure projects with debt and many small-dollar soft development projects with grants or in-kind support to build goodwill. Although relatively few in number, Beijing’s big-ticket infrastructure investments can be risky propositions, and some have navigated difficulties. However, committed financing is not the same as

¹ Nicaragua initially recognized the PRC in 1985 and withdrew that recognition in 1990, before reverting back in 2021.

completed projects, and Honduras has seen long delays. Beijing's efforts to promote people-to-people ties are also likely to increase following Honduras' de-recognition of Taiwan, similar to what has been observed in other countries in the region.

2. PRC Financing in Honduras and Central America

Insight #1. Historically, Honduras' peak PRC development finance came years before adopting the "One China" policy, but it may be at an inflection point due to a massive uptick in new commitments in 2023

Beijing committed financing to five development projects in Honduras between 2000 and 2021 worth nearly \$450 million. Consistent with its portfolio elsewhere (Parks et al., 2023), Beijing bankrolled these five projects with debt (i.e., loans with interest rates approaching market rates) as opposed to aid (i.e., grants or loans at no- or low-interest rates).² Table 1 provides more information for each project, including commitment year, description, financial amount, sector, status, lender, and recipient.

Although Beijing typically limits its financing to countries that do not recognize its "One China" policy (Yoo, 2020), Honduras saw one of the highest years of PRC investment in Central America, 10 years before it changed its position on Taiwan.³ The largest project funded by the PRC in Honduras was a \$356 million loan in 2013, well before Tegucigalpa's flip, contrary to expectation. In relative terms, the PRC's development finance investments in Honduras were just below average for the Central American region (\$510 million), even when Tegucigalpa still recognized Taiwan.

² In this brief, we consider two types of PRC state-directed official finance: official development assistance or ODA (grants and no- or low-interest loans) as well as other official flows or OOF (i.e., loans and other debt instruments approaching market rates). For ease of reading, we simplify the terminology in the brief to "aid" and "debt" as catchalls for these financing modalities.

³ Similarly, there were several years of PRC financing in Panama following President Xi's state visit and prior to it changing its position on Taiwan.

Table 1. PRC-funded Development Projects in Honduras, 2000-2021

Year	Project Description	Amount (Constant 2021 USD)	Financing Details	Sector	Lender	Recipient Entity	Status
2013	Loan for Phase 2 of 104MW Patuca III Dam Project	\$335.8 million	Type: Loan, Other official flow (Less concessional) Interest: 4.38% Maturity: 15 years, 5 year grace period	Energy	Industrial and Commercial Bank of China (ICBC)	Empresa Nacional de Energía Eléctrica (ENEE)	Completion
2014	Loan to Concesionaria Vial Honduras	\$66.4 million	Type: Loan, Other official flow (Less concessional) Interest: Unknown Maturity: Unknown	Unallocated/ Unspecified	People's Bank of China (PBC)	Concesionaria Vial Honduras S.A. de C.V. (Covi Honduras)	Completion
2016	[China Co-Financing Fund] IDB administers 6 million USD loan from CHC to Ficohsa for SMEs	\$7.1 million	Type: Loan, Other official flow (Less concessional) Interest: 8.31% Maturity: 10 years	Banking and Financial Services	People's Bank of China (PBC)	Banco Financiera Comercial Hondureña (Ficohsa)	Pipeline: Commitment
2017	[China Co-Financing Fund] IDB administers loan from CHC to Banpaís for on-lending to SMEs	\$4.6 million	Type: Loan, Other official flow (Less concessional) Interest: 5.17% Maturity: 5 years	Banking and Financial Services	People's Bank of China (PBC)	Banco del País (Banpaís)	Completion
2020	China Co-Financing Fund for Latin America and the Caribbean provides loan to Elcatex for multiple purposes	\$35 million	Type: Loan, Other official flow (Less concessional) Interest: Unknown Maturity: 6 years	Other Multisector	People's Bank of China (PBC)	Elcatex, S. de R.L.	Implementation

Source: AidData's Global Chinese Development Finance Dataset, Version 3.0. (Custer et al., 2023; Dreher et al., 2022).

