**Panama within the Silk Road**

Napoleon once said "China is a sleeping giant, let it sleep, because when it wakes up the world will move" and certainly China has been the great surprise of the 20th century and the 21st century. Its high rates of economic growth, tied to the common interest of improving the welfare of its citizens, have strengthened the country, placing it as the second global economy. China has reduced the level of poverty and increased the welfare of around 400 million people in about 30 years. This success was done in parallel with an increase in the number of cities within China. Between 1980 and 2011, nearly 500 million people moved to the cities creating an important source of internal demand for raw materials that began to change the dynamics of world markets. As such, this domestic demand, together with the external demand of the world markets is one of the greatest competitive advantages of China. However, at this stage of its development path, China needs to change its economic model.

Between 1949 and 1976, China has focused on modernizing its economy through large investments in the industrial sector resulting from a central planning process. This model, which has evolved over time, has allowed it to limit consumption and control savings to use the income of public companies as a source of investment to increase productive infrastructure. In turn, China focused on developing its internal potential and limiting its commercial participation in the international area. But this model changed.

In 1978, free market reforms were introduced to increase private participation in China's economy and to attract foreign direct investment (FDI). This was done under a process of gradualism where different policies were experienced within special economic zones. These policies were fruitful in that China was able to use its industrial base, its surplus labor and its economies of scale to become the world's factory: China is the main exporter and second largest importer worldwide. Although this improved the welfare of its citizens, consumption and savings remained limited. Later, China added the export component to its GDP equation. The boom in global trade since 2000 after China's entry into the WTO and the security of public investment in China by the government and the foreign private sector ensured relative stability in the development process.

China´s economy prospered until 2008. In that year, the global crisis impacts the economies of the world and especially the domestic demand of countries and important blocs such as the United States and the European Union. This generates a volatility in China, which although not affected by the crisis like the other powers, reveals an inherent fragility of its model. The fall in global demand affected the growth of its economy and the low external demand left the country with excess capacity in several industrial areas. In this way, if China cannot export, its economy slows down and the general welfare gained with so much effort is lost.

From these premises, China decides to change its economic model from growth based on investment and exports to one based on consumption and services. This change has been recognized by the government in several five-year plans with the expectation of adding a dimension of sustainability to its economic model. For China, to depend only on world exports and its internal investment is not sustainable and that is why the government is changing its traditional policies.

This structural change towards an increase in consumption implies a lower rate of growth and, consequently, an impact on external markets since China's domestic demand represents almost 50% of the global demand for many raw materials such as iron. At the same time, but it also needs other countries to grow in order to sell their products and obtain raw materials. It is in this way that the initiative of the Strip and the Route (B&R) becomes a key factor in the long-term plan of China.

Since its first appearance in September 2013, the B&R had been discussed above all in terms of promoting trade, economic development and economic growth through the interconnection of the Eurasian continent using the old silk routes. This was driven by several economic factors, such as a decline in global economic growth and trade, but more importantly, this was driven as a way for China to find the sustainability of its economic model as it moves forward with its reform.

These objectives would first be done by connecting cities by land and then doing the same by sea. From this point of view, Europe is considered the final destination of manufactured products from Asia and China as the final destination of Central Asia's natural resources. Later, it was logical to connect the maritime part to the production centers in the African continent where China already has operating facilities built through FDI flows in the continent. In this way China can take advantage of the additional synergies of its companies in Africa that incorporate these lands on the maritime road. However, the initiative has mainly focused its thinking on the Europe-China axis. However, the B&R became more than just a trade-focused initiative.

The need to expand markets in both directions to ensure sustainability provided the perfect scenario to use the initiative as a tool for the betterment of the world. Despite technological advances and the integration of supply chains, the world continues to think in terms of the cold war. In the twenty first century the world needs initiatives that put behind the individual interests of countries and begin to think about common interests: climate change and terrorism are global not local issues that can only be address as a collective. But today, instead of having more dialog between countries, the world seems to closing in. One example of this is the sudden rise in protectionism. In view of these emerging trends, the B&R initiative will help to expand connectivity between countries and offer a window to increase the dialog. This means that the initiative should not be seen only in the commercial part, but also in other dimensions that include diplomatic, economic, financial and social. As such, the B&R platform can be seen as an attempt to help to integrate the world and to improve opportunities for connectivity and peace

In this sense, it could be said that the B&R initiative is an inclusive model of development based on a win-win interest that fosters relations between nations. This is the reason why the initiative also has a cultural part that improves social connectivity among nations. Although it is difficult to separate the economic and social aspects of geopolitics, in the end, the main assumption is that the expanded dialogue among countries that are aligned under common interests, will help reduce wars and anxieties in the world.

The establishment of diplomatic relations between Panama and the People's Republic of China has changed the paradigm and broadens the potential to affect trade and other relationships throughout the world.

