The Central American Integration System in a new global economic context

ORCID: 0000-0001-9028-2715

M.A. Sergio Rivero Soto [1]

Date received: July 17, 2020 | Approval Date: August 7, 2020

Abstract

In the current global context, international economic relations have taken a predominant role for developing countries. This article offers an overview of the current state of the Central American Integration Process and its expansion into international markets, with a focus on trade relations with People's Republic of China. Based on an analysis of the current macroeconomic conditions and a descriptive analysis of time series data of trade and Foreign Direct Investment (FDI) between 2014 and 2019, its growing commercial relationship with China and its geostrategic role in the continent, this paper analyses the opportunities and challenges of a Central America-China partnership with the intention to lay the foundations for the creation of a strategic trade and multilateral cooperation agenda that generates shared benefits for these countries.

Key Word: Central America, China, international trade, FDI, Belt and Road Initiative

JEL Codes: F15; F50; F63

1 Academic Director of the School of International Relations in ULACIT. Currently enrolled in the PhD in Public Management and Business Science at the Central American Institute for Public Administration.

Introduction

The year 2021 will mark the Bicentennial of the Independence of Central America and the 30th anniversary of the Central American Integration System (SICA), a *sui generis* integration project with the objective to foster economic and social development for the countries of the region. To that end, the Secretariat for Central American Economic Integration (SIECA) was conceived as the technical and administrative body of the integration process with the mission to contribute to the consolidation of the economic integration process and the bloc's expansion into international markets.

However, since SICA's conception, the global economy has seen the rise of the People's Republic of China as the second largest economy in a renewed multipolar world where the international economic relations have taken a predominant role for developing countries, over and above the traditional objectives of diplomacy. This new economic diplomacy is reflected in four countries members of SICA that have taken the sovereign decision to establish diplomatic relations with the People's Republic of China, the region's second commercial partner.

The main objective of this article is to offer an overview of the current state of the Central American Integration Process and its expansion into international markets, with a focus on trade and investment relations with People's Republic of China.

Based on an analysis of the current macroeconomic conditions and a descriptive analysis of time series data of trade and Foreign Direct Investment (FDI) between 2014 and 2019, its growing commercial relationship with China and its geostrategic role in the continent, this paper aims to analyse the opportunities and challenges for SICA countries in a new global economic framework.

Economic integration in a multilateral trading system

Studies on economic integration, for the most part, are studies of a theoretical-analytical nature that adhere to the neoclassical theory of international trade. According to Haack (1983), integration is generally conceived as (i) an agreement on tariffs, under the framework of a free trade area or customs union, (ii) a partial or complete liberalization of the movement of production factors and (iii) cooperation in the field of economic policy, from simple cooperation to complete unification. In his article, Haack (1983) makes an exhaustive description of the different theories that support economic integration, and finds that the majority of studies on this topic adopt the typology presented by Balassa: free trade zone, customs union, common market , economic union and complete economic integration.

Bela Balassa (1961), asserts that economic integration is a dynamic and constant phenomenon that must be considered as a process and as a state of affairs. Economic integration is a process that leads to the progressive elimination of various discriminatory practices and a state of affairs characterized by the absence of these practices, that is, a state in which borders and trade barriers lose their meaning. Traditional theory analyses the conditions that lead to effective economic integration, namely:

- Complementarity of economies.
- Geographical proximity.
- Compatibility of socio-cultural and political-economic values.
- The existence of organized groups favourable to integration.
- The satisfaction of the interests of the world economy and the economies of the member countries of the integration project.

However, since 1948, with the creation of the General Agreement on Tariffs and Trade (GATT), the global economy adopted a multilateral trading system under the criterion of non-discrimination, the principles of most favoured nation and national treatment with the intention of deepening international economic relations and promoting international trade as the engine of economic growth for the nations.

On January 1, 1995, during the Uruguay Round negotiations (1986-1994) and under the auspices of the GATT, the World Trade Organization (WTO) was created as a structured multilateral organization to deal with the rules that govern trade between countries.

Following the main objective of market liberalization, the WTO thus becomes the sole forum for trade negotiations between States, ensuring that the benefits granted by one State to another extend to all WTO members and fulfill a role additional to arbitrate conflicts that may exist between several States on the interpretation of the rules and general agreements of the WTO already signed.

The member countries of the WTO, and therefore subscribers to the GATT, commit to the reduction of tariffs, the reduction of subsidies, the regulation of trade in services and agreements on the agricultural sector. However, although multilateralism is seen as an end in itself, Article XXIV of the GATT allows the formation of Regional Trade Agreements (RTAs) as long as these are oriented to the promotion of trade and that they respect the criterion of non-discrimination.