PRC financing in Central America has been uneven across the years (Figure 1), with spikes of activity from large-dollar projects in 2013 (Honduras and Costa Rica) and 2019 (Panama and El Salvador).⁴ Early adopters of the “One China” policy (e.g., Panama, Costa Rica, El Salvador) generally attracted the lion’s share of PRC projects and dollars, with an uptick following their de-recognition of Taiwan, compared to the stragglers (e.g., Honduras, Nicaragua). This state of play implies that countries who align with China politically may reap a financial reward. However, this is not deterministic. Historically, U.S. financing has outpaced that of the PRC, with the notable exception of Costa Rica, which had early warm relations with the PRC (Figure 2). However, preliminary data for Honduras from 2022 and 2023 show China surpassing the U.S. with nearly \$908.5 million in financing agreements. This recent investment dwarfs any previous levels from both the U.S. and the PRC.⁵

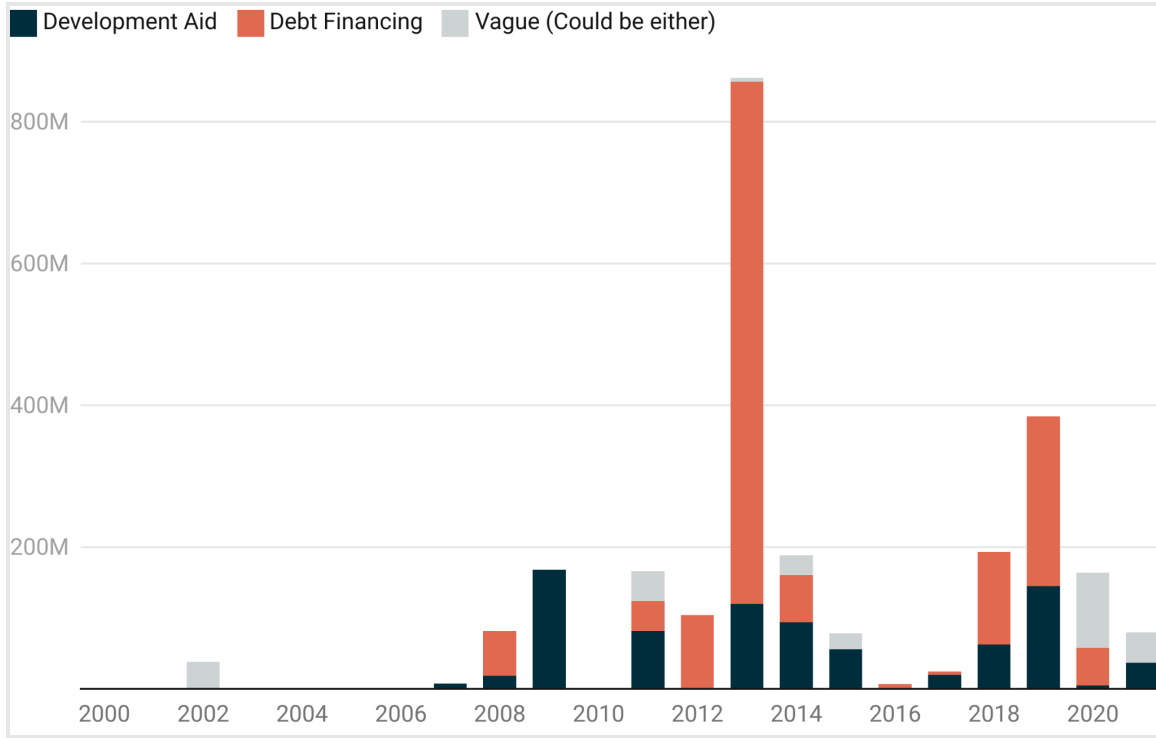
Honduras may see more projects now that it recognizes the PRC and has joined the BRI. Although the PRC’s appetite to bankroll new infrastructure has waned globally in recent years (Parks et al., 2023),⁶ Beijing’s 2023 BRI MOU with Honduras identifies aspirational future cooperation in priority sectors such as agriculture, science and technology, economic and trade issues, culture and education, etc. (Global Times, 2023). In this vein, Tegucigalpa recently signed a cooperation agreement with the PRC to boost infrastructure projects related to education worth about \$276 million (Reuters, 2024), and the two countries are actively negotiating a free trade pact (Cruz, 2024; La Tribuna, 2024). The Honduran government is also seeking financing from the PRC to build a transoceanic rail line to connect its Atlantic and Pacific coasts, as well as other transportation infrastructure (Reuters, 2023).

⁴ The large influx of PRC financing in Panama in 2019 was almost exclusively driven by one outsized project: a \$224.7 million loan from China Eximbank to the private sector Global Bank Corporation of Panama for “working capital and general corporate purposes.” However, the uptick in financing for El Salvador was spread across a larger number of small- to medium-sized projects related to water treatment and sanitation, social services, etc.

⁵ Figure 2 shows preliminary data collected by the authors. This data only highlights the commitment amounts provided by the PRC and does not include other characteristics, such as flow type, project status, or sector. Consequently, this is the only analysis that includes these preliminary findings.

