



# Central America at a Crossroads: The End of Esquipulas and the Search for a New Consensus

## Executive Summary

Central America added its own crossroads to the global transformations currently underway, forced by the aftermath of the Great Recession and the ravages of the Covid-19 pandemic. Several countries are witnessing the emergence of political and social conflicts suggesting a regional problem of democratic regression. Several authors connect this to the exhaustion of the development model derived from the Esquipulas Process and the Peace Agreements of the late 1980s. The difficulty in achieving results in the development of a certain welfare state or in the fight against poverty and inequality is also linked to this. This Policy Brief presents the results of a discussion process that brought together more than 50 experts from academia and research centres in the region, led by the Institute for Development of Universidad Loyola Andalucía. The analysis brings together the shared problems by the countries with a regional focus to explore the elements of a global context that can have impact on Central America. Despite the critical nature of the current regional situation, the debate suggests that the global environment is suitable for promoting a new cycle of development that could forge consensus around democracy, equity and development as key axes for future strategies. Establishing a process of dialogue around these areas must become the region's main priority. Regional integration can be an ideal framework for articulating the proposals that emerge from the dialogue process.

Written by **PEDRO CALDENTEY**

**LORENZO ESTEPA**

**JESUS DE LA TORRE**

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## Change of Cycle in Central America

Central America is at a unique crossroads in the context of the global crisis caused by the Covid-19 pandemic. In addition to the problems caused by Covid-19, the region is facing national conflicts that add to the complexity of the moment. We can state that Central America is in a situation as complicated as that of the late 1980s that led to the Esquipulas Agreements. There are no conflicts, but the decay of democracy, political violence and the effects of corruption and drug trafficking are once again causing the suffering and flight of its citizens, best illustrated by the caravans of migrants in recent years.

The political regime of the Ortega government in Nicaragua entered a spiral of repression in 2018 that resulted in numerous casualties in the country following a series of protest marches with diverse motivations. The violent repression of these protests slightly dampened their intensity, but the approach of the November 2021 elections has led to a new wave of imprisonment and repression of the political opposition and the media. This is based on doubtful accusations of economic fraud or corruption and supported by recent laws to protect national sovereignty that seem to have been made specifically against the opposition. With its radically repressive language, Ortega's

government is losing international support even among the leftist forces that had supported him under the inspiration of the distant Sandinista revolution.

In El Salvador, President Bukele had aroused great global curiosity and intense electoral support (first in the presidential elections and then in the legislative elections, with his own electoral platform) under the message of a new leadership, freed from the old parties (FMLN and ARENA) that have governed the country since the 1992 Peace Agreements. His first months in office have shown a different face and some very authoritarian gestures and decisions have changed his external perception and visible opposition in the country, despite his high levels of popularity. His confrontation with the National Assembly, being accompanied by the army to its headquarters, before the absolute majority that the legislative elections granted to his New Ideas party, and the surprising and adventurous decision to impose bitcoin as legal tender are two good examples of this attitude, reminiscent of the region's traditional caudillismo.

In Honduras, there has also been a significant deterioration of democracy since the coup d'état against President Zelaya in 2009, precisely because of his intention to approve his re-election. The same actors who supported the coup against Zelaya later agreed with the possibility of re-election promoted by President

Hernández, not through a constitutional reform, but through a decision of the Supreme Court of Justice. The results of the November 2017 elections, in which Hernández won re-election, were widely disputed due to suspicions of manipulation of the results following a blackout in the middle of the recount. On the other hand, the conviction of his brother for drug trafficking in the US has also been a major issue for President Hernandez. Thus, day-to-day political life in Honduras is going on in the midst of unrest and citizen protests over corruption, impunity and violence.

Guatemala has not recovered its calm since the large demonstrations in 2015 that led to the prosecution of former president Otto Pérez Molina and other members of his government. Neither the presidency of his successor Jimmy Morales, nor that of President Alejandro Giammatei has appeasing the country's problems, nor the citizen protests that have reappeared with intensity in other episodes. Cases of corruption among the political class and the diffuse separation of powers are a constant feature of the political situation in a country marked by business elites highly resistant to change, for example in fiscal policy. Before the end of his term in office, threatened by his investigations, former president Morales managed to get expelled the Commission against Impunity in Guatemala (CICIG), which had exposed numerous cases of corruption

thanks to international collaboration with the Guatemalan justice system. Former presidents, businessmen, military officers, judges, police chiefs, ministers, mayors and politicians from all parties were prosecuted and imprisoned. This political discontent continues among a framework of numerous parties and weak legislative majorities.

Costa Rica maintains political stability amidst the perception that its unique and interesting economic and social model is coming to an end. The run-up to the pandemic was marked by protests related to the difficulties over the economic situation. Panama also remains stable, although it has been particularly hard hit by the pandemic and is trying to revive its unequal economy amid tensions over its inclusion on the EU's list of tax havens. Belize and the Dominican Republic, members of the Central American Integration System (SICA), are still watching the situation in the region from afar.