Panama has had relations with China since the beginning of the 19th century. There were many Chinese migrants from the southern provinces of China and the United States who came to Panama to work, first in the construction of the intercontinental railroad that connects the Pacific with the Atlantic oceans and later, for the construction of the Canal. However, relations with China were mainly commercial and limited to the extent that the US provided it, since the Canal was administered by the USA. Furthermore, China was seen as an ideological rival in the geopolitics of the Cold War. Without formal diplomatic relations with China and with its strong US presence. In turn, relations between China and Panama continued to be mainly commercial. But during that time, China was not the manufacturing power of the world.

For Panama, the establishment of relations with China comes just in time. This action offers China greater legal security for its investment and allows Panama to become an integral part of the B&R. The Panama Canal plays an important role in maritime trade between Asia and the United States and the world. It is a connectivity node that can serve as a starting point for a regional distribution center for Central and South America. This position of greater integration among the Central American markets was mentioned at the OAS meeting in June 2017.

Despite their cultural differences, China and Panama have experienced a similarity in several experiences especially with respect to the colonial enclaves that can help strengthen the relationship between countries. Between 1840 and 1949, China was at the mercy of the imperialist powers that sought extractive policies without caring about the development of the country. This began with a colonialist imposition on the Chinese ports that later expanded to various colonial enclaves since no power was able to conquer it during that period. This caused a great duality in the economy of China where an important industrial sector was generated within the area of ​​the ports and its surroundings but it kept China in a social backwardness. Panama experienced the same thing since 1903. The country, limited by a North American colonial enclave, presented an economic duality between the country's banks and the rest of the country. Any economist who visited the areas of Clayton, Howard and Cristóbal could be confused thinking that those benefits also happened for Panama. But this was not the case.

Panama experienced years of delay and important limitations in its trade and its knowledge of the maritime area that kept the country in the group of countries in underdevelopment. Thus, the B&R initiative offers another alternative to improve the national economy and to add sustainability.

Panama is a logical extension of the silk route. The Panama Canal provides connectivity to the world through the connection of 144 maritime routes that connect 1,700 ports in 160 countries. The channel not only connects the Pacific and Atlantic markets, but also provides access to the markets of North and South America by sea, but also has terrestrial connectivity to the north and possibly connectivity with the south, since the connections with the South by land are impeded in the Darien region, but it can be developed.

One way to understand the impact of the initiative is to see China's actual water route in the container segment. On this route, the ships with manufactured products go from China to the east coast of the United States. On this route, the boats are almost full to the destination but have a problem on the return trip. Most of the boats on the return trip operate at low capacities that affect their profitability. This is a reflection of changes in the nature of goods traded between the US and China.

However, the picture changes with the B&R. As Europe becomes another distribution node in global supply chains rather than a final destination for products, the enigma of the return trip from the East Coast changes significantly. The availability of lower-priced manufactured products from Central Asia and Africa can provide additional income to increase travel profitability and strengthen North American trade opportunities to Europe. In this way, the new initiative will promote another era for the relocation of the manufacturing and integral distribution of products between countries.

The good news is that the establishment of relations with China occurs at the same time when the country approves the master plan for the development of Canal banks. This allows China to assume a more important role in its development. China has significant investments in local ports and this would facilitate maritime integration to the development of the area. Once again, it is important not to rush and develop state strategies that are in line with a long-term national vision in order to maintain regional harmony and maximize the benefits that this new opportunity offers us.

However, the B&R requires solid institutions and State policies. While the initiative is powerful, the environment of corruption and populism today presents an important constraint. This can be seen in two current examples, that of the port of Piraeus in Greece and that of Colombo in Siri Lanka, which faced the B&R in two ways. In Piraeus, the Greek government, looking after the interests of its citizens, is able to negotiate with China and obtain common benefit agreements without sacrificing its sovereignty and putting its national budget at risk. However, the government of Siri Lanka, which used Sino-Chinese relations without a strategic approach, is currently facing budget problems.

Panama has been interested in a fast railroad to the city of David. Although this seems to be an opportunity for cooperation between Panama and China, it is important that the corresponding studies be carried out. This is because the country must have clear national interests and the costs and benefits of any investment, not only from China but from any other country. If Panama seeks a long-term relationship, it should evaluate the economic and social impacts of several of the agreements it has made. Panama established a free trade agreement with the United States that has fallen short of the expectations raised about it. In addition, the experience in other countries when there is a lot of foreign investment without proper management has been the displacement of important industries at the national level and an increase in prices due to the increase in demand that negatively impacts citizens. All this points to the need for a strategic management of the relationship between China and Panama.

For this reason, it is important for Panama to strengthen institutions, reduce corruption, ensure the certainty of the punishment of the law and, most importantly, establish a strategic political group that can support decisions with China for any president. Otherwise, instead of improving conditions in the long term, the country would put at risk the advances that have been achieved so far.

The B&R Initiative provides a new platform for global integration. Not only does the framework provides support for infrastructure financing, but also the proper incentives in trade for countries to join the initiative. It needs to include the United States as well as other countries that seem to be focusing on protectionism rather than on integration. Nevertheless trade is such one dimension of the initiative. The need to reduce trade barriers will encourage negotiations and compromises that will further the dialog. These actions will help expand diplomatic, cultural and economic cooperation that can help improve the relationships among the countries of the world in the twenty first century.