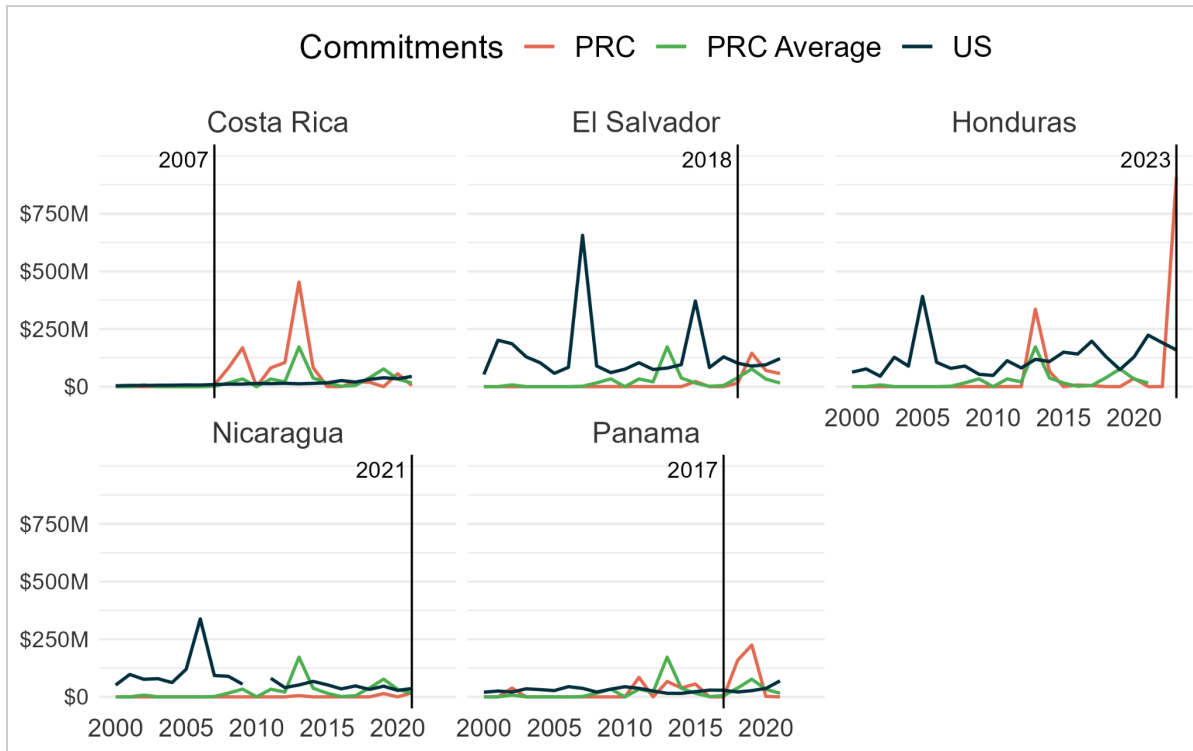
⁶ At the global level, there is evidence of a pivot in the latter years of the BRI, as emergency lending to BRI borrowing countries (to provide liquidity and balance of payment support to service debts associated with older infrastructure projects) accounts for a growing share of the PRC’s overall official finance portfolio. However, this dynamic is more clearly visible in countries with a longer history of borrowing from the PRC than it is in Central America, which is a relatively newer market for Beijing at scale.

Figure 1. Composition of PRC Development Finance to Central America, 2000-2021



Note: The category “developmental aid” refers to PRC state-directed grants and concessional loans to countries in the Central America region with no- or low-interest rates, while the category “debt financing” refers to the PRC’s less concessional lending approaching market rates. Projects labeled “vague” did not contain sufficient documentation to classify as debt financing or developmental aid. The amounts in 2021 USD on the vertical axis are the sum of totals for Costa Rica, Ecuador, Honduras, Nicaragua, and Panama. Source: AidData’s Global Chinese Development Finance Dataset, Version 3.0. (Custer et al., 2023; Dreher et al., 2022).

Figure 2. PRC and U.S. Development Finance to Central America by Country, 2000-2021



Note: This visual compares PRC development finance commitments and U.S. foreign assistance commitments to five Central American countries from 2000-2021. Preliminary data was also collected for PRC financing and U.S. aid commitments in Honduras 2022 and 2023 (U.S. aid commitments were incomplete for 2023). Note that Nicaragua’s 2010 U.S. commitments had a negative value (\$-17.72 million) reflecting de-obligation of Millennium Challenge Corporation funds allocated to infrastructure and rule of law project activities under the 2005 Compact . Sources: AidData’s Global Chinese Development Finance Dataset, Version 3.0. (Custer et al., 2023; Dreher et al., 2022); USAID Foreign Assistance Data (<https://www.foreignassistance.gov/>).

