

TRADE RELATION BETWEEN INDIA AND COUNTRIES OF CENTRAL AMERICA: OPPORTUNITIES, CHALLENGES AND GOVERNMENT INITIATIVES

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Abstract

The paper discussed the trade relation between India and Central America countries. It has found that trade between India and Central American countries is still in the early stages of development, but there is a good chance for it to grow. India sends automobiles, medicines, and engineering products to Central America, while imports food, minerals, and local made goods from Central American countries. India also provides IT services, machines, clothes, and medicine to Central American countries. Central America has chances for India to invest in farming, manufacturing products, and services. Guatemala and Panama are the larger trade partner of India. India has respectively 562.6 million USD and 191.9 million USD trade surplus with Guatemala and Panama during 2024. In overall, India has trade surplus with the countries of central America region. India has more intense trade with Nicaragua and Guatemala, where low with Panama and El Salvador. India has higher Trade Complementarity Index with Nicaragua, Costa Rica and Guatemala. India export more diversified products in central American countries. Navigating goods in the region is expensive due to the large distance between them. Also, Central America doesn't have strong connections between its countries, there are language differences, and India faces tough competition from China's well-established trade routes. Therefore, government of India and central American countries should work together for mitigating such challenges and expanding trade among them.

Keywords: Central America Region, Export, Import, and Trade balance

Introduction

Foreign trade in India involves all the goods and services that are brought into the country and sent out. At the national level, the Central Government handles trade through the Ministry of Commerce and Industry. Even before India became independent, the government had semi-autonomous diplomatic relations. After gaining independence from the UK in 1947, India joined the Commonwealth of Nations and actively supported independence movements in other countries. During the Cold War, India followed a foreign policy of non-alignment, meaning it didn't side with any major power group. However, India had strong ties with the Soviet Union and received a lot of military help from them. Before 1991, India had a closed economy because import tariffs were very high, usually over 200%, and there were strict limits on how much could be imported. Foreign investment was only allowed if it was entirely owned by Indians. Since the economic reforms in 1991, India's economy has grown a lot because of increased foreign trade. From 1992 to 2005, the amount of money from foreign countries investing in India more than tripled. During the same time, India's total economic output, known as GDP, went up from \$266 billion in 1991 to \$2.3 trillion in 2018. In 2023, India became the seventh biggest country in the world for exporting commercial services, and it accounts for 4.6% of all global trade in services.

India sends out about 7,500 different products to nearly 190 countries and brings in around 6,000 products from 140 countries. The pharmaceutical industry in India was worth about \$50 billion in the fiscal year 2023-24 and is expected to grow to \$130 billion by 2030. India is the second-largest importer of oil after China and depends a lot on imported crude oil. India gets about 82.8% of its crude oil and 45.3% of its natural gas from other countries. The process of cutting and polishing diamonds is mostly done in Surat, a city often called the 'Diamond City'. In 2025, India became the third-largest vehicle manufacturer in the world and exported half of its two-wheeler production. The two biggest things India trades are mineral fuels, both refined and unrefined, and gold, including finished gold items and gold metal. The top places where India sends its goods are the European Union and the United States. India has full diplomatic ties with 201 countries. India's relationship with Central America is getting stronger because of strategic and economic reasons. Central America is becoming a more important economic area for India, with lots of chances in fields like pharmaceuticals and technology. India and Central American countries are working together on Digital Public Infrastructure. Because of its important position and growing economy, Central America has become an area of interest for India.

Literature Review

Montague (2001) looked at trade policy changes in 1998-99 and studied what more needs to be done to help Honduran producers compete better in both foreign and local markets. The Ministry of Industry and Trade (MIT) is the main government body that creates, organizes, and carries out trade and investment policies. Honduras joined the WTO as one of the original members in January 1995. Kamat (2017) observed at the different industries and goods that are important in the India-Preferential Trade Agreement, which is about trade between Latin America and India. The Trade Intensity Index helps measure how much trade happens between two countries and whether that trade value has gone up or down.

