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China promises major investments in El Salvador At the end of a state visit by President Nayib Bukele to Beijing, the Salvadoran Head of State and Chinese President Xi Jinping gave a joint statement announcing Chinese involvement in major new Salvadoran projects, including building a sports stadium, a library, a water treatment plant, and infrastructure developments in the coastal areas of Surf City and Puerto de la Libertad. The amount of the investment remains undisclosed. President Xi-Jinping said that China will also increase its imports of Salvadoran goods such as sugar and coffee.

President Bukele also held successful meetings with Japan's Prime Minister Shinzo Abe in Tokyo, with both leaders attesting to the countries' continued friendly relationship. Japan has previously been involved in infrastructure projects in El Salvador, and in June 2019, El Salvador's government signed an agreement with the Japan International Cooperation Agency (JICA) for a development plan in El Salvador's coastal region. Prime Minister Abe stated that Japan now wishes to collaborate in the areas of "logistics infrastructure, industrial promotion and the recruitment of human resources."

2019 sees record levels of oil theft in Costa Rica The Costa Rican Petroleum Refinery (RECOPE) has released figures showing that over 15,000 cubic metres of fuel – with a value of over US$10m – were stolen in 530 thefts between November 2016 and August 2019. There has been a significant increase in instances of theft – three cases were reported in 2016, compared to 279 by October in 2019. Criminal gangs stealing the oil have also become more sophisticated, using professional illegal taps on the pipelines. RECOPE has invested over US$850,000 in security upgrades and guard patrols. Oil theft is a significant issue throughout the region, with Honduras and Mexico also reporting significant instances of the crime this year. Insight Crime reports that this activity represents a diversification of criminal portfolios as gangs use increased revenue from the revitalised regional drug trade to move into new, more profitable areas such as fuel theft and illegal gold mining.

Guatemala ratifies UK trade continuity agreement The Guatemalan Congress has now ratified the rollover agreement which will see Guatemala and the UK continue to trade on preferential terms rather than on WTO terms following the UK's departure from the European Union. Guatemala joins Costa Rica, Panama, Nicaragua, and El Salvador in ratifying the agreement – Honduras is the only Central American country that has yet to do so. Guatemala's government had faced pressure from industry, particularly the agricultural sector, over the uncertainty caused by the delay in ratification (*see Central America Briefing Vol 7 Issue 21*).

Honduran investments boom in El Salvador Investments by Honduran companies in El Salvador have quadrupled since 2015, reaching US$222m. The increase is largely attributed to the expansion of Honduran companies throughout Central America, and the immediate proximity of El Salvador to Honduras. It is also due in part to capital flight from Honduras, which has seen greater instability than El Salvador in recent years and therefore represents a greater risk for investors. The Director of the Chamber of Commerce and Industries of Tegucigalpa (CCIT), Rafael Medina, suggests that Honduran investment in El Salvador's fuel, energy and financial sectors is a result of the reduction of its own national markets. Medina also stated that Honduras' business climate "must be aggressively improved" in order to boost its own competitiveness. As a further boon for El Salvador, Guatemala has doubled its investments in the country over the same time period, reaching US$515m in 2019. International corporations including Walmart and Neoen have also recently announced new investments in El Salvador *(see Central America Briefing Vol 7 Issue 21)*. El Salvador's government has said that the economic growth arising from increased investments may be sufficient to stabilise public finances without taking on fiscal adjustment measures as recommended by the IMF.

Cemento Interoceanico de Panama acquired by Guatemala's Progreso Group Guatemalan company Cementos Progreso has acquired 100% of the shares in the Panamanian company Cemento Interoceanico, as part of an expansion plan in Central America which will see the acquisition of a second plant in Panama and the establishment of a factory in Belize. The value of the transaction has not been disclosed. Panamanian demand for cement is high – the country consumed over 1.67m metric tons in 2018. Meanwhile, Guatemala is the second largest regional importer of hydraulic cement, after Nicaragua, with 2018 import value of US$44m.

Panama makes new financial compliance efforts An inter-institutional agreement has been signed between the Panama General Directorate of Revenue and the Public Registry to address areas requiring improved regulation identified by the Financial Action Task Force (FATF) and the Organisation for Economic Cooperation and Development (OECD). The agreement implements measures to improve the accessibility of company listings in the Public Registry's database, and to ensure that filed corporate records are up to date. In November 2019, the OECD's Global Forum rated Panama as "partially compliant" overall, an improvement on its 2016 rating of "non-compliant", with measures still required to improve the availability of ownership and identity information, availability of accounting and banking information, access to information, and quality and timeliness of responses. Panama was included on the FATF's grey list in June 2019 and has a year to make the progress required to leave the list (*see Central America Briefing Vol 7 Issue 14*).