The importance of these problems in each country suggests, as we have said, that the region is at a moment comparable to that of the late 1980s, when the regional conflict generated a spiral of violence, war and external interference in Central America. In addition to the national keys that we have pointed out, it is important to highlight an underlying phenomenon to interpret what is happening. In addition to the change in the global cycle

behind the great recession, we must add the expiry of the development model the region adopted after the Esquipulas Agreements. As some relevant studies for the region have pointed out (Torres Rivas 2001 and Sanchez Ancochea and Martí 2014), the model of peace, freedom, democracy and development that inspired the region after the peace accords has already fulfilled its role. The framework in which it developed was that of open regionalism and the economic policy proposals of the Washington Consensus and structural adjustment plans, which has been progressively transformed. Today, the crisis opens up a very different environment that, on the one hand, demands a new proposal from the region and, on the other, creates a space for opportunities.

In the last months of 2020 and the first months of 2021, the development institute of the Loyola Andalucía University held a series of seminars in the context of the Living Integration from the Academy initiative of the ATEPECA project (Technical Assistance Programme for Strategic Participation in Central America), financed by the European Union. The aim of the seminar series was to bring the terms of the debate on the future of the region between governments and the bodies and institutions of SICA closer to the terms of academic institutions. For this purpose, five seminars were held with the participation of around 50 renowned experts on the region from universities, think-tanks and

centres of thought. The analysis began with the factors that determine the region's development and the future key areas of the development agenda. It placed the region's agenda within the framework of its foreign relations and the global scenario of the 21st century. The cycle ended with an analysis of the region's economic development patterns and a debate on the conclusions reached with the participation of several regional authorities from SICA, the EU Delegation to SICA, the Secretary General of Flacso and the Executive Director of the EU-LAC Foundation.

The seminar series highlighted some positive aspects that encourage thinking of this crossroads as an opportunity for change. The new development agenda that the pandemic has awakened is an opportunity for Central American countries; the transformation of the globalisation paradigm towards a kind of 'slowbalisation' can offer opportunities for Central American economies; there is a certain re-composition of geopolitical balances and relations between the great powers; and it seems reasonable to think of a recovery of multilateralism which, under the principle of building back better, can once again offer collective and global solutions that better attend to the needs of the most vulnerable countries.

The conjunction of these problems, however, constitutes a favourable scenario for reviewing

the principles, objectives and instruments of its development agenda. In this context, as in other critical situations for the region such regional conflict of the 1980s or the destruction caused by Hurricane Mitch in 1998, new options for regionalism could open up, not only to spur international cooperation, but also because protectionist impulses can only be confronted by small economies in regional blocs that allow them to play with greater economies of scale.

The options come from, firstly, the global atmosphere of cyclical change which manifests itself in every region. Crises are associated with changes of cycle when they generate structural transformations. The crisis provoked by the Great Recession is understood as an end of cycle with signs at all levels (multilateral, regional, national). Although the debate is wide ranging, the idea of a change of cycle is centred on the renewal of paradigms and the reorganisation of the productive and social system around the fourth industrial revolution, or the changing nature of globalisation.

Secondly, the need to act in the face of the emergency caused by the pandemic and the great confinement. This is not a shock like those caused by other epidemics or disasters. Its scale has been profound and universal, and its effects are not likely to be short-lived. The responses being considered to combat it challenge existing models and instruments. The very idea of confinement, the urgency of

implementing an expansionary policy with or without fiscal space, or the need to coordinate responses globally changes the status quo and the traditional way of acting.

Thirdly, the year 2021 has a powerful symbolic character in Central America that is reinforced by the perception of the fatigue of development projects. 2021 is the year of the Bicentenary of Independence, the seventy years anniversary of the creation of ODECA and thirty years since the Tegucigalpa Protocol that created SICA. December 2020 is the sixtieth anniversary of the signing of the General Treaty on Economic Integration. In the context of the emergency and these anniversaries, the elaboration of development proposals with a long-term horizon (2030, 2050) and plans for reconstruction in the face of the crisis are underway.

It seems clear, then, that we are at a juncture of change that Central American countries and their actors can take advantage of to renew their development strategies. It is important to first define the challenges they must face.

## **The Nature of The Crisis in Central America: The Limits of The Development Model**

Analysing the different dimensions and factors holding back the region's development entails difficulties. The debates of this process of

reflection mentioned above did not exhaust the analysis, but they do allow us to present some critical problems that must be present in any rethinking of objectives and agendas. Many of the voices invited to these seminars drew attention to the need to address the problems also from the perspective of the actors or subjects, or to analyse the role of the parties, the problems of gender inequality, or the specific difficulties of young people, indigenous peoples, or social movements. As we will point out below, the critical role of external actors such as the United States, China or the European Union, or international organisations and international cooperation actors, also appeared in the debate.