Maharaj (2017) started to look into why India hasn't been more involved with the region and pointed out where improvements could be made to help increase cooperation between India and countries in Latin America and the Caribbean. Kumar (2018) studied the trade relationship between India and the USA using the Revealed Comparative Advantages Index and the Trade Complementarity Index. The study found that India has a comparative advantage in 9 out of 20 main trade categories based on 2-digit HS codes, while the USA has a comparative advantage in only 8 of those categories. Peguero et al. (2019) say that in Central America and the Caribbean, the agricultural sector has been important for creating jobs, bringing in income to rural areas, promoting exports, and ensuring food security.

Srivastava et al. (2022) studied the trade between India and four Latin American and Caribbean countries—Brazil, Colombia, Mexico, and Trinidad and Tobago—from 2001 to 2019. They used a tool called the augmented gravity model to look at trade patterns. Their findings show that factors like GDP, GNP, per capita GDP/GNP, and how open a country's economy is all have a big impact on trade between countries. Even though trade agreements don't have a strong effect, open trade and liberal trade policies are still very important. Domínguez (2023) points out that changes in the global system, political and economic shifts, and the election of new governments in India and key Latin American countries like Brazil and Mexico have helped speed up and strengthen the relationship between India and these countries.

From the studies mentioned, it is clear that trade between India and Central American countries is still in the early stages of development, but there is a good chance for it to grow. India sends automobiles, medicines, and engineering products to Central America, while Central America sends food, minerals, and some made goods. India also provides IT services, machines, clothes, and medicine to Central American countries. Central America has chances for India to invest in areas like making things, farming, and providing services.

Objectives

The general objective of the paper is to study the trade relations of India with Countries of Central America. The specific objectives of the paper are:

- To examine the status of trade relation between India and Central American Countries.
- To study Trade intensity index, Trade complementarity index, Export diversification index, and Logistic performance index between India and Central American Countries,
- To identify prospects and challenges of trade between India and Central American Countries.

Methodology

- **Study Area:** Central America is a part of North America. Its borders are set by Mexico to the north, Colombia to the southeast, the Caribbean Sea to the east, and the Pacific Ocean to the southwest. Central America is made up of seven countries: Panama, Nicaragua, Honduras, Guatemala, El Salvador, Costa Rica, and Belize. It is a narrow land strip that connects the southern part of Mexico to the western part of South America. The area is popular for businesses because it is close to the United States, has low wages, and offers good tax benefits. As of 2021, the population of Central America is about 50,956,791. Spanish is the main language in all these countries, except in Belize, where English is the official language. Most people in Central America practice Christianity, which is followed by about 95.6% of the population.



- **Design and approach:** The study is based on secondary data. The author has used a qualitative and quantitative approach in the study. Secondary data is collected from tradeeconomics.com, World Integrated Trade Solution, research articles etc.

- **Method of analysis:** The study used several methods for qualitative analysis, such as descriptive analysis, analytical content analysis, and textual analysis. The researcher used the Trade Intensity Index, Trade Complementarity Index, Herfindahl-Hirschman Index, Logistic Performance Index, and Global Peace Index to understand all aspects of trade between India and Central American countries.

Results and Discussion

(1) Trade relation between India and Central American Countries

Trade between India and Central American countries is part of a broader strategic relationship with Latin America, with a focus on sectors such as engineering, IT, and pharmaceuticals. Central America has potential in IT and digital services. Key areas of trade include the export of Indian goods such as engineering products, pharmaceuticals, and IT services, alongside the import of raw materials, agricultural products, and hydrocarbons from Central America. While bilateral trade is on the rise, there is still significant untapped potential. India aims to strengthen engagement through events like the India-SICA Foreign Ministers' Meeting. The main exports from India to Central America include engineering goods, pharmaceuticals, and IT services, while India imports raw materials, agricultural products, and mineral ores from the region. Central America serves as a key supplier of items such as edible oils and pulses to India. India's expertise in information technology presents opportunities for collaboration, especially in areas like digital education, cybersecurity, and e-governance. Indian companies such as JK Tyre and Bajaj Auto have set up manufacturing and assembly operations in the region.