Nicaragua receives improved credit ratings Fitch and Standard & Poor (S&P) have issued credit ratings for Nicaragua in the last month, both rating Nicaragua as B1 with a stable outlook. Last November, both firms issued ratings of B- with a negative outlook, while the most recent rating, by Moody's in January 2019, was B2 with a negative outlook. Nicaragua's outlook rating has improved due to stabilisation of foreign exchange reserves and significant fiscal adjustment, reducing the consolidated deficit from 3.1% GDP in 2018 to 0.5% this year. However, the economy is expected to contract by 4.3% in 2019. Weak consumption and employment indicators are a cause of concern. US sanctions against Nicaraguan officials are also considered to pose a continued risk. According to S&P, the political situation over the next year will affect Nicaragua's rating – stability leading to increased investor confidence could see it improve, while a worsening of the situation could see the rating reduced due to foreign exchange strain, undermining of confidence, and damage to the nation's domestic financial system.

Costa Rica grants controversial permit for pineapple plantation near national park Despite protests, Costa Rica's National Technical Environmental Secretariat (SETENA) granted permission to Corporation Agricola del Monte for a 494.4-hectare pineapple plantation five kilometres from the edge of the Terraba Sierpe National Wetlands national park, one of the largest mangrove systems in Central America. Environmentalists are concerned about the use of pesticides near to the wetlands, as well as to Palma Sur, and are now campaigning for the Ministry of Environment to advise on the project. Despite its "green" reputation, Costa Rica has one of the world's highest rates of usage of chemical pesticides in agriculture. The project has also attracted concern over its location near to four UNESCO Cultural Heritage archaeological sites: Finca 6, Batambal, Grijalba and El Silencio."

National Assembly approves Ortega's urgent budget reforms With a month left of the year, President Ortega proposed reforms to the 2019 national budget on 26 November 2019. A tax reform earlier this year saw increased revenue of US$23m, which Ortega has incorporated into the budget in order to reduce the deficit. The budget reform proposals also include cuts to certain public services, including the Public Investment Programme, with a reallocation of funds to bodies including the Presidency, the Ministry of Finance and Public Credit, and the National Police. The 2020 budget is due for approval by 15 December 2019. The IMF anticipates a contraction of 5% of Nicaragua's GDP in 2019.

Deportations under new immigration agreements with Central America have begun After announcing that the US is to deport small groups of single adults to test the bilateral immigration agreements recently signed with Central American countries, Honduran-born Erwin Ardon, the first person to be deported to a "safe third country", has opted instead to return to Honduras after having stayed in Guatemala for only a few days. His departure has highlighted questions regarding the risks faced by deportees who, without money or family, face potentially worse conditions in a third country than in their country of origin. Little by way of implementation measures have been adopted for these immigration agreements, but what is known is that under the Asylum Cooperation Agreement between the United States and Guatemala, migrants from El Salvador or Honduras wishing to apply for asylum will be required to do so from Guatemala. If they are apprehended in the US without the required documentation, they will be returned to Guatemala. Governments from Honduras and El Salvador maintain that the agreements that they have signed with the US differ significantly from the Guatemalan ACA.

Upcoming projects

Construcciones Nabla ready to implement US$40m portfolio of projects in El Salvador in 2020 The projects, which are awaiting permits, include two apartment blocks, two commercial projects, and one logistics project. El Salvador has a law in place to expedite permits for construction, but in practice obtaining permits can still be a lengthy procedure. Nabla recently received the CASALCO 2019 Award from the Salvadoran Chamber of Construction Industry (CASALCO).

US$246m state financing announced for Salvadoran road works El Salvador's government will take a loan from the Central American Bank for Economic Integration (CABEI) to finance US$246m of a total investment of US$269m in the project, designed to ease rush hour traffic congestion on the Los Chorros section of the Pan American Highway CA01W. The project will see a viaduct constructed and six 15 km lanes extended.

Tender opened for construction of sanitation system in Costa Rica The Costa Rican Institute of Aqueducts and Sewers is tendering the construction of new sanitary networks in the Greater Metropolitan Area, including the placement of 100, 150, and 200 mm pipes, and potentially construction of manhole wells and home siphon collections. The deadline for receipt of bids is 18 December 2019.