Central America hoped bitcoin would attract tourists. It hasn't worked.

El Salvador, which made bitcoin legal currency last year, is trying to use cryptocurrency to attract tourists and reduce poverty

By Isabella Rolz

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(iStock/Washington Post Illustration)

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On the coastline of El Salvador near Shalpa Beach, Lagarza is a small, bohemian hostel ideal for surfers and backpackers who want to experience a budget vacation surrounded by nature.

There are the black-sand beach, clear sunsets with eye-popping colors and the sound of relaxing music coming from the poolside bar. At the reception, there is a sign that says, "We accept bitcoin."

Daniel García, 31, Lagarza's owner, checks his phone to see how many transactions he has received in bitcoin since El Salvador adopted it as legal currency alongside the U.S. dollar in 2021; he could only count 15.

[The crypto-skeptics' voices are getting louder]

"The vast majority of guests still prefer to use a credit card or pay with cash," García says. He recalls that the only few foreigners who have paid like this, do it to "say 'I paid my beer in bitcoin,' and they get pretty excited to see that the transaction was approved."

Like other countries in the Central American region, El Salvador is trying to

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become a bitcoin hub to attract tourism and reduce its poverty rate.

The town of El Zonte is known as Bitcoin Beach. (Isabella Rolz for The Washington Post)

Last year, the country became the first to adopt bitcoin as a legal tender, despite pushback from residents. While cryptocurrency supporters say it will boost the economy, skeptics fear it will cause instability, inflation and money laundering in a nation with a poverty rate that reached 36.4 percent in 2020, one of the highest in Latin America and the Caribbean, according to the Organisation for Economic Co-operation and Development.

[This crypto investing was supposed to be "stable." It's a wild ride.]

According to the World Travel & Tourism Council, tourism made up about 6 percent of El Salvador's gross domestic product in 2021.

Recent bitcoin losses have added to fears that El Salvador will default on its debt after President Nayib Bukele invested hundreds of millions into the cryptocurrency.

Approximately 20 minutes from Shalpa, there is El Zonte, a popular surfer beach. The route to the waterfront is rural, with unfinished stone roads, small businesses and street vendors. Bitcoin is accepted everywhere; There's a sign at the entrance that reads "Welcome to Bitcoin Beach," and there's even a bitcoin ATM in the area.

In 2019, two years before bitcoin was adopted as a legal tender, Mike Peterson, a former investment adviser from the United States, moved to El Salvador with the objective of introducing crypto in El Zonte and renaming the area.

[Central America struggles to bring back tourism]

El Salvador's government and Peterson are hoping that this tourist beach will attract investment by finding a way to build a sustainable cryptocurrency community. However, it faces the same challenges as Shalpa.

People "really don't use bitcoin because they don't understand it and the minority who do are tourists," said Ismael López, 32, one of El Zonte's security guards.

"Bitcoin is still in what is called its discovery phase, and its value depends fundamentally on its level of adoption. Cryptocurrencies are the money of the future, but for them to be also the money of the present … their value has to be sufficiently stable," said Enrique Dans, professor of information systems at IE

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Some locals enjoy the sunrise at the viewpoint in front of Lake Atitlán, which is becoming a crypto hub in Guatemala. (iStock)

Locals who live below the poverty line and run cash-based businesses aren’t familiar with this type of technology and the risks of bitcoin. “These countries should take into consideration that the use of bitcoin requires the population to have access to digital media, and this can’t be taken for granted in the region,” Dans says.

Like the case of “Bitcoin Beach” in El Salvador, Guatemala and Honduras are replicating the same idea by creating a cryptocurrency hub in tourist areas. Patrick Melder, 54, from Houston, recently launched the “Bitcoin Lake” project near Atitlán, a volcanic lake located in southwest Guatemala. Surrounded by small towns, it also attracts tourists who want to enjoy nature and outdoor adventures.

As the implementation of cryptocurrencies continues in these areas, experts say a potential solution to educate locals is to work on financial literacy, which means teaching people how to manage e-wallets, showing them how to make mobile payments and, most importantly, creating public awareness of the risks of cryptocurrency. “Making a country’s population literate in the use of cryptocurrencies is something that can have very positive effects on its competitiveness in the future,” Dans says.

Abierto
Bitcoin
aceptado aquí

A store near Lake Atitlán accepts bitcoin. (Patrick Melder)

LA BITCOINERA

In Honduras, Juan Mayén is the bitcoin pioneer. The 28-year-old recently started “La Bitconeira,” a business that is installing bitcoin ATMs around the country, including in La Ceiba, another tourist zone that offers similar amenities to the beaches in El Salvador and Lake Atitlán in Guatemala. “We’ve taught over 100 Hondurans how to create a wallet, receive bitcoin and insert cash in the ATM,” Mayén says. “We have people come from rural

One way bitcoin is being expanded in Honduras is through the installment of bitcoin ATMs. (Juan Mayén)

areas, and we try to explain to them to the best of our ability that whoever has a smartphone can download an e-wallet.”

But even if locals become more crypto literate, will visitors actually use it?

Back in El Zonte, Oscar Nevermann, 29, from Sweden and Lauren Shekla, 26, from Germany waited for their check at vegan restaurant Colocha Café. Enthusiastically, Shekla pulled out her phone and tried to send the transaction “the way I pictured it in my mind,” she says.

“Honestly, we just want to pay with bitcoin because it is the first country in Central America that accepted it, so we just want to see out of curiosity, if it is as simple to use as everyone claims,” Nevermann says.

Moments later, they had to pay with cash instead because despite the business saying it accepted bitcoin, the waitress didn’t understand how to use it.

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Miniature American Flags For Others 4 minutes ago

> “Cryptocurrencies are the money of the future, but for them to be also the money of the present … their value has to be sufficiently stable,”

Oops. I guess that didn’t work out too well.

Who knew that crypto was such a scam?

I mean, almost everybody knew, of course.

1 Reply

CavalryBear 2 hours ago

When these people figure out they've been screwed by gringos and yanquis again... well, I am not sure I'd like to go down there on a fun cruise ship. Let alone a Navy aircraft carrier.

I can say honestly to anyone that the U.S. dollar coming out of my wallet means I work, pay taxes, do things necessary to enhance prosperity and safety. Full faith and credit of the United States... and therefore me, too.

The VA will not ever send me a crypto-currency check. God forbid they ever tried I'd report the sender for fraud.

Reply

Frederick Baptist 3 hours ago

Sounds like desperation if this is your strategy for bringing in tourists; perhaps if this is the "quality" of leadership the country can do better?

1 Reply

NinaLC 5 hours ago

Call me crazy, but I've never said to myself, "I want to go to France so I can pay for stuff in euros." Why would I want to go to El Salvador to pay for things in cryptocurrency? This seems like a poorly conceived way to attract tourists.

1 Reply

ColoradoHarvey 7 hours ago

You couldn't pay me to buy or use bitcoin or other cryptocurrencies. It's a ponzi that enables criminal activities!

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