Table 1: Export of India to Central American Countries

Year	Belize	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama
2013	25.9	84.5	73.5	237.0	114.0	66.2	221.0
2014	23.1	93.6	60.4	222.0	162.0	65.6	270.0
2015	15.8	124.0	69.1	255.0	171.0	77.4	240.0
2016	15.2	148.0	59.3	240.0	142.0	90.7	214.0
2017	14.8	134.0	66.0	282.0	142.0	78.4	234.0
2018	14.3	146.0	77.7	306.0	158.0	64.6	213.0
2019	16.3	131.0	78.4	291.0	186.0	64.8	244.0
2020	9.4	112.0	75.5	299.0	139.0	73.4	155.0
2021	13.2	144.0	148.0	520.0	304.0	113.0	335.0
2022	17.4	179.0	136.0	498.0	294.0	110.0	313.0
2023	14.3	182.0	126.0	523.0	251.0	117.0	307.0

2024	11.5	210.0	146.0	607.0	279.0	155.0	269.0
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Source: <https://tradingeconomics.com/>, Note: Figure in Million USD.

Table 1 shows the India's export revenue from the Central American Countries. India receives the highest export revenue from Guatemala, followed by Panama, and Honduras. On the other hand, least revenue from Belize, preceded by El Salvador. India transferred \$25.9 million worth of products to Belize in 2013, then \$9.4 million in 2020, and \$11.5 million in 2024. India exported \$84.5 million in 2013 to Costa Rica, then \$112.0 million in 2020, and \$210.0 million in 2024. India transferred the value of the product worth \$73.5 million in 2013 to El Salvador, then \$75.5 million in 2020, and \$146.0 million in 2024. India sold \$237.0 million worth of product in 2013 to Guatemala, \$299.0 million in 2020, and \$607.0 million in 2024. India sold \$114.0 million to Honduras in 2013, \$139.0 million in 2020, and \$279.0 million in 2024. India sold \$155.0 million and 269.0 million respectively to Nicaragua and Panama in 2024.

Bilateral trade between India and Belize is approximately US\$18 million as of 2023-2024. India is a net exporter to Belize, with its main exports being tobacco products, pharmaceuticals, engineering goods, and textiles, while Belize's exports to India primarily include chemical products and scrap aluminium. Several sectors in Belize, such as pharmaceuticals, tourism, and fisheries, have good potential for Indian investment. In 2023, India's main exports to Belize included auto parts, pharmaceuticals, engineering goods, and cigarettes and tobacco. Steel products, iron, textiles, and various organic chemicals are also important exports. India's exports to Belize have seen a noticeable rise, increasing from US\$0.304 million in 1995 to US\$16.90 million in 2023. In 2023, India's imports volume from Belize was mainly scrap aluminium, animal food, and chemical products. Although lower than exports, imports from Belize have also seen a growth from US\$0.07 million in 1997 to US\$0.602 million in 2023.

Certain sectors in Belize, such as food processing, tourism, and pharmaceuticals, offer good potential for Indian investors. Development partnership is an important aspect of the India-Belize relationship. India has extended development assistance to Belize, including a Line of Credit of US\$30 million for country-specific or joint SICA projects, according to the Ministry of External Affairs. Trade between India and Costa Rica has seen steady growth, with bilateral trade reaching USD \$301 million in 2023-2024. India primarily exports automobiles, pharmaceuticals, and textiles to Costa Rica, while importing wood products, medical instruments, and coffee. Both countries have identified potential for further expansion in sectors like agriculture, biotechnology, and IT, according to The Financial Express. India's presence with companies like Infosys and Wipro in Costa Rica, particularly in the IT sector, indicates a strong existing partnership that can grow further. Both nations aim to enhance trade

in sectors with high growth potential. There is significant opportunity for expansion in areas like renewable energy, biotechnology, and information technology. Costa Rica's tax exemptions on electric vehicles could also be a factor for trade in the automotive sector, says the Ministry of External Affairs.