Although it is not always easy to do so, the analysis focused on the regional approach to development in Central America, that have on those issues common features and origins in all its countries. The discussions revealed that the analysis sometimes does not go beyond the juxtaposition of national debates, so the regional dimension of the problems should be strengthened.

Firstly, democracy and the rule of law in Central America have been subject to significant risks and unpredictable setbacks for a number of years. Attacks on democracy and the separation of powers, the capture of states to serve particular interests, weaknesses in electoral processes, the lack of guarantees for the respect

of fundamental human rights, including freedom of expression, the lack of impartiality in the justice system, the corruption of elites (economic and political), and the penetration of organised crime are recent manifestations of these risks and setbacks. This leads to a general disaffection of the population with democracy, and a lack of alternation of political projects, which are summed up in 'non-projects' that aim to achieve minimal states.

Secondly, the state remains subject to significant limitations in terms of capacity and efficiency, which compromises the quality and extension of services and basic needs. Reforming and strengthening the state to be effective in meeting the challenges of democracy, peace and development is once again an urgent issue on the development agenda.

Thirdly, the fiscal crisis is an extraordinarily important dimension of this debate. Low tax burdens, far from the principles of vertical and horizontal equity and with a tendency towards reduction; insufficient public spending to guarantee rights, promote equality and underpin the foundations of democracy and the fulfilment of national and international development goals (SDGs); little transparency and accountability in contrast to wide open avenues for corruption that weaken the legitimacy of public power; and, finally, a growing public debt that, if the current trends

continue, will be unsustainable in the next five years and hinder any development process.

Fourthly, thirty years ago, the Esquipulas peace agreements brought together all social, economic and political actors in a project to build lasting peace through equitable development and the construction of democracy. However, during this period, states in the region have not developed the necessary capacities and instruments to act as effective mediators of interests and seek a balance in the construction of the general interest. In the absence of such effective mediation, the particular interests of economic elites have had greater weight in the design and execution of public policies and levels of taxation, which ultimately reflect this imbalance of access to decision-making. Similarly, the leadership exercised by elites to foster economic growth has not been matched by the strength and constancy of political leadership required to achieve inclusive development and poverty reduction.

Fifthly, the region remains under pressure from violence and organised crime, which is rooted in the region's vulnerabilities due to its geographical position, the limited presence of states in parts of national territories, or porous borders that facilitate the illegal transit of drugs. But, above all, it is rooted in the lack of opportunities for development based on legal and sustainable economic activities. Violence

disrupts the daily lives of large sectors of the population, who are unable to develop their lives normally. The phenomenon of state capture by illegal groups aggravates this situation, to the extent that some public institutions, including law enforcement and security institutions, have some involvement in the web of illegal activities that perpetuates impunity and violence.

Sixthly, poverty and inequality persist. The development model is not inclusive: it tends to generate inequality and exclusion. Neither public policies, nor private activity, nor productive development generate inclusion. The difficulty of finding stable work and the weak results of the education system, together with the absence of social protection systems, only aggravate the dynamics of exclusion. The progress made in reducing poverty and inequality in times of growth is not structural and is reversed in times of crisis. This situation leads to many Central American people to seek a future in emigration, even in irregular conditions, which could even compromise remittances as a solid factor of change.

Seventhly, social and environmental vulnerabilities are worsening, both because of the lack of state assistance and protection for groups at risk, and because of the geographical position susceptible to natural phenomena that frequently affect the region. In the case of social vulnerability, opportunity factors such as the

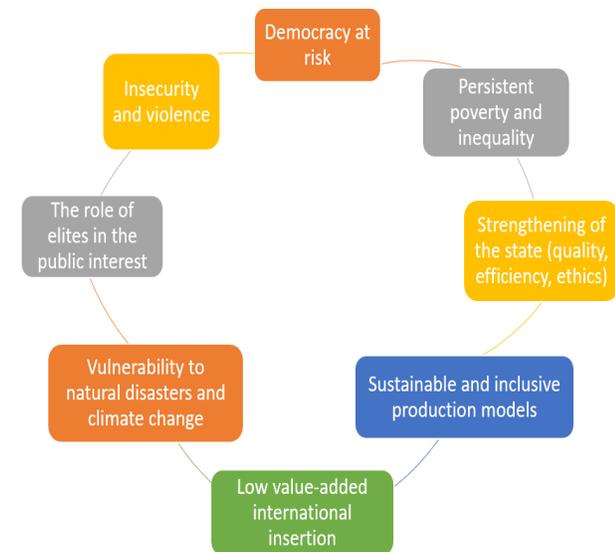
age of the population are counteracted by the lack of access to quality education, the low coverage of health services, high rates of teenage pregnancy, violence against children, youth and women, among others.