The debate on the impact of RTAs on the multilateral system of international trade still prevails today. RTAs, determined in the WTO as reciprocal preferential trade agreements between two or more partners, have allowed countries to negotiate rules and commitments that go beyond what has been possible multilaterally. (WTO, n.d.).

Thus, for the WTO, RTAs should help trade flow more freely between signatory countries without increasing barriers to trade with the rest of the world. In 2006, member countries agreed to implement a provisional mechanism to improve the transparency of RTAs with the intention of understanding their effects on the multilateral trading system. (WTO, n.d.) In other words, regional integration should complement the multilateral trading system and not threaten it.

A background on Central America's Economic Integration

Since the 1950s, Latin American and Caribbean countries have participated in different attempts at regionalization in search of greater economic development. Based on an import substitution model, the Economic Commission for Latin America and the Caribbean (ECLAC) promoted the processes of economic integration as a development model for the region.

According to Briceño, Quintero and Ruiz (2013), integration was one of the central elements of ECLAC's developmental thesis, becoming ¨a driving force for negotiations to create regional integration blocs, which led to the establishment of the Latin American Association of Free Commerce (ALALC) and the Central American Common Market (CACM) in 1960. ¨

In Central America, the process of economic integration began with a wave of bilateral free trade agreements between Guatemala, Honduras, El Salvador, Nicaragua, and Costa Rica, which spanned from 1950 to 1956. During this period of bilateral negotiation, each country formed part of at least one treaty related to free trade in certain products. This trend towards regional integration was further strengthened with the creation in 1951 of the Organization of Central American States (ODECA), whose members, through the Economic Council, sought to advance in a direction of economic integration, modelled on the example of the European Union. On June 10, 1958, in Tegucigalpa, a free trade and economic integration treaty was signed, with the prospect of forming a customs union. Subsequently, on December 15, 1960, the General Treaty of Economic Integration was signed by El Salvador, Guatemala, Honduras and Nicaragua and gave rise to the Central American Common Market (CACM), allowing the organization to promote integrated industrial development and laid the foundations for an infrastructure that would facilitate integration and industrial development in the region. It entered into force in June 1961, Costa Rica, in turn, acceded to the Treaty in November 1962.

The new CACM included the gradual elimination of tariffs and other barriers to trade between the signatory countries, the establishment of a common external tariff with a common trade policy, and the harmonization of the industrial and fiscal policies of the member countries with a view to promoting the balanced industrial development within an integrated market.

The first two objectives were quickly achieved: the Common External Tariff was introduced in 1965, and trade liberalization, except in cases where it was necessary to avoid tax losses or too abrupt adjustments, was carried out with some degree of success. The application of preferential treatment only to trade in goods produced by Member States and very strong restrictions on imports of non-durable consumer goods strengthened the protection of markets against competition from third countries and supported industrial development by import substitution.

Economic subsystem of the Central American Integration Project

With the intention to restructure, strengthen and reactivate the integration process the Central American Integration System (SICA) was established on December 13, 1991, by the Tegucigalpa Protocol, which modified the ODECA Charter. Since then, SICA has become the institutional framework for Regional Integration[2].

Subsequently, in 1993, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama signed the Protocol to the General Treaty on Central American Economic Integration, with which the Economic Integration Subsystem was established through the Secretariat for Central American Economic Integration (SIECA).

Although SICA is considered to be an example of economic regionalism, it professes a particular model of open regionalism, where member countries are not obliged to subscribe to all subsystems and/or organs belonging to the integration project, SICA is characterized by being an articulation of separate subsystems, neither restricted nor exclusive. According to Aguilera (2016):

> The name of "System" that was given to the organization reflects the systemic theoretical conception that inspired the new architecture. In it, the organization was structured on five subsystems, each with a treaty or other standard. The subsystems were originally: Political, Economic, Social, Environmental, and Cultural and Educational.

In this way, SIECA is constituted as the technical and administrative body of the Central American Economic Integration Process. It links the actions of the other secretariats of the economic subsystem and coordinates with the General Secretariat of SICA. In this paper, Central American isthmus is defined by the economies taking part of the subeconomic system, namely Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

Central America: macroeconomic conditions and international trade

According to its mission and vision, the SIECA looks to promote economic and sustainable development, with the aim of transforming and modernizing its structures, increasing its competitiveness, and inserting Central America into the world economy.