Insight #2. Beijing employs a two-track financing model—it bankrolls a few large-dollar infrastructure projects with debt and many small-dollar soft development projects with grants or in-kind support to build goodwill

By sector, there is a stark contrast between the numerous small dollar-value projects that Beijing orients towards investing in human capital (e.g., education, health, governance) as compared to the small cadre of larger dollar-value projects it bankrolls in infrastructure-adjacent sectors (e.g., transport and storage, energy) and that account for the majority of its financing in Central America (Table 2). The terms of assistance to these projects also tend to differ: Beijing’s soft development projects generally come with more generous financial terms (financed with grants and no- or low-interest loans) better

suiting to advancing its reputation-building interests. Conversely, the PRC expects an economic return from hard development projects and often finances them with higher-interest loans.

Table 2. Top Sectors of PRC Development Finance across Central America, 2000-2021

Top Sectors	Amount (Constant 2021 USD)	Project Count
1. Transport and Storage	\$605.9 million	11
2. Energy	\$494.2 million	5
3. Unallocated/Unspecified	\$421.9 million	4
4. Other Social Infrastructure and Services	\$234.8 million	16
5. Banking and Financial Services	\$167.7 million	8
6. Water Supply and Sanitation	\$159.3 million	6
7. Other Multisector	\$147.21 million	7
8. Government and Civil Society	\$110.6 million	10
9. Communications	\$104.5 million	1
10. Health	\$20.28 million	72

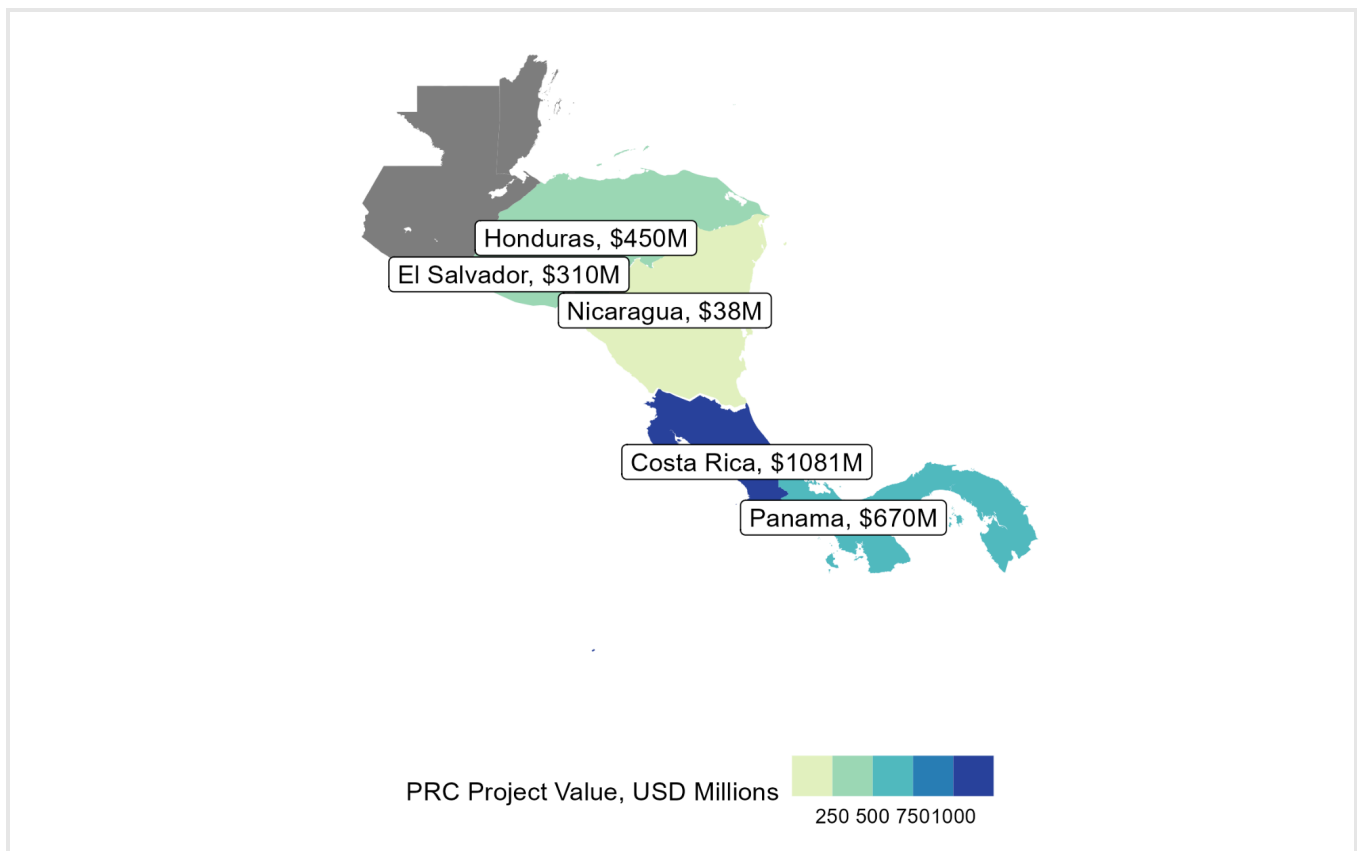
Note: The Education and Agriculture, Forestry, and Fishing sectors were not in the top ten sectors by financial value, but were in the top ten by project count, with 23 and 9 projects, respectively. Source: AidData’s Global Chinese Development Finance Dataset, Version 3.0. (Custer et al., 2023; Dreher et al., 2022).