Eighthly, the productive system does not contribute sufficiently to development. On the one hand, it is highly heterogeneous: highly productive industries coexist with a majority of low productivity, which results in low income and high income concentration. On the other hand, the dynamism of the productive sector is not sufficient to generate the jobs required by a large young population. Finally, it is concentrated in traditional and low value-added sectors, so that the imported component of production is very high and concentrated in higher-value sectors. It is therefore important to influence the factors that determine growth and to change the patterns of growth so that it becomes less concentrated, more dynamic and more sustainable. It will be necessary to discuss growth, investment, the productive and fiscal structure, occupations, technical progress in economic sectors and labour productivity. It thus needs a social-developmental state that seeks development based on three pillars: (a) productivity growth with environmental sustainability; (b) access to services and public goods that allow for the creation of a universal social protection regime; and (c) employment generation with macroeconomic stability.

Ninthly, the international insertion of the region's economies responds to a traditional and outdated model that prioritises a low value-added insertion in the GVCs and the global economy. The world economy is changing and the framework of globalisation is undergoing changes that should not catch the region's agents unawares.

Finally, the region has a growth model that is highly vulnerable to the effects of disasters and the impact of climate change. Its prevention and mitigation tools are insufficient. Climate change regularly threatens to devastate Central Americans' family and collective plans for the future.

The constellation of problems in the region is therefore complex and challenging for its governments and citizens. Due to the setback caused by the great recession in the fight against poverty and inequality and the effects of the pandemic, all these problems are working in a vicious circle, shaping a critical juncture conducive to change.



Box 1: Problems Conditioning the Development Of Central American Countries

## The Contribution of Regional Integration to New Development Strategies

The seminar series did not focus so much on regional integration as on the regional approach to development. But how can Central American integration help its member countries at this new crossroads? Can it be the framework for a regional response as it did in Esquipulas, or after the devastating effects of Hurricane Mitch?

As it is well known, Central American integration renewed its foundations and agreements between 1990 and 1995, following the Esquipulas agreements, replacing the ODECA and CACM framework to constitute the

multidimensional scheme of SICA. The appearance in 1994 of the US hemispheric free trade proposal, the FTAA, put the brakes on the enthusiasm for integration and provoked a change of direction in the strategy of governments, which turned their interests towards the US proposal.

The process regained momentum after the turning point of Hurricane Mitch. The holding of the three Consultative Groups for the reconstruction, transformation and modernisation of Central America brought together the region and its international cooperation partners, making it possible to recover integration as a framework and instrument for development under the conviction that the region's structural vulnerabilities could not be addressed through national approaches. Around the year 2000 and until the end of the decade, a period of recovery of the regional approach to development and, therefore, of SICA's institutional and political instruments began.

Central America took advantage of the momentum. The years 2002 to 2008 were marked by the reforms promoted by the Ad Hoc Commission for Institutional Reform and their propitious coincidence with important cooperation programmes in support of institutional reform (European Union programmes and the Spain-SICA Fund) forged in the impulse of the aforementioned

consultative groups, and by the design of a framework of regional agendas of priorities and objectives.

Amid the recovery of integration's prominence, the difficulty of dealing with a multiple crisis arose. First, in 2008, the international economic crisis erupted with its negative effects on the region's sources of financing (remittances, exports, and maquilas). This was compounded by the political crisis in Honduras with its confusing coup attempt against Zelaya in 2009. SICA was also greatly affected by the tensions between Costa Rica and Nicaragua over the Rio San Juan case in 2010. These three problems were compounded by the explosion of the security crisis that has turned Central America into one of the most violent regions in the world, provoking episodes of mass immigration (child migrants, caravans) and marking the relationship with the United States.

Despite these crises, two processes allowed the region to complete a clearly positive decade for SICA from 2002 to 2012. The first was the International Conference in Support of the Security Strategy. The second is known as the relaunch of Central American integration, promoted by the governments of El Salvador and Guatemala following the Extraordinary Presidential Summit held on 20 July 2010 in El Salvador.

SICA's expansionary cycle changed after 2012 and the following years were characterised until 2017 by a certain paralysing inertia. The lack of substantive results broke the System's expansionary dynamic, which was then more focused on the search for strategic positions by the member countries (through, for example, the regulation of appointments of authorities to the System's institutions, whose effects do not seem to have renewed the countries' interest in integration or had a positive impact on the quality of the institutions' management). Moreover, these years coincided with the exhaustion of some of the incentives of the previous phase.

The years immediately following the first decade of the century (2013-2016) were determined by the frustration resulting from the ineffectiveness of most of these policies, manifested in the fatigue of governments and international cooperation. The paradigm of open regionalism fulfilled its functions, but also confirmed false promises about its capacity to solve the region's structural problems beyond international insertion. Both Central American and external actors seem to agree that the current development model needs to be revised. However, the national leadership of recent years does not allow for optimism. The region is now focused on the contingency plan for the crisis and reconstruction plans.

The appointment of the former President of Guatemala, Vinicio Cerezo, one of the protagonists of the Peace Accords, as Secretary General of SICA in 2017 opened the way for the necessary renewal the region was needing and looking for.