Table 2: Import of India from Central American Countries

Year	Belize	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama
2013	0.218	220.0	8.95	13.3	23.3	2.70	36.8
2014	1.57	184.0	8.36	16.9	26.2	1.98	83.2
2015	0.448	68.8	8.77	13.6	17.9	3.75	75.0
2016	0.386	58.3	4.74	18.0	20.3	2.87	53.2
2017	1.33	68.3	9.42	17.6	15.3	3.78	136.0
2018	0.757	49.2	4.74	15.9	12.8	3.27	39.8
2019	0.845	51.4	3.30	21.3	23.7	4.05	77.4
2020	0.649	39.1	3.70	21.0	10.2	4.93	29.1
2021	0.419	62.7	4.26	22.4	22.5	8.52	213.0
2022	0.999	64.1	2.63	20.2	15.8	9.23	296.0
2023	0.254	131.0	6.28	46.3	32.4	20.4	270.0
2024	0.397	163.0	8.83	44.4	38.8	53.6	77.1

Source: <https://tradingeconomics.com/>, Note: Figure in Million USD.

Table 2 shows India's import value from the Central American Countries. India imported the highest value of products from Panama and Costa Rica, where the least value of products imported from Belize. India imported \$0.218 million worth of products to Belize in 2013, then \$0.649 million in 2020, and \$0.397 million in 2024. India imported \$220.0 million in 2013 from Costa Rica, then \$39.1 million in 2020, and \$163.0 million in 2024. India imported product worth of \$8.95 million in 2013 from El Salvador, then \$3.70 million in 2020, and \$8.83 million in 2024. India imported \$13.3 million worth of product from Guatemala in 2013, \$21.0 million in 2020, and \$44.4 million in 2024. India imported a value of \$23.3 million from Honduras in 2013, \$10.2 million in 2020, and \$38.8 million in 2024. India imported from Nicaragua and Panama were respectively \$53.6 million and \$77.1 million in 2024.

Trade between India and El Salvador is expanding, with India exporting pharmaceuticals, vehicles, and textiles, while El Salvador exports wood, iron, steel, and some electronics. Both nations are enhancing their relationship through initiatives such as buyer-seller meets and have signed agreements for cultural and other forms of cooperation. Engineering products, chemicals, textiles, vehicles, and pharmaceuticals are main exports from India to El Salvador,

reaching approximately \$146.43 million in 2024. There is considerable potential for growth, particularly in the IT sector, as El Salvador's strategic location can serve the US market. El Salvador's exports to India include low-voltage protection equipment, electrical capacitors, iron and steel, and wood products. The value of goods exported from El Salvador to India was approximately \$231 million in 2022-23. Both governments are promoting bilateral trade through various initiatives, such as hybrid buyer-seller meets. India and El Salvador have signed agreements in areas like visa exemptions and cultural cooperation. El Salvador has invited India to join the Central American Bank for Economic Integration.

Trade between India and Guatemala shows a significant imbalance, with India maintaining a large trade surplus. Recent figures shown fluctuations, though India's overall exports to Guatemala remain strong, featuring automotive products, pharmaceuticals, textiles, and chemicals. India's export profile is diverse, with manufactured and industrial goods being the primary drivers. Guatemala's exports to India are led by agricultural products and raw materials. To strengthen economic relations, both countries established several agreements and cooperative initiatives. Both nations have hosted "Made in India" trade shows and business seminars to promote bilateral trade and investment. India-Honduras trade has grown, with total bilateral trade valued at about \$310 million in 2025. India primarily exports pharmaceuticals, machinery, automobiles, and textiles, while its main imports from Honduras include scrap iron, scrap aluminium, coffee, and wood. Both countries are working to strengthen economic ties through diplomatic efforts and trade delegations. Textiles, iron and steel, auto components, automobiles, pharmaceuticals, and machinery are some of India's main exports. Key products India imports from Honduras include recovered paper, wood, coffee, aluminium, scrap, and scrap iron.