2 Originally SICA was constituted by Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama later with Belize joining as full member in 2000 and the Dominican Republic in 2013 as an Associated State.

This section describes the current trends in economic growth, FDI and international trade in Central America, with the intention to analyse Central America's interaction with the international markets and the global economy's impact of the isthmus development.

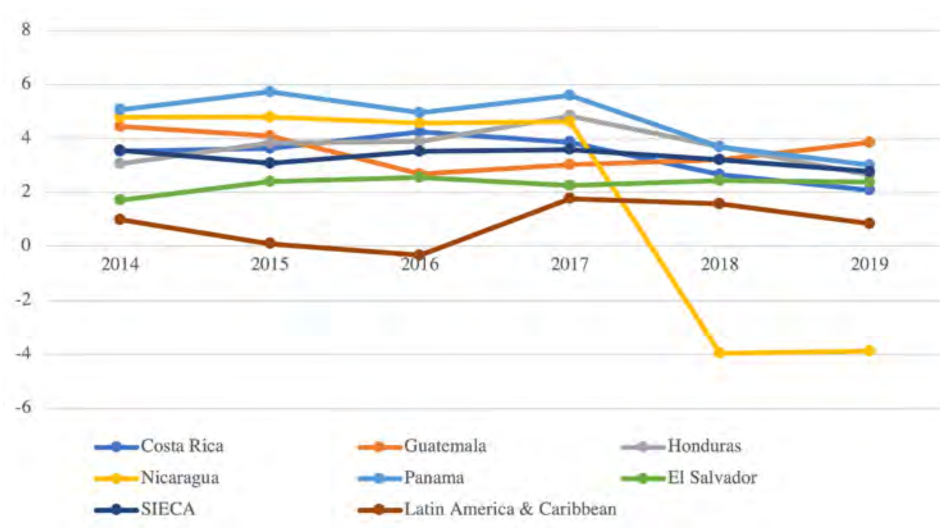
Economic growth

Central American economies have maintained an important economic dynamism in recent years, for the period 2014-2019, the economic growth of these economies averaged 3.3%, but with a marked growth heterogeneity between them. For 2019, Nicaragua had the economy with the lowest GDP growth with a negative 3.9%, while Guatemala grew at a rate of 3.8%, becoming one of the most dynamic economies in the region.

However, it is important to note that Central American economies outperformed, except for Nicaragua since 2017, Latin America and the Caribbean. This could be explained by the differences in the productive apparatus of the economies of the isthmus, based on export of agricultural products and services, while the large South American economies are heavily dependent on the extraction of minerals and export of natural resources.

Nonetheless, the dynamism displayed by the economies of Central America is not enough to surpass the economic and social challenges that hinders the regions global competitiveness vis-à-vis the new context of the 4th industrial revolution.