A major result of the evolution of SICA in these years was the design and approval since 2005 of regional policy instruments. The set of regional policies, strategies and agendas is very valuable and was the result of a drafting exercise involving extra-regional partners and some very interesting consultation processes. Its results are, however, limited in terms of effectiveness. The set of regional policy instruments provides a wealth of common diagnoses, joint problem definition and joint initiatives to solve them. Some of them have been able to attract a broad collaboration of internal and external partners, as well as funding to address some of their objectives. There is a germ of cross-sectorality in the toolkit that can be very valuable for the System.

However, the institutions and member countries of SICA have identified that the agenda resulting from these numerous regional instruments poses serious problems of heterogeneity, implementation and financing. Various presidential and ministerial mandates call for a prioritisation exercise in the current strategic agenda. In particular, based on the mandate of the Roatan Presidential Declaration

of 2016 and the mandate of the Council of Foreign Ministers of May 2017, a proposal for a Strategic Agenda was discussed in the meetings prior to the XLIX Meeting of Presidents in June 2017. The mandate of the LI Meeting of Presidents in June 2018 highlighted this interest in its demand for a functional transformation of the System.

SICA was preparing to attempt a review of its regional agenda under the impetus of the SICA General Secretariat. In the context of the bicentenary of independence and the anniversaries mentioned in the introduction, the Secretary General, Vinicio Cerezo, was promoting the Esquipulas III Agenda, taking up the experience of the Agreements in which he played a leading role. The proposal was a compromise between the relevance of defining a new agenda for 2021-2030 and the natural misgivings of the member countries when the Covid-19 crisis broke out.

Additionally, around the need to define a new agenda was the proposal promoted by Mexican President Lopez Obrador of the Comprehensive Development Plan (PDI, plan integral de desarrollo) for El Salvador, Guatemala, Honduras and south-southeast Mexico, focused on attacking the structural causes of irregular migration with a development perspective. This proposal, elaborated with the support of ECLAC, attracted a certain interest from the Trump

administration, and generated extraordinary attention from international cooperation. It seems to have lost momentum after the pandemic.

However, given the political tension provoked in the United States by Central American migrations and the caravan episodes that have occurred since 2019, the region has a new proposal, the Biden Plan, promoted by Vice President Kamala Harris, which could generate a significant US investment to promote opportunities that avoid migration. It is an offer of great interest for the region (limited to the so-called Northern Triangle), but it is worth taking some precautions in case its implementation does not meet expectations, as happened with President Obama's Alliance for Prosperity in 2014.

The SICA Secretary General, for his part, launched the Charter on the Future of Central America in October 2020, outlining the pillars of a development agenda with a regional focus for Central America. Its impact has been moderate during the pandemic, but it is one more input for this pending task.

Today, however, integration seems to be focused on responding to the mandate of the presidents and ministers to draw up post-pandemic recovery plans, following the experience of the Contingency Plan that was used to respond to the first manifestations of the

pandemic. The appointment of the Secretary General after the end of Cerezo's term (2017-2021) may mark this turning point. The Central American countries signed an appointment regulation that establishes a regional rotation of the System's authorities. Although it has solved the political complexity of appointments, it has significantly reduced meritocracy in these appointments. Today, the situation arises in which Nicaragua will take the turn at the General Secretariat and it will be President Ortega who will propose candidates. The possibility for SICA member countries to influence the appointment is real, but very limited given the procedure. Even so the decision, which will be taken in mid-2021, could have a major impact on the direction of integration.

If a general assessment of the Central American integration had to be made, one area of integration could be highlighted for its orderly and positive evolution. This is economic integration. Since the signing of the Guatemala Protocol to the TGIEC in 1993, three periods in Central American economic integration can be distinguished:

- 1993-2003, a stage characterised especially by the development of the Guatemala Protocol and especially by the progress in the establishment of the Customs Union.
- 2003-2013, a stage characterised in particular by the negotiation and signing

of North-South trade agreements with the United States and the European Union.

- 2013-2020, a phase characterised in particular by trade facilitation agreements and the strengthening of coordination within the economic sub-system.

In recent years, it is worth noting some particularly relevant milestones in the development of economic integration that mark the current state of economic integration (Caldentey 2021). The Free Trade Agreement between the United States and Central America and the Dominican Republic (DR-CAFTA) has been in force since 2006. In 2013, the trade pillar of the Association Agreement between Central America and the European Union entered into force. The rest of the agreement (political dialogue and cooperation pillar) is in the process of being ratified by the EU member states.

Within the framework of the Central American agreements, the importance of the Framework Agreement for the Customs Union, approved in December 2007, stands out. This agreement settles that the Customs Union would be constituted gradually and progressively as a result of three stages: a) promotion of the free movement of goods and trade facilitation; b) modernisation and regulatory convergence; and c) institutional development.