India and Nicaragua trade in a range of goods, with India primarily exporting pharmaceuticals, automobiles, and iron and steel, while importing wood, machinery, and raw hides. The trade relationship has seen substantial growth, particularly in pharmaceuticals. Companies such as Bajaj and Mahindra have established a market presence in Nicaragua. Both countries are also exploring collaboration in areas like IT, renewable energy, and healthcare. Some Indian companies have begun entering the Nicaraguan market, and there is also ongoing dialog around initiatives such as training centers and quick impact projects. Cooperation is being explored in the areas of education, research, and innovation.

India's main exports to Nicaragua include pharmaceuticals, automobiles and accessories, and iron and steel, while Nicaragua's main exports to India consist of wood and wooden articles, raw hides, and paper. Trade between India and Panama has been growing, with bilateral trade

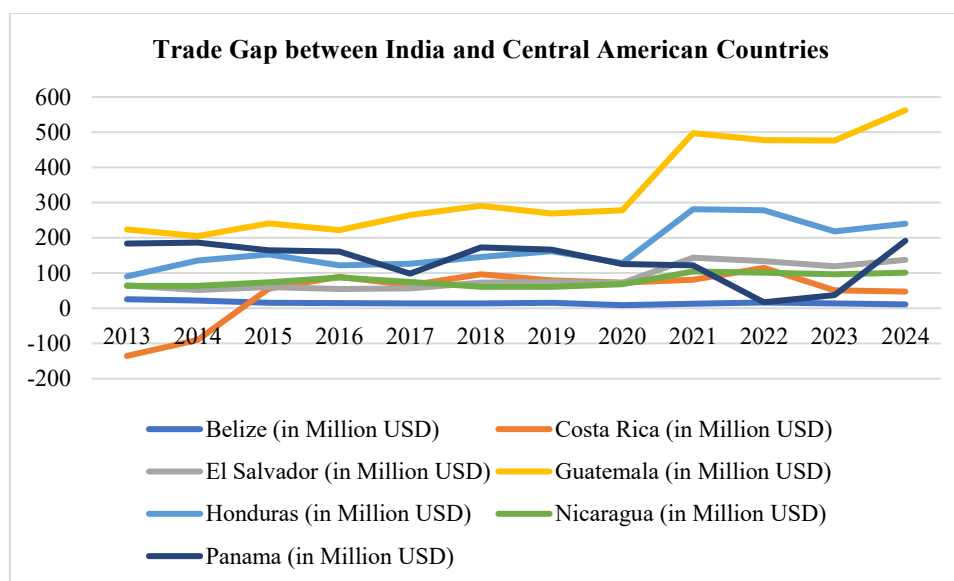
reaching approximately USD 600 million in 2023, making Panama India's largest trade partner in Central America. India's major exports to Panama are pharmaceuticals, engineering goods, automobiles, and textiles, while Panama's exports to India include crude petroleum, iron and steel, and wood products. Looking towards future growth, Panama is looking to leverage India's IT and software expertise, and India has established IT centers in the region. There is also that of the possibility of an Indian logistics hub in Panama for trade with the Americas. Both countries are active in strengthening ties through knowledge-sharing, capacity-building, and potential investment. However, an ongoing severe drought has impacted Panama's Canal shipping activity, which could influence trade flows.