Figure 1: Annual GDP growth in Central America

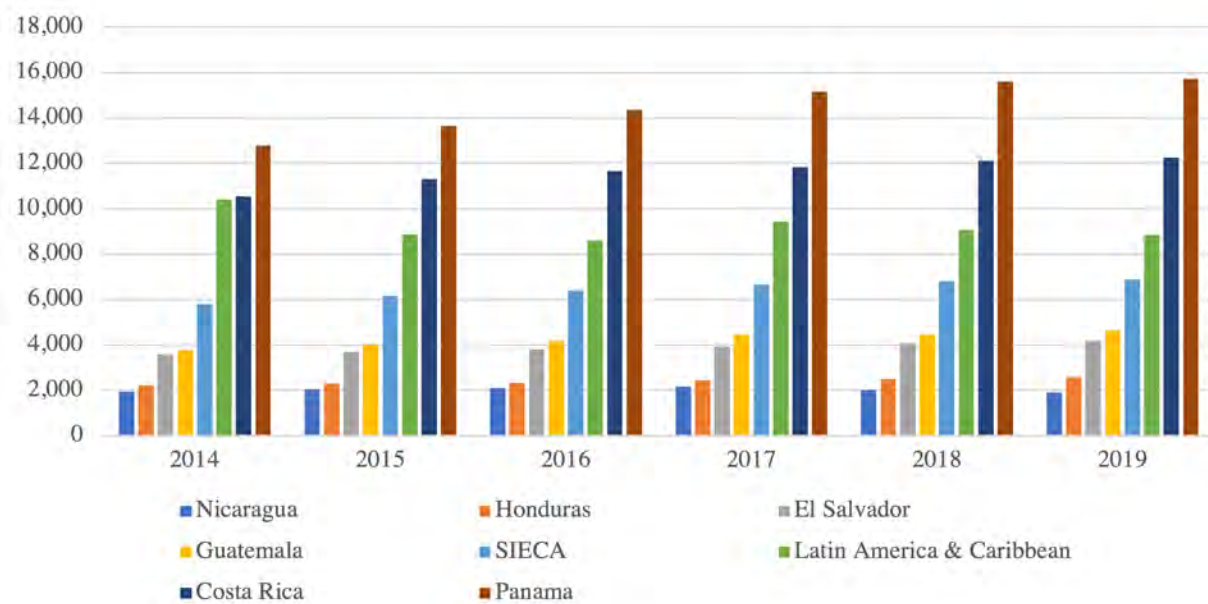


Source: Adapted from World Development Indicators (2020)

According to the Inter-American Development Bank Report on the Economic Environment of Central America and the Dominican Republic 2018, these economies have improved in several indicators such as inflation, balance of the current account and international reserves: ¨ however, it has also been facing important external challenges, such as the reduction of international prices in important export products such as sugar and coffee and the beginning of a cycle of monetary increases in the United States.¨ (IDB, 2019)

This economic growth also translates into higher levels of GDP per capita, however disparities remain between countries, as shown by figure 2.

Figure 2: GDP per capita (current US$) by country



Source: Adapted from World Development Indicators (2020)

When analysing the GDP per capita for the countries in this study, Panama and Costa Rica maintain a clear advantage over the rest of Central America, with a GDP per capita three times higher than their counterparts in the region. This is a clear sign of the economic heterogeneity and disparity that translate in a diverse array of needs and challenges for economic growth and social development.

On the other hand, besides Nicaragua, all countries in the region have experiences steady growth with Honduras, El Salvador and Costa Rica achieving over 16% increase between 2014 and 2019, while Guatemala and Panama taking the lead, with rates over 22% growth.

Table 1: GDP per capita (current US$) by country

Country	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*Growth*
Nicaragua	1,934	2,050	2,108	2,159	2,021	1,913	-1.09%
Honduras	2,206	2,302	2,343	2,454	2,506	2,575	16.72%
El Salvador	3,589	3,706	3,806	3,910	4,068	4,187	16.67%
Guatemala	3,780	3,995	4,173	4,451	4,473	4,620	22.23%
Costa Rica	10,547	11,299	11,666	11,815	12,112	12,238	16.03%
Panama	12,796	13,630	14,344	15,150	15,593	15,731	22.94%
SIECA	5,809	6,164	6,407	6,657	6,795	6,877	18.40%
Latin America & Caribbean	10,417	8,871	8,577	9,433	9,081	8,847	-15.07%

Source: Adapted from World Development Indicators (2020)

Compared to the average for Latin America and the Caribbean, SIECA economies have achieved sustained growth of GDP per capita, even though disparities between countries remain. While Latin America and the Caribbean economies saw a decrease in GDP per capita of 15% between 2014 and 2019, SIECA grew at an average 18.4% for the same period. This means an increase in citizens' living standards, achieving higher levels of consumption to satisfy their needs.

The World Bank's thresholds for income classification 2020-2021 can be used to portrait the large disparities between countries in the region. Of the six economies analysed, Nicaragua, Honduras and El Salvador are defined by the World Bank as lower-income economies, moreover, Nicaragua and Honduras are subject to IDA credit, created to specifically assist the world's 74 poorest countries, with credits that have a zero or very low interest.

Guatemala and Costa Rica are classified as upper-middle income economies; however, this category bracket includes economies with a GNI per capita between $4,046 and $12,535. It is important to note that Guatemala's economy is closer to the lower band while Costa Rica's GNI per capita is closer to the upper band withing that category. Lastly, Panama is the only country classified as high-income economy by the World Bank.

Table 2: Central America Income and Lending Groups

Economy	Income group	Threshold	Lending category
Costa Rica	Upper middle income	4,046 - 12,535	IBRD
El Salvador	Lower middle income	1,036 - 4,045	IBRD
Guatemala	Upper middle income	4,046 - 12,535	IBRD
Honduras	Lower middle income	1,036 - 4,045	IDA
Nicaragua	Lower middle income	1,036 - 4,045	IDA
Panama	High income	> 12,535	IBRD

Source: Adapted from World Development Bank (2020)

However, Central American economies must still consolidate their macroeconomic stability to achieve a qualitative leap in their macroeconomic indexes and thus increase their global competitiveness.