In 2015, the Central American Strategy for Trade Facilitation and Competitiveness with an Emphasis on Coordinated Border Management was approved, which is the backbone of the region's economic integration. Under this framework, in 2015 the first agreements were signed for the constitution of the Customs Union between Honduras and Guatemala, giving rise to the so-called deep integration process between them. El Salvador also signed the agreements in 2018, but has been ambivalent about its effective participation.

This set of milestones has facilitated a special dynamism in economic integration that is manifested in the rapprochement of development partners and international organisations to join forces in their support. The private sector also seems to have abandoned its misgivings or traditional disinterest in a market set to grow.

Central American economic integration is therefore reaching the third decade of the 21st century with a consolidated regional market that aspires to compete with the United States as the main destination for exports and origin of imports from its partner countries; with important advances in trade facilitation and integrated border management; and with an intersectoral framework of regional policy instruments that also has the support of external partners with the capacity to support them technically or financially.

Although this evolution facilitates a positive perception of economic integration among its actors and observers, it will have to overcome some barriers. Among them, the need to advance with the same intensity in the stages of modernisation and regulatory convergence and institutional development to complete the establishment of the Customs Union; the urgency of working on the exploitation of the trade agreements signed in the past; or the advisability of defining with greater precision intersectoral regional policy instruments that contribute, together with the other elements, to promoting a competitive and inclusive productive structure that can offer development alternatives to the Central American countries and adapt adequately to the future scenarios that the region will face.

## **A Complex But Favourable Environment For Defining a New Development Strategy**

The future of the Central American region will be conditioned by global factors and trends in which the region will be immersed. Central America is a policy taker region, with little capacity to influence global policies. In the short term, uncertainty emerges as the central element that will shape the situation in the region, especially in three areas: (a) access to Covid-19 vaccines; (b) the onset of economic recovery (or economic transformation, as will be

discussed below); and (c) the emergence of new security threats linked to the region's susceptibility to extreme weather events. These elements are deeply interlinked: to end the Covid-19 pandemic, vaccination will be key; to undertake economic recovery, ensuring public health is essential; and to ensure both, improving resilience to climate change is fundamental (Baldwin and Weder, 2020).

According to the current outlook, Central American countries' access to the vaccine is slow, which has mobilised the region's foreign ministers to call for a reversal of this trend (SG-SICA, 2021). Be that as it may, this leaves the region in an unequal starting position with respect to other countries and regions, and economic recovery is likely to suffer as a result. The coordination of Central American countries as a region within the framework of SICA will be crucial in this context to accelerate the possible access and distribution of the vaccine on a large scale among societies in the isthmus.

But beyond this situation in the short term, there are other elements that will influence the region's possibilities on a global scale and in the medium and long term.

First, it would be necessary to rethink the place that the region wishes to occupy in the global economic and trade system. At a time when the exponential growth of global trade of the early 1990s has given way to a kind of *slowbalisation*,

a moderate retreat of globalisation that is slowing down and taking on new dimensions (Olivié and Gracia, 2020), the Central American countries will have to look for new alternatives. Among them, there are some that are necessary on a regional scale that could lead to the coordination of Central American countries as a whole. Among others, it would be worth highlighting the possibility of taking advantage of the nearshoring movements that major powers such as the United States are carrying out to reverse or balance the hyper-disaggregation of production processes and long-distance value chains in order to guarantee greater autonomy in their supplies. Similarly, regional dialogue may be marked by the need to boost regional value chains and intra-regional trade, which has proven to be counter-cyclical in times of acute crisis, such as the one experienced in 2008 (Cordero, 2017). Both issues could become particularly relevant due to the increasing regionalisation of the global economy as small and medium-sized economies react to recent protectionist tensions among the major powers to gain access to greater economies of scale.

Secondly, the new consensus will also be affected by the revision of development policies in the framework of the post-Covid-19 reconstruction to build back better on the basis of social equity and environmental sustainability. This, however, also requires

addressing the impact of the pandemic on growth and on the sovereign debt that countries acquire to cope with it, which impacts on fiscal policies, monetary policies and debt management (Caracciolo et al, 2020). These debates may become particularly important in the region if one considers systemic inequality and poverty levels, the informality of labour markets, or if one considers the social mobilisation in many Central American countries in favour of state enlargement (see, for example, the demonstrations in Guatemala at the end of 2020 in this regard).

Thirdly, the global landscape is undergoing a process of reordering geopolitical balances, with countries as relevant to the region as the United States, China, Mexico and the European Union as a whole seeking to reposition themselves and their partners in the struggle for global pre-eminence.<sup>j</sup> (Serbin, 2018). This has affected the multilateral international order, forced to respond to these geopolitical changes and address the demands of the current crisis. In this context, it seems that reform processes of some international organisations will begin and consequently international cooperation policies will be reconfigured. Central America will therefore have to articulate its actions as a region in terms of its relations with traditional partners. The region will need to strengthen the relationship with the United States and the European Union, reaffirm its position of support

for the Republic of China (Taiwan) or move towards closer cooperation with the People's Republic of China in exchange for economic or other benefits.

