

Countries Within Central America Worth Investing In:
A closer look within the 8 countries
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Abstract

Eight countries make up Central America which consist of Belize, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Panama. Central America is characterized as warm but has a tropical climate. Their tropical climate allows them to have a rich soil allowing them to grow coffee beans, bananas and much more agricultural resources. These eight countries share similar cultures but still have differences within each other to be able to distinguish them apart. The smallest of the countries is El Salvador with a population of 6.345 million (World Bank, 2016), although Belize holds the smallest population with 336,954. Central America consists of countries that are developing which means that majority of them live in poverty and lack health care. Nicaragua is considered to be the least developed while Panama and Costa Rica are more developed. Central America's largest trade partner is the United States. The Central America Free Trade Agreement (CAFTA), was signed on May 28, 2004. It was an expansion of NAFTA to five Central American nations (Guatemala, El Salvador, Honduras, Costa Rica and Nicaragua), and the Dominican Republic (Central America Free Trade Agreement, 2017). They also have a trade agreement with Europe called the Association Agreement which was signed June 29, 2012. Since there is a lot of poverty in the region Central America has a lot of labor intensive countries. Many of them must work to afford the everyday materials, even children are forced to help their parents. Majority of them work in agriculture, factories or other jobs that consist of harming their health. Even though Central America is known for their agriculture products they greet retailers and brands for their fast fashion.

Central America is a land bridge that connects North America and South America. Central America consists of Belize, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Panama. The common characteristic of Central America is the chain of mountains extending through the center of the region. It rests on the Caribbean Plate which is surrounded by the Cocos Plate (New World Encyclopedia, 2017). Central America has a great number of volcanoes, a select number of them being active and causing volcanic eruptions and earthquakes occurring from time to time. The Arenal volcano in Costa Rica for example, is the most active volcano in the world while Guatemala is notorious for being the country with the largest number of volcanoes in Central America (5 of the Best Central America Volcanoes, 2017). The volcanic eruptions allow for the soil to be fertilized with the richest nutrients allowing for the region to be the center of coffee making. Costa Rica's main natural resource is coffee which grows from a coffee bean plant. Luckily, due to the abundant number of volcanoes in Costa Rica it allows them to grow many other natural resources due to its rich soil from the volcanoes (Central America, 2017).

The climate of Central America is mainly tropical, but varies within the altitude, distance from the ocean and latitude. The continent is a tropical humid climate where there is no winter. Central America's coldest month averages above 64 degrees Fahrenheit and their summers consisting of 80 degrees Fahrenheit. Due to the diverse climate changes, it is difficult for it to rain. Rainfall occurs during the summer, but during the months between November and May are the heaviest and January through March are the driest. The Caribbean coast of northern Central America is prone to hurricane damage during the months of August through October (New World Encyclopedia, 2017). Central America contains important natural resources which include

nickel, iron, fish, timber, and oil. Digging for these natural resources has created environmental problems. One example that has led to an environmental problem is mining in Honduras which led to water pollution. Physically, the smallest of the countries is El Salvador with a population of 6.345 million (World Bank, 2016). Belize however hold the smallest population with 336,954. The leading languages spoken in these countries are Spanish with an estimated total of 32 million individuals followed by Mayan languages, 4.5 million, and English Creoles, 400,000 (Most Common Languages, 2017).

Majority of these countries share a common culture with slight differences among each other. Cultural customs and traditions in Central America are mostly based on the heritage of the Maya and other pre-Columbian civilizations and is also influenced by European traditions. For instance, in Costa Rica traditions are highly based on Catholicism resulting in traditions relating to events as Holy Week, also known as Semana Santa, Christmas, August 2nd, baptisms, first communions, confirmation, engagement parties, weddings and funerals. Most events include extended family and friends as Costa Rican culture highly value close bonds in the family structure, with children often staying at home until they are married. Traditions in these holiday events often include mothers making pastry and squash-like filled empanadas. They also gather as an assembly line during Christmas to create the meals together (Velzer, 2015). However modern traditions are influencing those in Central America. Halloween for instance was known to have demonic and satanic ties attached, however today in age, Central Americans are more receptive of the halloween festivities. In Mexico, this is no new tradition as the culture tends to celebrate The Day of The Dead, El Dia de Los Muertos. The celebration usually starts on October 31st and ends on November 2nd. During this time, family and friends join to create

altars to remember the dead and eat traditional dishes of the loved one's favorite meals such as candied pumpkin, mole negro, tamales and the infamous sugar skulls.