Trade and Foreign Direct Investment

The process of Central American Economic Integration has resulted in strong trade and economic relations between its member states, therefore intraregional trade takes an important role in the region. Table 3 shows the importance of international trade for Central American economies, where Honduras and Nicaragua are heavily dependent on foreign trade, being also the poorest countries of region. This situation can be worrisome, considering that a high dependency on international trade, makes the countries more vulnerable to currency fluctuations and price fluctuations in world markets, therefore the importance of a more diversified portfolio of products and destinations for exports.

Table 3: Central America Trade as % of GDP (2018)

Country	%
Costa Rica	66.7
Guatemala	47.2
Honduras	102.6
Nicaragua	93.6
Panama	89.4
El Salvador	77.2

Source: Adapted from World Development Indicators (2020)

However, when it comes to extra regional trade, Central America is still heavily dependant in the market of the United States, as shown in table 4 and table 5, the North American economy is, by far, its main trading partner, with exports of USD 10.3 billion and imports of USD 25.7 billion in 2018.

Table 4: Central America: Merchandise exports by main partners (Millions of USD)

Country	*2014*	*2015*	*2016*	*2017*	*2018*
United States	9,642.70	9,224.10	9,347.50	10,017.20	10,286.70
Netherlands	1,177.50	921.4	1,233.80	1,387.50	1,348.70
Belgium-Luxembourg	547.5	651.2	725.3	1,165.00	1,102.00
Mexico	817.1	704.4	782.2	830.9	836.5
Germany	691.6	705	663.2	747.1	666.6
Dominican Republic	529.6	573.5	531.5	474.8	539.2
Spain	320.7	257	277.4	361.1	466.9
China	542.6	350.1	137.3	286.1	465.4
UK	419.2	386	425.1	467	446.5
Japan	321.5	317.5	321.1	378.9	402.7
Italy	329.4	359	397.3	383.4	388.1
Canada	563.2	390.2	364.2	376.4	362.6
Puerto Rico	247.4	223.8	216.4	251.4	323.8
China Taiwan	260	204.9	234.8	322.7	267.5
France	193.7	231.3	179.4	166.7	166.2
South Korea	346.2	147.4	143	132.5	149.6
Hong Kong, China	443.4	85.6	62.3	89.2	139.3
Chile	156.6	137.9	120.5	116.7	136.6
Colombia	138.8	125.5	133.9	126.9	136.5
Saudi Arabia	83.4	82.1	80	118.4	130.3
Sub-Total	17,772.20	16,077.50	16,376.30	18,200.10	18,761.70

Source: Center for Studies for Economic Integration (SIECA) with data from the Central Banks of the Region, Ministry of Development, Industry and Commerce (MIFIC) of Nicaragua and National Institute of Statistics and Census (INEC) of Panama.

For the region, China has become its second trading partner, mostly because of imports amounting USD 8.9 billion in 2018, while exports only accounted for USD 465.4 million that same year.

Table 5: Central America: Merchandise imports by main partners (Millions of USD)