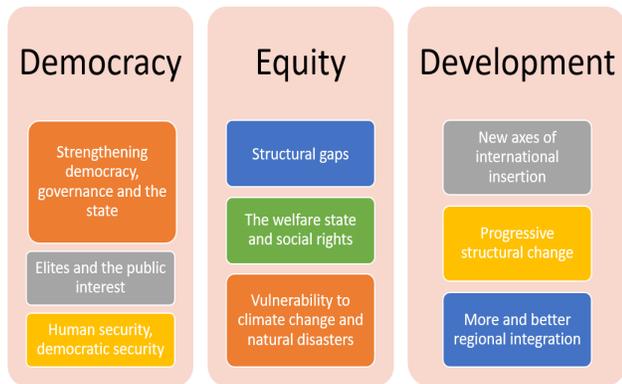
It will be critical to redefine a common position in international organisations, and present concrete plans to attract international investment and, if necessary, attract funds for international cooperation. If the countries of the Central American isthmus do not act as a region at the SICA level, their voice and position on these issues could be diminished, if not relegated to the background.

These elements of the global environment seem to confirm that a new cycle of development is opening up also in the region. In this transition, the global transformations that are already noticeable are also manifesting themselves in Central America and are linked to the exhaustion of national development projects that are unable to offer sufficient solutions to the region's needs in this new environment.

The SICA region must therefore review its approaches to development. The dialogue among the region's researchers that the Institute for Development of the Loyola Andalucía University has fostered suggests and can do so around three axes: democracy, equity and development.

Democracy is subject to risks that seemed to have been overcome, and preventing its decline must be a priority for the region. The role of the state in ensuring the balance of general and particular interests is critical in this phase. Eradicating violence from political and military conflicts was the driving force behind the Esquipulas consensus in the 1980s, so protecting citizens from violence must once again be a common priority objective.

The regional dialogue on this issue can be articulated around different aspects, among which the following could be highlighted: the debate on governance models; the reform and monitoring of Central American political systems, which also implies a debate on justice reform; the improvement of state capacity and effectiveness; the financing of development and the debate on fiscal policy and public debt, also considering the nature and behaviour of elites and their effect on development and the common good; the features of violence in Central America and the security models and their instruments; regional integration as a promoter of democracy and the strengthening of the state; and the nature and conditioning factors of the region's external relations.



Box 2: The Principles of a New Development Strategy in Central America

Secondly, inequality persists as a conditioning feature of the region's future despite the progress made in recent decades, which has been diminished by the impact of the crisis caused by Covid-19, while structural gaps are growing. Thus, different issues need to be addressed in order to reduce and tackle the different vulnerabilities to which a large part of the Central American population is exposed. Among them, at least five should be addressed: nature of regional structural gaps and the policies to combat them; development of the welfare state and social protection; design and effectiveness of the instruments used to fight poverty and social inequality; development in rural territories; and strategies for mitigating and adapting to climate change and disaster risk, to which the region is particularly exposed. Thirdly, the region's development models and strategies have not yet overcome their exclusionary patterns. Therefore, promoting inclusive development is a priority in the region

and, to this end, the structural change of the region's economies and the revision of the instruments of insertion in the international economy that might be produced should be aimed at breaking these patterns. In this regard, several key points should be addressed: analysing the determinants of economic development patterns; studying how to promote technical progress, productivity, improved quality of education and access to employment in the region; finding new opportunities for insertion into the global economy within the framework of *slowbalisation*, while at the same time promoting the role of the regional market and economic integration as a promoter of this inclusive development; encouraging the participation of Central American countries in global value chains, as well as promoting solid regional value chains; and promoting effective regional integration that helps to break the brakes on development.

As can be seen, these core areas may adopt different formulations and may give rise to instruments of diverse natures and scopes. But they must inspire development agendas, plans and actions in Central America. To this end, it is important for the region to build a certain consensus through a process of dialogue between all actors. Although the challenges go beyond regional integration, SICA can be an ideal framework to host and promote the

process of dialogue and, subsequently, to articulate the solutions that may arise.

## Regional Dialogue As An Indispensable Condition To Define New Medium- And Long-Term Consensuses

Central America and its regional integration system are consequently at a critical juncture. In the series of seminars that gave rise to this reflection, there was a broad consensus among researchers and officials from all the countries in the region to define the root of the problems: development models and strategies in Central America have not yet overcome their exclusionary patterns. Promoting inclusive development is therefore a priority for the region. Structural change in the region's economies and the revision of the instruments for insertion in the international economy must be aimed at modifying these patterns, and this raises several questions and challenges regarding the elements that could organise the debate and the political response in this new phase, which can be summarised as follows:

- a) The authoritarian pattern of political actors and the predominance of the particular interests of the region's elites that prevent an adequate model of representation and public management,

which make the state highly vulnerable to corruption.