Gender roles are very respectable and must be fulfilled in the culture. Even with a high level job, a woman holds the responsibility to clean, cook and care for the children. Most of Central American countries believe in these gender roles. However, in Guatemala they highly value one's social class. Labor is essential in this culture and men and woman are common to have the same jobs. "Women and men may engage in agriculture, but the crops they grow are different. Men tend to grow basic grains such as corn and beans as well as export crops such as green beans and snow peas. Women grow vegetables and fruits for local consumption and sale, as well as herbs and spices." (Gonzalez, 2017). Indians and poor woman as well as children are often mistreated by men. This is less likely in women with higher status family, especially if her marriage was arranged by her parents. Luckily this is not the case in Panama, where the current President is a female. In this country many women are rising to higher working positions including government services and education, although we are still the minorities to men. "While 83 percent of all women work in commerce and services, male workers are spread more evenly across more sectors, including agriculture, services, trade occupations and manufacturing" (World Bank, 2000).

In greeting, at Costa Rica a handshake is acceptable as well a light air kiss to the cheek, Costa Ricans tend to only hug close friends and family. It is also common to say 'good day', 'buenos dia or 'good afternoon', 'buenas tarde' and 'how are you', 'como estas' before starting a conversation or asking questions(Farley, 2017). Such is the same in Panama, Mexico, Colombia, Guatemala, Honduras, El Salvador and Nicaragua. In Colombia specifically, guest shake hands

leaving and entering. In all these cultures, when business meetings are present a dark color suit for men is appropriate, women can wear dresses or a skirt, but pants are also acceptable, except however in Belize and Nicaragua, where Men and women are most appropriately found in khaki suits and skirts. In Belize, where the leading language is Belizean Creole, one might greet with the phrase 'aariat?' meaning 'alright?' to which you might respond 'Aarait, aarait?'. Eye contact is also very common and highly appreciated throughout all the countries as well as conservative and well groomed dressing. (Culture Guide, 2017).

Central America is filled with developing countries which means that the people living there have shorter life spans, higher rates of illiteracy, lack quality health care and most live in poverty. Out of the six countries in the region, Nicaragua is considered to be the least developed country because it has the worst indicators for infant mortality rate, adult literacy rate and GDP (Central America: Economics, n.d.). The country has a significant state interference in the economy because of state-owned enterprises and inconsistent regulatory administration which cause uncertainty in the market. There is a weakness in property protection rights and combating corruption as well as inefficient judicial system that enforces contracts inconsistently (Nicaragua). Although the country struggles with this, the effort to improve macroeconomic stability has been modest and their relatively well-controlled government spending has strengthened the management of public finance (Nicaragua, 2017).

Panama and Costa Rica are the more developed countries in the region. Panama has the highest GDP in the region due to the Panama Canal however, Costa Rica has a relatively high GDP but has the best indicators for infant life expectancy at birth, infant mortality rate, and adult literacy rate (Central America: Economics, n.d.). In the Regional Ranking, Mexico falls behind

Panama, Costa Rica and El Salvador. Although Mexico is the largest country in the region it has lacks competition in the domestic market, the labor market is rigid, there is institutional shortcomings within the judicial system, and corruption is a continuing problem in the country (Mexico, 2017). However, trade is very important to the Mexican economy. About 73% of Mexico's GDP comes from imports and exports and their average applied tariff rate is 5% . They participate in numerous free trade agreements and their banking system remains relatively well capitalized as foreign participation has grown (Mexico, 2017).

Central America's largest trade partner is the United States. The Central America Free Trade Agreement (CAFTA), which was signed May 28, 2004, is an expansion of NAFTA to five Central American nations (Guatemala, El Salvador, Honduras, Costa Rica and Nicaragua), and the Dominican Republic (Central America Free Trade Agreement, 2017). NAFTA is a free trade agreement between the United States, Mexico and Canada (Amadeo, 2017). This expansion created free trading of goods between the United States which allows these smaller countries to receive goods that they are not usually accessible to. This agreement includes benefits for farmers, textiles and apparel industry, telecommunications and insurances, strong protections for workers' rights, strong and fair government procurement and many more (Free Trade with Central America, 2017).

