

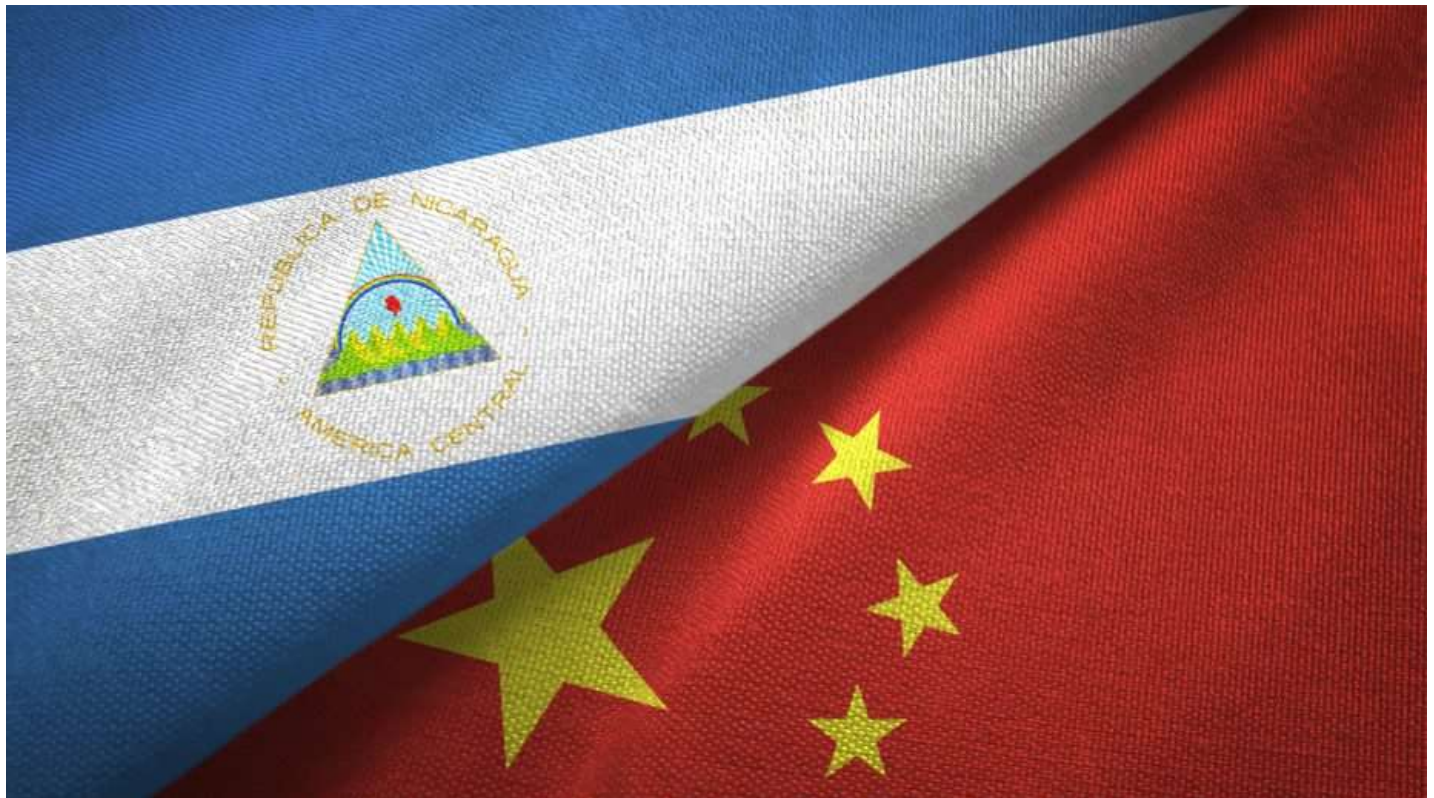
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China's Growing Strategic Position in Nicaragua

After resuming diplomatic ties in 2021, the relationship got off to a slow start but has recently picked up steam.