- b) The determinants of economic development patterns and how to influence them, starting with those that can promote inclusion in Central American economies (technical progress, productivity, education, or access to employment).
- c) Financing development through a fiscal policy complemented by international cooperation mechanisms sufficient to promote instruments to fight poverty, and the capacity of the public sector to effectively meet the country's needs from its functions and develop a certain welfare state with adequate social protection mechanisms to reduce inequality.
- d) Taking advantage of new opportunities for insertion in the global economy in the framework of *slowbalisation*, promoting regional market growth and economic integration so that they can be promoters of inclusive development and the promotion of regional value chains and the deeper participation of Central American countries in the GVCs.
- e) The definition of strategies for mitigation and adaptation to climate change and

disaster risk that reduce the extreme vulnerability of the region.

- f) Combating structural violence in the region, with special emphasis on the impact of drug trafficking or gender violence, but preferably directed at the roots of social vulnerability, which is also the origin of forced migration of part of the population.

To promote the consensus that could lead to a new development model replacing the Esquipulas model, it is necessary to organise a dialogue between all actors in the region on the scale of the one that was set in motion at the time. The process of dialogue may in these circumstances be even more important than its content.

As we have noted, the regional space has already been a framework for dialogue in situations of conflict or maximum inequality. The region has already experienced it around the conflicts of the 1980s in the Esquipulas Process or around Hurricane Mitch with the process of transformation and modernisation of Central America. The emerging proposals from both processes of dialogue were soon incorporated into the development strategies of the following decades.

As then, the gravity of this historical moment and the combination of the region's structural crisis, with the effects of the great recession and

the impact of the pandemic and the confinement, demand for urgent action both among the region's actors and with its external partners.

High-level dialogue among the region's rulers does not seem possible today, both because of the lack of complicity among them and in some cases because of the delegitimisation of their governments. However, dialogue can start at other levels. One example, particularly valued by the researchers participating in the forum, is the academic community. Academics face the important challenge of generating political and economic thinking that can provide the basis of regional consensus or generate pragmatic proposals that allow Central American societies to reach political agreements on them.

The dialogue of Central American actors with and among the region's development partners can be a critical element in facilitating scaling up. Along these lines, there appear to be several initiatives that may coincide. On the one hand, the plan for the development of Mexico, Guatemala, Honduras and El Salvador aroused much interest and some support when it was launched at the end of 2018, coinciding with López Obrador's electoral victory. There was even talk of a Marshall Plan for the region with Mexico playing the role of a friendly power, while maintaining the interest in development and investment in its southern states that inspired the Plan Puebla Panama, later called

the Mesoamerican Programme. The European Union and other partners, alongside the United Nations agencies that supported its design and conceptualisation from ECLAC, were interested in this plan as an incentive to curb Central American immigration. The goal must be generating conditions that would root the population in their countries. Nonetheless, the plan was not enough to attract the US government, which demanded rather that Mexico act as an immigration stopper in the midst of Trump's aggressive discourse and measures against migrants.

After the change of presidency, the United States has regained interest in promoting development in the region in order to avoid the irregular and massive migration so visible in the caravans of migrants that have travelled through Central American countries and Mexico in recent years. The Biden Plan led by Vice President Harris proposes significant investments for this purpose, but it is still too early to know whether they will materialise. As we mentioned, the precedent of the Alliance for Prosperity proposed by Obama and Biden in 2014 encourages caution and doubts that the announcements will be confirmed.

The EU is defining on its side the regional and bilateral cooperation programmes with Central America in a relationship that continues to be privileged, but which paradoxically seems to

have lost strength after the approval of the Association Agreement between the two regions. It will certainly be a partner to be reckoned with in these dialogue processes. The EU recovery plans from the pandemic and its new financial instruments (Next Generation EU) and investment in the Green Deal, digitalisation and cohesion can be an element in favour of bi-regional cooperation and support for Central America.

A coalition of the region's main partners around a process of dialogue does not therefore seem improbable, as they all have initiatives and instruments that can support dialogue and agreements. This is an important asset and a source of incentives to encourage governments to reach some consensus.

Finally, SICA has a critical role to play in this transition of development models and strategies in Central America. The region's challenges have a scope that goes beyond the potential of regional integration and its instruments, but it is nonetheless an ideal framework for articulating the solutions that may emerge from the dialogue process. Decades of regional integration in Central America have created a set of bodies, institutions, political dialogues and instruments for regional action that have already proved useful in other periods of crisis.

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## About the Authors

**Pedro Caldentey** is a Specialist in Central American countries, development economics and comparative regional integration. Head of Department of Economics and Senior Researcher at Instituto de Desarrollo, Universidad Loyola Andalucía.

**Lorenzo Estepa** is a Research Fellow in Rural Development and poverty at Instituto de Desarrollo, Universidad Loyola Andalucía.

**Jesús de la Torre** is a Research Assistant at Instituto de Desarrollo, Universidad Loyola Andalucía.