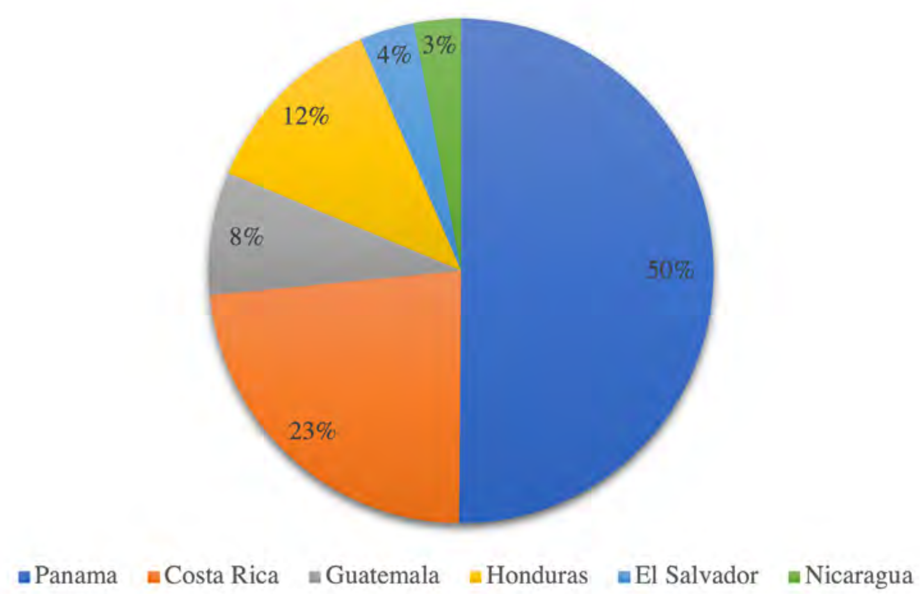
Country	2014	2015	2016	2017	2018
United States	26,148.20	22,716.40	21,903.80	24,018.40	25,658.60
China	6,877.20	7,998.20	7,951.20	8,218.40	8,922.20
Mexico	5,264.30	5,624.20	5,460.50	5,544.50	5,907.50
Panama Free Trade Zone	3,530.50	2,504.90	2,392.00	2,765.40	3,119.50
Colombia	1,326.00	1,234.50	1,269.30	1,315.20	1,557.00
Germany	1,294.60	1,384.20	1,338.40	1,429.30	1,412.60
Japan	1,386.90	1,437.70	1,465.90	1,360.80	1,333.90
Spain	1,134.80	1,153.00	1,003.70	1,148.80	1,311.20
Brazil	969.2	1,080.90	1,179.10	1,297.10	1,228.80
South Korea	1,417.00	1,444.50	1,126.10	1,299.20	981.5
India	694.2	882.1	928.6	898.2	918.1
Italy	953.9	749	705.3	698.7	690.9
Chile	625.8	590.3	619.5	656.5	670
Hong Kong, China	638.7	435.9	467	446.4	595.8
Argentina	298.5	275.7	282.8	547.3	552.8
China Taiwan	574.1	601.8	524.4	524.4	540.7
Thailand	756	875.2	880.3	648.7	536
Canada	501.9	532	513.2	486.7	530.4
France	462.5	562.4	458.6	501.3	491
Belgium-Luxembourg	304.1	324.2	369.2	416.8	396.6
Sub-Total	55,158.40	52,407.20	50,839.20	54,222.00	57,355.20

Source: Center for Studies for Economic Integration (SIECA) with data from the Central Banks of the Region, Ministry of Development, Industry and Commerce (MIFIC) of Nicaragua and National Institute of Statistics and Census (INEC) of Panama.

In general terms, the economic literature considers that FDI generates economic development and growth through the externalities it produces, such as technology transfer and spill overs. Romer (1993) states that FDI can facilitate the transfer of technology and know-how from the most developed to the least developed countries, increasing the productivity of all firms, given the existence of spill overs that benefit the economy.

When analysing FDI flows in the region, just in 2018, Panama and Costa Rica concentrated 73% of the inflows of direct investment, being Panama, the first destination covering 50% the region's FDI inflows.

Figure 3: FDI inflows in 2018 by country



Source: Adapted from World Development Indicators (2020)

Table 6 shows how Panama is not only the main destination for FDI in the region, is the only economy that has seen a steady increase in FDI inflows between 2014 and 2019. For the rest of the countries, FDI inflows have taken a toll specially in Nicaragua, due to the political instability of the recent years.

Table 6: Foreign direct investment, net inflows (BoP, current millions of US$)

Country	2014	2015	2016	2017	2018	2019
Panama	4984	5119	5248	3977	5945	6068
Costa Rica	3242	2956	2620	2856	2764	2506
Guatemala	1408	1203	846	998	936	967
Honduras	1705	1317	1147	950	1443	955
El Salvador	506	495	479	504	413	725
Nicaragua	884	950	899	772	359	ND

Source: Adapted from World Development Indicators (2020)

Considering the positive externalities of FDI in the productivity and economic growth of developing countries, Central American economies are in need of a more aggressive policy to attract investments, but also require a wholesome strategy to become internationally competitive destinations and potential export platforms for multinational firms, taking advantage of its geostrategic position in the middle of the Americas and between the Pacific and Atlantic oceans.

Central America and China: within the Belt and Road Initiative

Central America has strategic and geographical advantages for global trade, and with the strengthening of diplomatic relations between these countries and the People's Republic of China, further growth in investment and trade is expected. In addition, the linkage of Panama, Costa Rica and El Salvador to the Belt and Road Initiative (BRI) promises them a geostrategic role within the Chinese project, connecting the isthmus more closely to Asia-Pacific.

Since its conception in 2013, President Xi's initiative has become the most ambitious global project of recent decades. The Belt and Road Initiative seeks to interconnect the world through a multibillion network of infrastructure projects in Asia, Africa, Europe, and Latin America.

During the Second China-CELAC Ministerial Forum in 2018, President Xi presented the Special Declaration of the Belt and Road Initiative with which he sealed the initiative as a new platform for mutually beneficial cooperation between China and Latin America. In order to globally expand the scope of this initiative, the Latin American region would be seen as a "natural extension" of the initiative's maritime route.