U.S. farm exports to Central America includes high quality cuts of beef, cotton, wheat, soybeans, key fruits and vegetables, processed food products, and wine, among others. U.S' imports from Central America includes pork, dry beans, vegetable oil, poultry, rice, corn, and dairy products (Free Trade with Central America, 2017). Although both the U.S and Central America mutually export and import to each other, Central America benefits more than the U.S.

According to Branch, F. T. (2017), the U.S has exported \$123,783,000.40 to Central America so far in 2017 while they have imported \$96,676,000.8. This means that there is more imports coming into Central America than exports going out.

Central America also has a trade agreement with Europe called the Association Agreement which was signed June 29, 2012. “The Association Agreement relies on three complementary and equally important pillars, namely political dialogue, cooperation, and trade which reinforce each other and their effects” (European Commission, 2017). This agreement is not only for trade but to support economic growth, democracy and political stability in Central America. The main exports from Central America to EU in order by importance includes vegetable products; Foodstuffs, beverages, tobacco, optical and photographic instruments, animal or vegetable fats and oils and etc. Imports to Central America from EU in order by importance includes machinery and appliances, products of the chemical or allied industries, transport equipment, Foodstuffs, beverages, tobacco (European Commission, 2017).

This shows that the Central American region’s strengths in production are agriculture and they receive a lot of industrial products from the EU. However, the region might be developing in the industrial area. According to European Commission (2017), exports from EU to Central America decreased in the last year in products such as products of the chemical or allied industries by 7.3% and Transport equipment by 36.1%. This shows that Central American countries are becoming more knowledgeable in how to make this items themselves than having it imported from the EU.

Central America is also a part of the Central American Common Market (CACM). This association was formed to facilitate economic development in the region through free trade and

integration within the market (The Editors of Encyclopædia Britannica, 2014). This agreement was made to reduce intra regional trade tariffs and to do so over the next several years. This has created a free trade area with Panama and makes trading within the region easier within the countries involved. This is held by the Central American Economic Council who is the chief of policy making and meets every three months. The council elects a secretary general who serves a three year term and this person as well as other economic ministers coordinate the integration of the regional economics (The Editors of Encyclopædia Britannica, 2014).

Central America is filled with labor intensive countries. Due to the poverty in a lot of the region, many of the people living there must work to afford everyday materials and this sometimes includes the children. There is about 10.5 million children between the ages of 5 and 17 years old who are engaged in child labor in Latin America (2016 Findings, 2017). Although there is a significant amount of advancement in some countries to stop this, a lot of the others in the region have moderate to minimal advancement. In Panama, there was a significant advancement in eliminating the worst forms of child labor. “The Government ratified the ILO Protocol to the Forced Labor Convention, updated the list of hazardous occupations for children, and signed an agreement with the Governments of Guatemala and the Dominican Republic to advance the elimination of child labor through research and the exchange of information (2016 Findings, 2017). Panama has tried to eliminate child labor, however, children in that country still perform dangerous tasks in agriculture. Panama’s largest trades are coffee, melons and sugar canes and children (under 16) often participate in these labor duties. They also participate in the worst form of child labor which is commercial sexual exploitation which often is a result of human trafficking (2016 Findings, 2017). In Costa Rica, the Ministry of Labor and Social

Security joined the Joint Institute for Social Aid to launched a scholarship program to cover educational expenses for children engaged in child labor. They signed agreements with El Salvador and Guatemala to work together to put an end to child labor in their countries (2016 Findings, 2017).

Most of the workers in Central America either work in agriculture, garment factories or other jobs that involves being around chemicals that are harmful to their health. This caused a rise in unions around the region, however, it is not safe to be a union activist in a lot of these countries. According to Singham (2015), approximately 105 trade union activists were killed in Columbia over the past couple of years. It also mentions the International Trade Union Confederation describing Guatemala as the most dangerous country in the world for trade unionists in 2013. Despite what is going on to trade unionists, the region itself has improved workers' rights substantially. Governments have implemented progressive labor legislations providing unemployment benefits as well as access to social security for workers. In Venezuela, "the government has extended social programs to workers with the inclusion of free health clinics and subsidized food outlets, into workplaces as a means of increasing the coverage of welfare policies" (Singham, 2015). This is a huge step compared to the little to nothing benefits the workers were previously receiving.