By **R. Evan Ellis**

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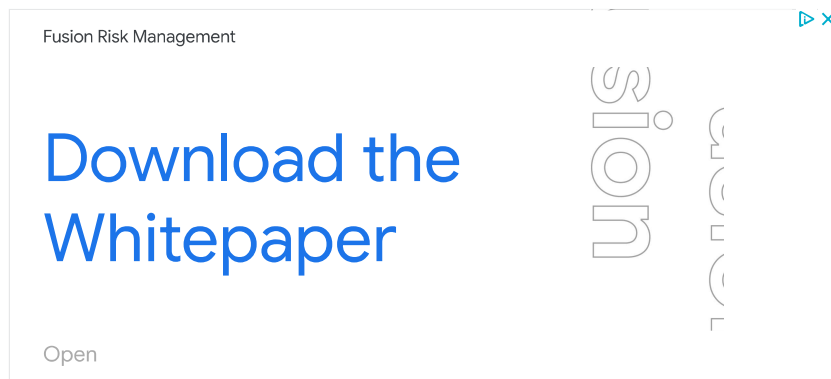
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The [October 2023 announcement](#) of multiple major infrastructure projects to be performed by Chinese companies in Nicaragua highlights China's deepening strategic position in that country, with significant implications for the United States and the region.

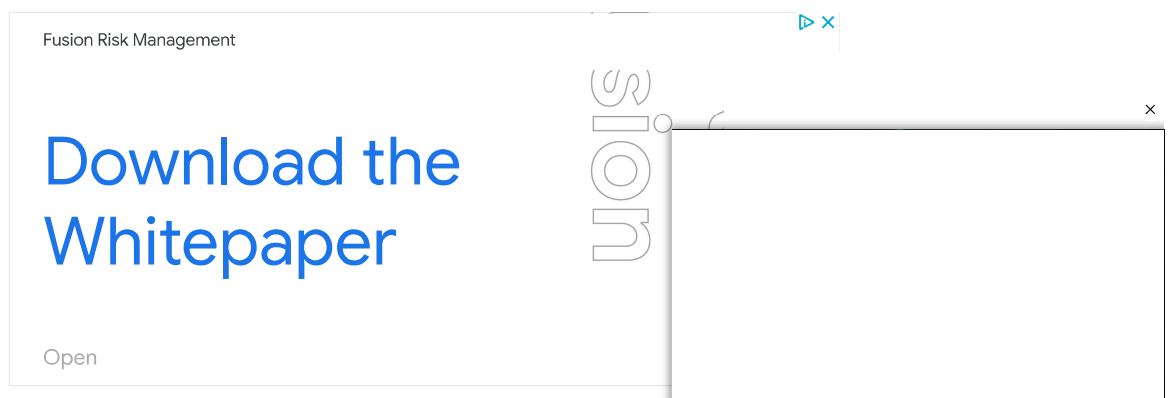
Nicaragua's [December 2021 recognition](#) of China and its corresponding abandonment of long-standing ties with Taiwan initially did not produce significant fruit. The delay likely reflected the lack of pressure on China to consolidate its gains in the country, due to the Ortega regime's political isolation from the United States and Europe, and its relative pariah status [even among democratic leftist governments](#) in the region.



The lacuna was also likely Beijing's subtle but forceful punishment of the Ortegas, for [having waited 14 years](#) after having returned to power in 2007 before restoring Nicaragua's [1985-1990 relationship](#) with China. The Ortega regime only did so [after having exhausted other](#) economic and political options while spending years extorting benefits from the Taiwanese.

The slow start to the current phase of the China-Nicaragua relationship does not lessen its strategic significance and prospects for expansion. As Beijing's commercial, political and military position in Nicaragua grows, it is likely to significantly [increase dependence](#) by the Ortega regime, and corresponding leverage China can use in Nicaragua to pursue its strategic aims. The relationship is also likely to develop in a lopsided fashion, on terms highly favorable to China.