Table 3: Trade Gap (Surplus/ Deficit) of India with Central American Countries

Year	Belize	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama
2013	+25.68	-135.5	+64.55	+223.7	+90.7	+63.50	+184.2
2014	+21.53	-90.4	+52.04	+205.1	+135.8	+63.62	+186.8
2015	+15.35	+55.2	+60.33	+241.4	+153.1	+73.65	+165.0
2016	+14.81	+89.7	+54.56	+222.0	+121.7	+87.83	+160.8
2017	+13.47	+65.7	+56.58	+264.4	+126.7	+74.62	+98.0
2018	+13.72	+96.8	+72.96	+291.0	+145.2	+61.33	+173.2
2019	+15.45	+79.6	+75.10	+269.7	+162.3	+60.75	+166.6
2020	+8.75	+72.9	+71.80	+278.0	+128.8	+68.47	+125.9
2021	+12.78	+81.3	+143.74	+497.6	+281.5	+104.48	+122.0
2022	+16.41	+114.9	+133.37	+477.8	+278.2	+100.77	+17.0
2023	+14.04	+51.0	+119.72	+476.7	+218.6	+96.6	+37.0
2024	+11.11	+47.0	+137.17	+562.6	+240.2	+101.4	+191.9

Source: <https://tradingeconomics.com/>, Note: Figure in Million USD.

Table 3 discussed the Trade Gap (Surplus/ Deficit) of India with Central American Countries. It has found that India has trade surplus with Belize, El Salvador, Guatemala, Nicaragua, and Panama during 2013-2024. India has trade deficit with Costa Rica during 2013-2014, but has trade surplus since 2015. Guatemala and Panama are the larger trade partner of India. India has respectively 562.6 million USD and 191.9 million USD trade surplus with Guatemala and Panama during 2024. Therefore, in overall, India has trade surplus with the countries of central America region.



(2) The Trade Intensity Index, Export Concentration Index, Export Diversification Index, Logistics Performance Index, and Global Peace Index of India and Countries of Central America

Let us discuss the Trade intensity index, Export concentration index, and Export diversification index of India with the Countries of Central America for measuring trade patterns. We also include the Logistics performance index and Global peace index of India with the Countries of Central America. The Trade Intensity Index measures the value of a country's exports to a partner country relative to the total world exports to that partner country. The Trade Complementarity Index assesses how well one country's exports align with another country's imports. The Export Diversification Index indicates how different a country's export structure is from the global export structure. The Logistics Performance Index is a composite score derived from weighted averages across six key dimensions.

Table 5: Trade Intensity Index of India and Countries of Central America

Country	Trade Intensity Index							
	2017	2018	2019	2020	2021	2022	2023	2024
India - Belize	-	89.53	100.04	96.00	78.26	73.80	71.65	55.39
India- Costa Rica	81.48	72.06	67.65	70.10	61.97	62.54	63.68	65.49
India - El Salvador	71.70	67.14	60.49	65.92	88.76	89.47	69.05	78.29
India- Guatemala	109.87	108.45	92.47	110.26	125.64	122.18	117.71	128.51
India - Honduras	95.86	88.83	95.70	96.12	101.83	-	99.45	103.36
India- Nicaragua	142.50	110.47	107.81	183.10	217.68	257.10	192.61	188.84
India- Panama	67.89	61.44	66.93	69.75	56.32	59.07	75.06	64.04

Source: Calculated by author from the World Integrated Trade Solution (WITS) Website. Note: Afghanistan-India shows Afghanistan as the reporter country, India as the partner country.

The Trade Intensity Index is a measure that assesses whether the level of bilateral trade between two countries is higher or lower than expected based on their significance in global trade. Its value above one indicates that trade is more intense than average, while a value below one suggests it is less intense than expected. It is calculated by comparing a country's trade share with a partner to the world's trade share with that same partner. From Table 5, it has been found that India's export is more intense with Nicaragua and Guatemala than the other countries. On the other hand, India's trade is less intense with Panama and El Salvador. Therefore, India has more intense trade with Nicaragua and Guatemala, where low with Panama and El Salvador.