The Central America Project in collaboration with the Fair Labor Association join to improve working conditions in El Salvador, Guatemala and Honduras. FLA Participating Companies includes Adidas Group, Nike, Inc., Gildan, Liz Claiborne, and PVH Corp (Fair Labor Association, 2012). This focused on the issues of discrimination, harassment and abuse, and freedom of association in the apparel industry. Trade associations such as VESTEX, which is the

apparel exporters association in Guatemala, and ministries of labor in the region participated in the project and this were funded with a grant from the U.S to the Free Labor Association (Fair Labor Association, 2012). An ombudsman was hired under an arrangement with the WRC as part of the project to receive, process, investigate, and help with the complaints brought by the workers and others regarding to systematic barriers to freedom of association, such as blacklisting . As a result of the project, the Fair Labor Association received requests from the Ministry of Labor and VESTEX to conduct training in Guatemala(Fair Labor Association, 2012).

Most countries look to Central America for a quicker production and are specifically interested in Guatemala City for its convenience in travel. Guatemala City is a part of the Dominican Republic- Central American free trade agreement between the United States and six other countries that are part of Central America, which becomes beneficial when the clothing made from fabric and materials from the region can get a duty free entry into the United States.

Guatemala's disadvantage against a country like China is that their production consists of cut and sew. But their apparel and textile exports have been increasing and still continue to grow. Not only does Guatemala have an advantage with this but so does Mexico. Mexico is also known for its importance in the export market. Textile production is the fourth largest manufacturing activity in the country which includes the making of thread, cloth and decoration in both natural and synthetic fibers (Texperts, 2016). Nonwoven synthetic fibers have been the most purchased from Central America and is used in the production of sportswear from two specific countries which are Guatemala and Costa Rica.

Overall, Mexico is one of the largest export markets in the world. Textile firms in Mexico have increased their methods in order to overcome their competitions. They have done this by

creating technical textiles which are textile materials and products manufactured mainly for their technical and performance properties rather than their aesthetic or decorative characteristics.

Therefore, they became a keen eye for an ideal choice and is the largest market for U.S technical textiles. Their government continues to promote these technical industries and clothing industries and is determined to strengthen their competitiveness of firms and provide a stable and dynamic environment for investment.

Besides products, Central America welcomes retailers and brands for its fast fashion. Since they are flexible they gain an advantage in production. Honduras benefits from an increase in demand for speedy supply chain but when it comes to starter brands Guatemala is more reliable. A few countries in Central America are also more sustainable when it comes to their textile and apparel productions as well, such as Guatemala, El Salvador and Nicaragua. With there being so much competition in Central America, Guatemalan apparel and textile factories are working to differentiate themselves from the rest. One company from Guatemala named Eltitex Group is one of the largest manufacturers in Central America of narrow elastic fabrics, sustainability and efficiency with modern machinery founded by Antonio Hage in 1990. He started his ecological push in 2003 and continues to push with the goal to recuperate 100 percent of the water used in making elastic fabrics (Belgum, 2017). Iris Textiles also started a sustainable idea called “The New Denim Project” which makes recycled yarns and fabrics out of denim scraps left on the factory floor. It started in 1956 by Peter Engelberg and was later continued by his granddaughter, Arianne Engelberg, who developed the concept of making recycled denim yarn and fabric (Belgum, 2017). By developing this new recycled-denim concept, Iris Textiles hopes to double its revenue in the next three years and continue its progress. Honduran

manufacturing have also been improving investments and promotion of sustainable development. They have also been gaining attention in society and in the economy.

Since technology is becoming more advanced and online businesses are now booming, most manufacturers are positive that Guatemala will be a great advantage to follow through due to their flexibility. Central America is being considered for more international trading and business and is steadily surpassing Asian manufacturers. Freidman's article titled Central America Looks to Surpass Asia for Affordable Quick Response provided some insight into the region. Some pros of business in Central America include locale, quick response capability, duty free status and competitive labor. While political uncertainty and lack of uniformity and growing wage rates were some of the cons listed. Overall, the advantages outweigh the disadvantages and therefore the Central American countries seem to be making progress and are being more considered to invest in. (Freidman, 2017)

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