El Salvador and Panama present an interesting contrast. The two countries received comparable numbers of PRC-financed projects between 2000 and 2021 (54 in El Salvador, 67 in Panama) but with decidedly different terms (Table 3). Panama attracted more money from Beijing overall than El Salvador (\$670 versus \$310 million), but on less favorable terms. The preponderance of PRC financing to Panama relied on high-interest loans (69 percent), while over half of its assistance to El Salvador (57 percent) was in the form of grants and no- or low-interest loans. In Panama, the PRC’s spending was oriented toward big-ticket infrastructure sectors (e.g., energy, transport and storage). In El Salvador, the sectoral breakdown looks different, with Beijing focusing more money in areas such as water supply and sanitation, along with social services.

Insight #3. The PRC’s big-ticket investments in critical infrastructure are risky and have navigated difficulties

A single project with Empresa Nacional de Energía Eléctrica (ENEE) in 2013 accounted for three-quarters of Beijing’s financing to Honduras over two decades. The PRC committed \$335 million to work with ENEE, a state-owned electrical power company focusing on hydroelectric dams, to build Phase II of the Patuca III power plant.⁷ The deal was politically strategic, given the power plant’s location in Olancho, the home department of then-President Porfirio Lobo. Beijing’s revealed interest in power generation and distribution is highly consistent with its strategy elsewhere—the energy sector attracted the second-largest volume of PRC financing globally from 2000 to 2021 (Custer et al., 2023; Dreher et al., 2022).

Figure 3. PRC Debt Financing in Central America by Country, 2000-2021



Note: This map visualizes the geographic distribution of Beijing’s official finance in dollars across Central America (including grants and loans of varying concessionality) in constant USD 2021 between 2000 and 2021. We exclude preliminary PRC financing data for 2022 and 2023 in Honduras to ensure consistent time period comparisons across all countries in the region. Source: AidData’s Global Chinese Development Finance Dataset, Version 3.0. (Custer et al., 2023; Dreher et al., 2022).

⁷ Phase I of the project began construction in 2011.

Table 3. PRC Debt Financing in Central America by Country, 2000-2021

Country	PRC Commitments (Constant 2021 USD)	Number of PRC Projects	Proportion as grants (no- or low-interest loans)	Proportion as high-interest loans
Belize	\$0	0	0%	0%
Costa Rica	\$1.08 billion	61	48%	46%
El Salvador	\$309.7 million	54	57%	5%
Guatemala	\$0	0	0%	0%
Honduras	\$449.9 million	5	0%	100%
Nicaragua	\$38.2 million	4	47%	38%
Panama	\$669.7 million	67	14%	69%

Note: Some projects could not be classified as either a grant or a high-interest loan. Source: AidData's Global Chinese Development Finance Dataset, Version 3.0. (Custer et al., 2023; Dreher et al., 2022).

Funded by the Industrial and Commercial Bank of China (ICBC), the Patuca III project was implemented by the Chinese company Sinohydro, a subsidiary of Power Construction Corporation of China. Sinohydro began construction of the El Arenal Hydropower Station in the Yoro Department in 2019 and appears to be positioning itself for future projects now that relations between the two countries have warmed (POWERCHINA, 2023; Bnamericas, 2023). Nevertheless, Sinohydro and its parent company have attracted scrutiny over questionable business practices globally. Multilateral institutions (e.g., the World Bank and its regional development banks) sanctioned Sinohydro at different intervals over allegations of corruption and fraud (ADB, n.d.; Sarajevo Times, 2023), while the United States sanctioned the company over its business operations in Iran (Treasury, 2024).