As with China's engagement with other authoritarian populist regimes in the region, including [Hugo Chavez and Nicolas Maduro](#) in Venezuela, the [Rafael Correa regime in Ecuador](#), and the [Evo Morales regime](#) in Bolivia, the open door given by the Ortega regime to Beijing will not bring prosperity to the country. It will, however, [help to sustain the regime](#) in power by providing not only resources, but corruption opportunities through non-transparent transactions with China-based entities. This provides Nicaraguan business, military, and other elites incentives to remain loyal to the Ortegas in the face of international sanctions and the deterioration of Nicaragua's [economic](#) situation and [democracy](#).



As with other small countries that have recently abandoned Taiwan, Nicaragua's commerce with China is poised to significantly expand, but in ways that [substantially favor Beijing](#). The largely [one-sided expansion](#) of trade will be facilitated by [the 13 MOUs](#) which the Ortigas signed with China, as well as the new [China-Nicaragua free trade agreement](#) (FTA), [signed in August 2023](#), following an unprecedentedly short 13 months of negotiations. The FTA will go into effect in 2024.

Reflecting Nicaragua's lack of experience with the Chinese market, and the cost disadvantage of sending perishable exports long distances to China via aircraft or in refrigerated containers, in the first half of 2023, over a year after recognition, Nicaragua's exports to China were a [mere \\$6.7 million, compared to almost a billion dollars](#) in exports to the United States.

Beyond trade, China-based companies are poised to establish a significant presence in Nicaragua, on terms beneficial to them. The absence of China in Nicaragua's list of external aid donors indicates that [none](#) of the extensive number of projects being done by China-based firms are gifts.

China's advance into Nicaraguan infrastructure projects began with a housing project done by a China-based company with Chinese workers, but [paid for by the Nicaraguan government](#). The [\\$60 million](#) project involves construction of [12,000 low-income housing units in 85 municipalities](#) across the country, with work [beginning in April 2023](#).

In the mining sector, in July 2023, the Nicaraguan government awarded [two concessions totaling 15,400 hectares](#) to the China-based company Zhong Fu Development. The concessions are controversially located in a Miskito Indian self-governing area in Nicaragua's northeast coast.

In the retail sector, in August 2023, a new retail chain ["Casa China" opened its doors](#) in Managua, providing an expanded vehicle for channeling consumer products imported from China to the Nicaraguan market, in competition with established local goods and retailers.

In October 2023, in the framework of the third Belt and Road Forum in China, Nicaragua and China formally announced [seven new infrastructure projects](#). These include a [\\$492 million](#) project for [China's CAMC Engineering](#) to expand the [Puerta Huete](#) military airfield into a new commercial airport.

They also include a train line from [Managua to Masaya to Granada](#), to be designed and built [by the Chinese company China Civil Engineering Construction Corporation \(CCECC\)](#), plus a study by CCECC for an ambitious [interoceanic railway connection](#) from Managua in the northwest, to Corinto and Bluefields on Nicaragua's Atlantic coast.

China-based companies have agreements with the Nicaraguan government for multiple highway projects, including a China Communications and Construction Corporation (CCCC) project to improve road segments from [Guanacaste to Nandaime to Rivas](#) and from Rivas to Sapoa. The Ortega regime has also [promised China State Construction and Engineering](#) (CSCE) work on Phase 2 of the ["littoral highway"](#) along Nicaragua's Pacific coast.

In November 2023, Nicaragua committed to [seven projects](#) for CSCE, including expansion of highway segments from Chinandega to Somotillo, from Mateare to Empalme Izapa, from Sébaco to Matagalpa, and from Portezuelo to Las Mercedes, as well as construction of the Lisawe, Labu and Prinzapolka bridges.

Beyond road and rail projects, Nicaragua had purchased [500 buses](#) from the China-based company [Yutong](#) with plans to buy [2,000 more in 2024](#).

