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Is El Salvador going down with Bitcoin or will it hold on to China's lifeline?

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Although the progressive fall of the cryptocurrency implies an economic blow for El Salvador, the president has an ace up his sleeve

The collapse of the price of bitcoin is not good news for El Salvador, which declared, last year, that cryptocurrency as the second legal tender in the country. However, President Nayib Bukele has not put all the economy's eggs in one basket.

The bankruptcy of FTX, one of the main cryptocurrency buying and selling platforms, caused a 21% drop in the price of bitcoin last week, which caused losses for the Central American nation, but the Salvadoran president insists on trying to 'play down' the impact, explains the journalist Nazareth Balbás for *RT*.

On Sunday night, the president assured that FTX was «the opposite of bitcoin», whose protocol would have been created «to prevent Ponzi schemes» and bank runs, as well as «rescue and reallocation of wealth». “Some understand it, others still don't. It's still very early», he wrote on his *Twitter* account.

However, the opacity of information regarding purchases by the salvadoran Government makes it almost impossible to determine what the impact of the decline in El Salvador has been, after the collapse of bitcoin prices. For now, the estimates are made based on Bukele's announcements on social networks.

According to the *Nayibtracker* website, which tracks the little information disclosed on bitcoin acquisitions in El Salvador, the country has lost more than 67 million dollars since September 2021 (when it was declared an official legal tender alongside the dollar), an amount higher than the 57 million dollars destined for the functioning of the Legislative Assembly during 2022.

This behavior does not add points to the president's administration, which has made a staunch defense of the cryptoactive despite its volatility, the low confidence of the population in its use and the countless warnings from organizations such as the International Monetary Fund (IMF) to repeal that policy.

Last month, an opinion poll conducted by the «José Simeón Cañas» Central American University (UCA) detailed that 65 out of 100 Salvadorans disagreed with Bukele's decision to continue spending public money to buy bitcoin, which explains that 77 out of 100 salvadorans reject that the Executive allocates a budget for this purpose. Faced with this adverse scenario, the Government has given signs that point to the diversification of its economic commitment with an ally that is 'hot on the heels' of the US.FTA with China

Last week, in the midst of the tide of bad news about bitcoin, in El Salvador there were rumors of negotiations with China for the possible purchase of debt, but what was finally announced was something much more forceful: the start of talks for the establishment of a Free Trade Agreement (FTA) with the Asian giant.

The information was made official in an act headed by Bukele and the ambassador of the People's Republic of China in the Central American country, Ou Jianhong: «It is not every day that a treaty of this type is announced with an economic power», the president presumed.

The start of these negotiations also put an end to another relationship that had already been falling apart since 2018. Last Monday, a ruling by the Constitutional Chamber of El Salvador ratified the breaking of the FTA that the Central American country had maintained with Taiwan since 2007, a decision that was celebrated by Ambassador Jianhong.

Although Bukele was not the initial architect of the rapprochement with the Asian giant, he has played a key role in the increasing trade between the two countries. For this reason, the objective of the Government of El Salvador is to start negotiating the FTA «as soon as possible», an urgency that coincides with the *annus horribilis* of bitcoin and the closeness of the debt maturities for 667 million dollars in January.

«In recent years, bilateral trade has grown substantially, which fully reflects the resilience and the space for development for bilateral economic and trade cooperation (...) China and El Salvador are willing to start the negotiation process of the bilateral free trade agreement as soon as possible, and carry out joint negotiations», refers a statement by a spokesman for the Ministry of Commerce in Beijing, shared by Bukele.

In these years, the exchange between the two countries has covered matters as diverse as the health area – with the shipment of Chinese vaccines to the Central American country during the covid-19 pandemic –, up to the recent delivery of more than 900 tons of wheat flour and another 1,450 tons of fertilizers to El Salvador, by the Asian giant, to help alleviate the crisis that has risen due to the

disruption in the international supply chains.

Is El Salvador further away from the US?

In the act with the Chinese ambassador, Bukele gave two clear messages: that his country is willing to «open up» to other markets and that he is in search of cooperation that respects sovereignty.

For the president, the signing of the pact will allow El Salvador to overcome the isolation of the Asian market and take advantage of the potential of the commercial relationship to export locally manufactured products. «The opportunity is great, it is up to us to take advantage of it», said Bukele.

Bukele acknowledged that there were already agreements of this type with countries such as Mexico, the US and other nations in the Central American region, but considered that agreeing to an FTA with the world's second largest economy, with a market of 1,500 million inhabitants, constitutes an «unprecedented opportunity» for the economic development of El Salvador.

Data from the *World Bank*, in 2020, reveal that the main destination of Salvadoran exports was to the US, with a proportion of almost 40% of the associates; followed by Guatemala (16.87%) and Honduras (15.45%).

However, beyond the economic sphere, there is a political background that the Salvadoran president values. «Even though we are a small country, you [China] always address us and treat us with the respect we deserve. That is the only thing we ask for», said Bukele on Wednesday.

The laudatory words of the Central American president towards China contrast with the tone he has adopted with the US, his main trading partner until now. Already last August, Bukele stated that the great difference in cooperation with the Asian giant was that it came «without conditions», implying that the aid received from Washington always had small print.

“The only thing we ask is that they see us as an independent, sovereign and dignified country. We just want them to see us with respect», he insisted.

Although this time Bukele did not launch direct darts against the US government – which has imposed a round of sanctions against officials in his cabinet – when announcing the FTA with China, he made a striking appeal to the nations of the region: «I think it is important that the peoples of Latin America take off the yoke of our oppressors, who have always had us suffering in mourning, in anxiety and misery».

Although El Salvador’s attempt to use bitcoin to free itself from the ‘yoke’ of the international financial architecture has had meager results, it seems that Bukele’s new bet is to ally with the world’s second largest economy – which has a large market and an undoubted financing capacity – in order to function without aid from Washington or conditional credits from the IMF, from where they (IMF) do not stop launching gloomy omens.

Fuente: [El Ciudadano](#)