The Patuca III project in Honduras has encountered difficulties. Initially set for completion by 2018, ENEE struggled to secure an additional \$35 million to address resettlement and environmental concerns, prompting a delay in operations to January 2021. Corruption allegations plagued the project, with the Honduran National Anti-Corruption Council alleging that ENEE officials embezzled over \$4 million meant to construct Sinohydro's worker housing. Limited transparency around PRC-financed projects can compound corruption risks by making it easier for Chinese implementers and host country actors to inflate prices or engage in other fraudulent activities.

For the remaining four projects in Honduras, private entities working in Honduras received commitments of PRC financing from the People's Bank of China (PBC). Beijing's revealed preference to partner with the private sector rather than the government reflects Tegucigalpa's continued recognition of Taiwan during this time. Covi Honduras, a subsidiary of Hidalgo & Hidalgo group (an

Ecuadorian firm), attracted a \$66.4 million loan in 2014. Although the purpose was unspecified, it is likely related to the firm’s primary contract with the government of Honduras to rehabilitate, expand, and maintain highways and other road infrastructure (COVI Honduras, n.d.). The firm’s operations have not been without controversy over construction delays and toll concessions, even as the government recently renewed its contract (El Heraldo, 2023).

The PBC also committed to bankrolling two projects in the banking and financial services sector, as part of co-financing schemes with the Inter-American Investment Corporation (IDB Invest): a \$7.1 million loan for Ficohsa (a commercial bank active in financing renewable energy throughout Honduras) and a \$4.6 million loan for Banpaís (a commercial bank with an emphasis on supplying capital to small and medium enterprises). In 2020, the PBC committed \$35 million to support Elcatex, S. de R.L (a textile manufacturer) to construct and outfit a new plant and boost its export capacity. The thematic foci of these projects (physical connectivity, energy production, manufacturing capacity) largely fit with the central pillars of the BRI and are consistent with Beijing’s approach elsewhere (Horigoshi et al., 2022).

Insight #4: Committed financing is not the same as delivered projects, and Honduras has seen long delays

Honduras has a relatively small number of projects, but it has experienced by far the longest wait times in Central America for the PRC to deliver on its commitments (Table 4). Some of this lag may be driven by a project committed back in 2016 that has yet to move to implementation—a possible warning sign of a failure to deliver. Panama and Costa Rica, which have both received a larger number of projects, are a study in contrasts. Panama enjoyed the fastest delivery times, from the point when dollars are committed to when projects are implemented and completed. Costa Rica was second only to Honduras in experiencing delays. The high degree of variation in the PRC’s follow-through across countries stands in stark contrast with Beijing’s reputation for speed in the eyes of its would-be partners.

Table 4. Average Wait Time in Days for Stages of PRC-financed Projects, 2000-2021

Country	Commit -> Implement	Implement -> Completion	Commit -> Completion
Costa Rica	477	169	439
El Salvador	72	26	105
Honduras	729	1,929	2,658
Nicaragua	356	0	356
Panama	59	18	47

Source: AidData's Global Chinese Development Finance Dataset, Version 3.0. (Custer et al., 2023; Dreher et al., 2022).

A sizable amount of Beijing's development finance dollars bankroll infrastructure projects that tend to be riskier and more complex to execute relative to conventional social sector activities. Consistent with this logic, projects in the energy (1,193 days) and industry, mining, and construction (1,435 days) sectors had the longest wait times on average from dollars committed to projects completed (Table 5). Comparatively, the PRC made relatively faster turnarounds in completing projects where time was of the essence (e.g., food aid, health). Since there are two parties to every financial transaction, it is also possible that some of the project delays may reflect inefficiencies or misgivings on the part of counterpart governments, rather than factors within Beijing's control.

Table 5. Average Wait Time in Days for Stages of PRC-financed Projects by Sector, 2000-2021

Sector	Commit -> Implement	Implement -> Completion	Commit -> Completion
Industry, Mining, Construction	923	512	1,435
Energy	729	1,929	1,193
Other Social Infrastructure and Services	569	125	641
Water Supply and Sanitation	349	334	612
Trade Policies and Regulations	517	0	517
Government and Civil Society	455	156	472
Education	95	214	292
Transport and Storage	786	89	198
Emergency Response	148	13	161
Agriculture, Forestry, Fishing	64	17	81
Developmental Food Aid/Food Security Assistance	14	0	14
Health	13	3	12

Note: This table excludes sectors with missing data that made it difficult to accurately determine average wait times between project stages. Source: AidData's Global Chinese Development Finance Dataset, Version 3.0. (Custer et al., 2023; Dreher et al., 2022).