Panama became the first Latin American country to announce a project with BRI seal. A fast train that will connect the Panamanian capital with the city of David and will consist of ¨391 kilometres of journey with 22 stations, including 5 cargo stations, with an estimated investment of US$ 4.1 billion.¨ (AFP, 2019).

Thus, it is relevant to ask: could the Belt and Road Initiative be an opportunity for Central American to achieve a qualitative leap regarding their global competitiveness and economic expansion into international markets?

The BRI has been strongly criticized as an attempt of imperialist expansionism of China in the 21st century. Certainly, the rise of China as a new world economic power has found detractors who fear the Chinese advance in areas that were previously controlled by other economic powers of Europe and North America.

The United States and some European countries have shown concern about China's policy of diversifying, controlling and guaranteeing its access to raw materials and energy resources, and considers that China's interest is to access (again) the state of great geopolitical power by 2049, corresponding to the centenary of the People's Republic of China.

However, it is worth considering that China is undergoing a transformation in its economic model, going from being an exporting powerhouse to being an economy centred on domestic demand's growth, while trying to face a challenging demographic shift.

Therefore, China has seen the need to increase its business beyond its borders to generate investments that earn a necessary income for the prosperity of an aging population, while gradually reducing its industrial overcapacity.

Although the initiative could be perceived as an individual effort of an economic power to benefit itself, the BRI is a long-term effort that proposes projects of great economic and technical relevance for all countries involved.

The benefits of international trade for developing nations are clear, although its growth presents important challenges in terms of logistics and interconnectivity between nations. According to iContainers data, maritime transport represents 90% of world trade, however, the Higher Institute of Maritime Economy of Nantes (ISEMAR, n.d.) affirms that, from a technical, security and geostrategic point of view, the maritime routes of world trade are saturated. Therefore, Beijing considers important to multiply alternative cross-cutting routes to avoid the long-term risks of geostrategic "bottlenecks" for world trade.

The geostrategic position of Central America allows the BRI to strengthen the main international maritime arteries and metropolitan areas on both sides of the Pacific and the Atlantic, and takes as cooperative platforms the complementary economic, commercial and industrial activities among the countries, with a view to jointly create a new land and maritime corridor in Central America.

The priorities of the BRI project are the areas of investment in interconnectivity and infrastructure, financial cooperation, and cultural exchanges, which match Central America's needs to improve its global competitiveness, as stated previously.

International trade is a pillar for Central American economies, however, its development has been limited by the lack of investment in quality infrastructure that allows its economies to move towards greater integration in global value chains and improve their global competitiveness.

In general terms, cooperation can cover a wide range of fields, such as the joint development of transport infrastructure, the joint configuration of industrial parks, the establishment of networks of sister cities, the promotion of trade and investment, financial cooperation with the Asian Infrastructure Investment Bank (AIIB) and the joint collaboration in other regional initiatives.

Towards a joint trade and cooperation strategy

Even before establishing diplomatic relations with the People's Republic of China, Central American economies were closely linked with the Asian giant. For Costa Rica, Panama and El Salvador, China is one of its main trading partners and the establishment of diplomatic relations aims to give a qualitative push in the development of trade and cooperation with Beijing.

For all the countries of Latin America and the Caribbean, but mainly for the countries of Central America, growing US protectionism is a threat to the economic growth and development. Thus, China becomes a viable alternative for the diversification of trade, a partner for financial aid through cooperation and access to infrastructure development financing thus stimulating economic growth.

As shown throughout the paper, the economic asymmetries among the economies of the isthmus makes their development needs heterogeneous, however, all SIECA countries have the challenge of taking on structural reforms, where China can become a strategic development partner.

Therefore, this paper aims to help lay the foundations for the creation of a strategic trade and multilateral cooperation agenda that generates shared benefits for the nations involved.

In a recent report from the Atlantic Council of the United States, the specialist in international trade and economic development Anabel González presented three main business opportunity areas for the Latin American region with China.

These opportunities include facilitating trade in agricultural products and processed foods; expand trade in services, particularly tourism; and taking advantage of Chinese advanced technologies, digital platforms, and capital to promote electronic commerce and support productivity and innovation in Latin America. (González, 2018)

González's proposal facilitates the design of a roadmap for a joint trade and cooperation agenda between SIECA countries, which allows a coordination of efforts with the intention of maximizing the potential of the new relationship with China.