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In the electricity sector, the Ortega regime has earmarked [523 MW of new capacity](#) to China-based companies, including construction of the [120 MW Mojokola](#) and the [253 MW Tumarín hydroelectric facilities](#), and the 150 MW [San Benito thermoelectric project in San Benito](#), all assigned to the [China Huadian Overseas Investment](#) group. The Ortegas have also announced that CCCC will be paid to build a [\\$72 million solar park in Matagalpa](#).

There has been no indication of the resumption of the [high-profile transcontinental canal](#) by Chinese billionaire Wang Jing, although his company HKND still has legal authorization from the [Sandinista-controlled Nicaraguan congress](#) to build projects within the framework of the canal.

Chinese firms, including [Xinwei](#), are established in Nicaragua's digital sector. China-based Huawei is currently collaborating with the Ortega government to [eventually build a 5G network](#) in the country.

Strategic Considerations

China's footprint in Nicaragua is expanding beyond commercial matters. In July 2023, Foreign Minister Wang Yi expressed China's [willingness to upgrade its strategic relations](#) with the country, during a visit by Daniel Ortega's son Laureano.

In the media domain, in October 2023, a Nicaraguan media delegation met with the China Media Group and [China Global Telecommunications Network](#) (CGTN) to increase cooperation in media matters.

China-Nicaragua security cooperation is also expanding. In August 2023, the Ortega regime named a [brigadier general as its military attaché](#) in Beijing, indicating a high level of priority to China-Nicaragua military cooperation. In September 2023, the director general of Nicaragua's National Police, Francisco Diaz, [met with his Chinese counterpart](#), Public Security Minister Wan Xiaohong, exploring avenues for expanded police training collaboration.

The strategic risks to the region and to the United States of an Ortega regime empowered by Beijing are complemented by the growing political and economic strength and aggressiveness of other anti-U.S. actors in the region, including the Maduro regime in Venezuela. Maduro has been enriched by the [lifting of U.S. sanctions](#) and emboldened by having substantially reneged on corresponding commitments to release U.S. prisoners and move toward free elections without incurring substantial consequences from Washington. The Maduro regime is now posing military threats against neighboring Guyana.

Beyond the region itself, the anti-U.S. orientation of the Ortega regime and its pattern of significant military and economic cooperation with China complements its growing dependence on China. In the context of a hypothetical China-U.S. war, the Ortega regime's relationships with Cuba, Russia, and Iran could also present opportunities for Beijing to coordinate efforts to project power against the U.S. from Nicaraguan soil.

The Path Forward

The acceleration of China's engagement with Nicaragua, in the context of other developments in the region, poses a significant challenge to the United States. It is imperative for Washington to decisively, yet pragmatically, respond. This

economic tools, short of military intervention, to reduce Nicaragua's ability to host threats to the U.S. and undermine regional democracy from Central America.

The United States should consider fuller application of its own laws, such as the [Reinforcing Nicaragua's Adherence to Conditions for Electoral Reform](#) (RENACER) Act of 2021, and the possible [expulsion of Nicaragua from the Dominican Republic-Central America FTA \(CAFTA-DR\)](#). As Nicaragua's relationship with China expands, the U.S. should be alert for the almost inevitable instances of mismanagement, corruption and outcomes that benefit Beijing over the Nicaraguan people, in order to publicly leverage such examples to better make the case to others how a populist embrace of China brings more problems than benefits.

In its security planning, the United States should contemplate the wartime possibilities afforded to China from its commercial and other presence in Nicaragua, including those involving collaboration with Russia, Iran, and other adversaries, and U.S. response options.

Beijing's engagement with Nicaragua is likely to reinforce the country's descent into authoritarianism, while giving China expanding options to work against U.S. interests in both peacetime and wartime. The challenge of Nicaragua is yet another reason for Washington to dedicate attention and resources to the region, with which U.S. prosperity and security are intimately linked through bonds of commerce, geography and family.

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