3. Public Diplomacy

Insight #5. Similar to other countries in the region, Beijing's efforts to promote people-to-people ties in Honduras are likely to increase alongside its development finance, in light of its de-recognition of Taiwan

Beijing has demonstrated that it has the political will and financial means to bankroll overseas development projects across Central America, particularly with countries that have backed away from recognizing Taiwan. Globally, the PRC's development finance is most formidable when deployed in tandem with public diplomacy overtures that aim to win hearts and minds—from influencing the information environment to cultivating people-to-people ties with foreign leaders and publics. Like its financing, Beijing's public diplomacy overtures are already visible in Central America, though still relatively modest compared to other geographic regions.

The PRC has an extensive state-run media apparatus with international visibility, but its direct influence is likely hampered by the messenger, if local populations discount its broadcasting as pro-Beijing propaganda. China's overall low levels of media freedom ensure that the PRC controls the narratives provided by content from Xinhua and other state-owned media.⁸ Yet, Beijing has another powerful tool in its arsenal to shape the local information environment: content-sharing partnerships (CSPs) which allow domestic media outlets in other countries to reprint, share, or co-create content from PRC media (Custer et al., 2022). In effect, CSPs allow the PRC to borrow the distribution networks and credibility of counterpart media outlets to distribute preferred narratives to local consumers with little awareness of the original source (Custer et al., 2019).

Honduras is home to one of six known CSPs that are active between PRC media outlets and counterparts in the Central America region (Table 6). Xinhua News Agency, a PRC state-run media outlet, has a CSP with Honduran outlet *La Tribuna*, which published stories originally generated by Xinhua as early as September 2019, nearly four years before Tegucigalpa established ties with Beijing.⁹ Costa Rican outlet *La Republica* and Salvadoran outlet *El Diario de Hoy* also have CSPs with Xinhua. Panama has attracted the highest concentration in the region, with three PRC-brokered CSPs: the *Voice of Latin American Overseas Chinese in Panama* (with China News Service), *El Siglo* (with Xinhua), and *La Prensa*. Unsurprisingly, Belize and Guatemala have no known CSPs, likely due to not recognizing the PRC.

Sister cities, study abroad programs, and Confucius Institutes (CIs), which promote Chinese language and culture abroad with local host universities, are powerful vehicles for Beijing to promote closer ties

⁸ Reporters Without Borders ranked the PRC's media 172 out of 180 countries in the 2024 World Press Freedom Index, indicating it has one of the lowest levels of media freedom in the world. See: <https://rsf.org/en/index>.

⁹ Search conducted April 2024, url: <https://www.latribuna.hn/buscador/>, search term: "Xinhua."

with foreign publics. Moreover, these mechanisms can be mutually reinforcing, as CIs and sister cities increase the familiarity of younger generations with China, facilitate language training, and provide scholarships that generate demand for study abroad programs (Custer et al., 2019). Honduras has not historically hosted any Confucius Institutes or sister cities, and study abroad activity between the two countries has been negligible. However, when Tegucigalpa established relations with the PRC in 2023, many students studying in Taiwan transferred from Taipei to Mainland China (Global Times, 2023). The level of public diplomacy on these three measures is most evident in countries such as Panama and Costa Rica, which moved to de-recognize Taiwan much earlier (see Table 6). We benchmark these figures with U.S. equivalent indicators when available. These include the number of American Spaces, sister cities established, and Honduran students in the United States.

Table 6. PRC and U.S. Public Diplomacy Footprint in Central America, 2000-2021

Country	Confucius Institutes	Sister Cities with China	Political Visits (to China)	Political Visits (from China)	Content Sharing Partnerships with China	Chinese Students (to Country)	Students to China (from Country)	American Spaces	Sister Cities with the U.S.	Students to U.S. (from Country)
Belize	0	0	0	0	0	0	32	0	1	3,750
Costa Rica	14	3	1	2	1	131	195	3	6	12,213
El Salvador	3	0	0	2	1	34	10	3	8	11,854
Guatemala	0	0	0	0	0	1	29	1	4	12,175
Honduras	0	0	0	0	1	42	29	2	1	22,547
Nicaragua	0	0	0	0	0	0	8	1	9	4,620
Panama	6	2	1	1	3	0	1,461	1	1	19,788

Source: AidData. (2021). *China's Public Diplomacy Dashboard Dataset, Version 2.0*. Retrieved from <http://china-dashboard.aiddata.org>; China International Friendship City Association (CIFCA). U.S. public diplomacy data collected from American Spaces Directory (Department of State, [dashboard](#) currently), Sister Cities (Sister Cities International: <https://sistercities.org/> currently), and Student and Exchange Visitor Information System (U.S. Department of Homeland Security: <https://studyinthestates.dhs.gov/sevis-by-the-numbers/sevis-by-the-numbers-data>; 2014-2023).