A business agenda could then focus on those three areas defined by Gonzalez (2018):

- Improved access to markets for processed agricultural and food products.
- Expand trade in services with a focus on tourism
- Take advantage of Chinese know-how to promote electronic commerce.

In addition to the three opportunities above mentioned to promote trade with China, the renewed partnership with Beijing and the Belt and Road Initiative, permit greater cooperation in the field of education, technology and innovation, allowing access to resources for the financing of infrastructure projects that occur in 3 main axes:

- Economic and financial cooperation: development of road, port and airport infrastructure, development of clean energy projects.
- FDI promotion: create export capacity to China, creation of Special Economic Zones for Chinese manufacturing and companies.
- Cooperation in human capital development: education for innovation, technical and academic cooperation.

Final considerations

The economies of Central America face the need to make a qualitative leap in their global competitiveness, which allows them to ensure sustainable economic growth and prosperity for their inhabitants.

However, the renewed partnership with the People's Republic of China provides an opportunity to diversify exports destinations through the strengthening of trade with Asia Pacific and cooperation in education, technology and innovation that allows the diffusion of innovative ideas and new ways of creating value for these economies.

Likewise, the BRI offers clear opportunities to improve Central America's global competitiveness, but, it must be clear that the way in which Chinese investment is attracted should consider the risks inherent of a possible over-indebtedness that could put Central American countries in a delicate fiscal situation in the medium term.

Therefore, it is important for these countries to have the technical capacity to negotiate investment projects in infrastructure and strategic sectors so mutual benefit agreements are reached. This is undoubtedly the biggest challenge.

Therefore, it is recommended that Central America develops a joint strategy that proposes a portfolio of infrastructure projects, strategic sectors for investment and a plan to promote trade with China. The support of the business sector, eager for more and better commercial relations with the economic engine of Asia, is essential to understand how to take advantage of economic cooperation with China and define strategic industries for the attraction of investments and technical cooperation for Central American businesses.

Thus, in order to develop a regional strategy, an inter-ministerial dialogue is essential based on a broad understanding of the international economic and political context, seeking common ground between Central America and China: transport and interconnectivity, infrastructure development and urban planning, climate change and clean energies, smart cities and technological advances, topics in which China is a world reference.

References

AFP, A. (2019, March 17). China entrega a Panamá estudio para construir un tren hasta la frontera tica. Retrieved from https://www.nacion.com/economia/politica-economica/china-entrega-a-panama-estudio-para-construir-un/JN255TADUFHJFDMF3F73RWR62E/story/

Aguilera Peralta, G. (2016). El regionalismo centroamericano: entre la unión y la integración. OASIS, 24, 89-105. DOI: http://dx.doi.org/10.18601/16577558.n24.06

Balassa, B. (1961). The Theory of Economic Integration, London, Allew and Unwin, 1961

Briceño Ruiz, J., Quintero Rizutto, M., & Ruiz de Benítez, D. (2013). El pensamiento estructuralista de la CEPAL sobre el desarrollo y la integración latinoamericana: reflexiones sobre su vigencia actual. Retrieved 12 November 2019, from http://sedici.unlp.edu.ar/bitstream/handle/10915/35026/Documento_completo.pdf?sequence=1&isAllowed=y

Gonzalez, A. (2018). Latin America – China Trade and Investment Amid Global Tensions. The Atlantic Council Of The United States., ISBN-13: 978-1-61977-571-8.

Haack, W. G. C. M. (1983). The Selectivity of Economic Integration Theories: A Comparison of Some Traditional and Marxist Approaches. Journal of Common Market Studies, 21(4), 364. https://doi.org/10.1111/j.1468-5965.1983.tb00266.x

IDB. (2019). El BID destaca las fortalezas internas de Centroamérica frente a los desafíos externos | IADB. Retrieved from https://www.iadb.org/es/noticias/el-bid-destaca-las-fortalezas-internas-de-centroamerica-frente-los-desafios-externos

ISEMAR. (n.d.). La saturation des routes maritimes mondiales. Retrieved from http://archives-fig-st-die.cndp.fr/actes/actes_2009/lacoste/resume.html

Romer, P. (1993) Idea Gaps and Object Gaps in Economic Development, Journal of Monetary Economics: 32(3), p543–573.

World Trade Organization. (s.f.). Understanding the WTO - Regionalism: friends or rivals? Retrieved from https://www.wto.org/english/thewto_e/whatis_e/tif_e/bey1_e.htm.

World Trade Organzation. (s.f.). Regional trade agreements. Retrieved from https://www.wto.org/english/tratop_e/region_e/region_e.htm.