4. Looking Ahead

Honduras and other recent adopters of the “One China” policy may be at an inflection point. Beijing’s financing and public diplomacy overtures in Central America historically have been modest in scale relative to other geographic regions. However, this status quo is likely to change in the future, as evidenced by a higher concentration of activity in countries that were quicker to rescind their

recognition of Taiwan (Panama, Costa Rica, El Salvador). Guatemala and Belize are the remaining holdouts, having recently signaled their unwavering support for Taipei (Janetsky, 2023).

In El Salvador, a leftist government initially agreed to align with the PRC’s “One China” policy, while President Nayib Bukele (a right-wing populist) has turned to Beijing as El Salvador’s go-to financier for several high-profile infrastructure projects, including the National Library of El Salvador and a forthcoming state-of-the-art sports stadium (Ventas, 2024; Ellis, 2021).¹⁰ In Panama, when the government recognized Beijing in 2017, it contracted with the PRC to build a fourth bridge over the Panama Canal. Relations with Costa Rica following a Free Trade Agreement signed over 15 years ago have had mixed results, though San José recently affirmed its relationship with China (Rivera-Matias, 2022).

A flurry of recent high-profile bilateral agreements between Beijing and later adopters such as Honduras and Nicaragua may be a sign of things to come. Nicaragua signed a Free Trade Agreement with Beijing in August 2023 (along with several MOUs to expand trade with China) that went into effect in January 2024 (Ellias, 2023). The Nicaraguan government has agreed to make vocational training an area of cooperation with Beijing and announced plans for the first Luban workshop in Latin America to open in December 2024 in Nicaragua (Prensa INATEC, 2024). Similar to the design of CIs, Luban workshops typically involve cooperation between a Chinese higher education institution, a Chinese state-owned or private sector company, and a host institution in a counterpart company for the purpose of training local workforces to become familiar with Chinese technical standards, systems, and software (Custer et al., 2021).

Earlier in this brief, we highlighted several aspirational agreements formed or under negotiation between the Honduran and PRC governments related to free trade, educational cooperation, and infrastructure investments. Additionally, there have been early indications of parallel overtures in the public diplomacy sphere—from the China Media Group establishing a presence in Honduras in 2023 (The Herald, 2023) to discussions of possible sister city agreements between Tegucigalpa and Chongqing (Canal Ocho, 2023) and San Pedro Sula and Changsha (Garcia, 2024). The Honduran government signed an Early Harvest Arrangement with the PRC in February 2024¹¹ and is actively negotiating an FTA with Beijing.

At the end of the day, Beijing’s willingness to bankroll big-ticket infrastructure investments is a high-risk, high-reward proposition. On the one-hand, PRC-funded development projects can be potentially transformative for local communities through improving connectivity, energy, and access to

¹⁰ As Bukele increasingly violates human rights through alleged unlawful detentions (Associated Press, 2023), no-strings funding from China will appear a more attractive option.

¹¹ An Early Harvest Arrangement is a preliminary trade deal that provides immediate tariff reductions or other trade benefits on select goods before a full free trade agreement is finalized.

credit. On the other hand, the PRC's investments in Honduras and elsewhere are uniquely vulnerable to a range of implementation challenges, from modest project delays to more serious concerns related to corruption and negative environmental or social spillovers.

5. Appendix A. Methods

AidData used two of its in-house datasets as the foundation to produce this brief: AidData's Global Chinese Development Finance Dataset, Version 3.0 (2000-2021) for PRC financial and in-kind support to projects in Honduras (including geolocations) and China's Global Policy Indicators Dataset (2000-2021) for PRC public diplomacy activities in Honduras (including indicators such as Confucius Institutes, elite visits, content-sharing agreements). To include sister city agreements, AidData scraped the database from China International Friendship City Association (CIFCA). The research team supplemented these datasets with a rapid review of relevant literature, news reports from Dow Jones Factiva, and open-source searches for 2022 and 2023 to extract more up-to-date examples of PRC financial projects and public diplomacy events. This brief provides a high-level overview of trends over time in Honduras but also focuses on neighboring Central America countries of interest.

6. Appendix B. References

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