Table 6: Trade Complementarity Index of India and Countries of Central America

Country	Trade Complementarity Index							
	2017	2018	2019	2020	2021	2022	2023	2024
India - Belize	53.58	54.05	54.11	51.97	51.01	54.08	55.85	57.35
India- Costa Rica	56.95	58.97	60.98	60.66	61.19	62.77	64.89	64.38
India - El Salvador	59.08	59.55	59.61	61.34	64.48	64.37	62.01	58.39
India- Guatemala	57.21	60.55	61.96	61.82	63.33	65.14	62.15	61.30
India - Honduras	57.99	59.88	60.51	61.69	61.51	63.40	62.37	59.77
India- Nicaragua	60.47	61.88	60.94	63.03	62.26	63.28	65.06	62.10
India- Panama	48.12	50.29	48.15	41.93	45.99	44.97	51.07	46.94

Source: Calculated by author from the World Integrated Trade Solution (WITS) Website. Note: Afghanistan-India shows Afghanistan as the reporter country, India as the partner country.

The Trade Complementarity Index shows how well the goods one country sells match the goods another country buys, showing how likely they are to be good trading partners. A higher TCI means a country exports things that another country imports, and the other way around, which can lead to more trade between them and better economic benefits. The index goes from 0 to 100, with higher numbers showing a stronger match between their trade needs. From Table 6, it has been found that India has a higher Trade Complementarity Index with Nicaragua, Costa Rica and Guatemala. It means India's export profile partially matches or complements the Nicaragua, Costa Rica and Guatemala import profile. India has a comparatively lower Trade Complementarity Index value with Panama.

Table 7: Export Diversification Index of India and Countries of Central America

Country	Herfindahl-Hirschman Index (HHI)							
	2017	2018	2019	2020	2021	2022	2023	2024
India - Belize	-	0.2880	0.2796	0.2298	0.2600	0.1169	0.1199	0.0767

India- Costa Rica	0.0883	0.0800	0.0839	0.0582	0.0686	0.0497	0.0315	0.0700
India - El Salvador	0.0339	0.0373	0.0345	0.0334	0.0560	0.0454	0.0348	0.0453
India- Guatemala	0.0663	0.0619	0.0678	0.0938	0.0751	0.0572	0.0741	0.0934
India - Honduras	0.0505	0.0762	0.0588	0.0661	0.0698	-	0.0783	0.1046
India- Nicaragua	0.0554	0.1112	0.1141	0.0731	0.1716	0.2346	0.0880	0.1122
India- Panama	0.0425	0.0430	0.0415	0.0380	0.1385	0.1086	0.1142	0.1427

Source: Calculated by author from the World Integrated Trade Solution (WITS) Website. Note: Afghanistan-India shows Afghanistan as the reporter country, India as the partner country.

An export diversification index, or Herfindahl-Hirschman Index, measures the degree to which a country's exports are concentrated or varied in terms of products, serving as an indicator of economic resilience. The lower values indicate a more diversified export basket, and higher values suggest a high concentration in a limited number of products. From Table 7, it has found that the Herfindahl-Hirschman Index of India is highest with Belize, it means India exports less diversified products to Belize. On the other hand, the Herfindahl-Hirschman Index of India is lowest with El Salvador. In overall, India export more diversified products in central American countries.

Table 8: Logistic Performance Index of India and Countries of Central America

Country	Rank	Score	Country	Rank	Score
India	38	3.4	Guatemala	88	2.6
Belize	115	2.4	Honduras	66	2.9
Costa Rica	66	2.9	Nicaragua	97	2.5
El Salvador	79	2.7	Panama	57	3.1

Source: https://lpi.worldbank.org/sites/default/files/2023-04/LPI_2023_report_with_layout.pdf

The Logistics Performance Index is a report published by the World Bank that evaluates and benchmarks the trade logistics performance of 139 countries. It measures the ease and efficiency of moving goods into and within a country by assessing performance across six key areas: ease of arranging shipments, customs performance, logistics services quality, and timeliness of shipments, infrastructure quality, consignment tracking and tracing. From Table 8, it has been found that India's Logistics Performance Index is better than the central American countries. Rank of central American countries lies between 57-115. It indicates transport or logistic supply facilities of India is better than the central American countries. Rank of central American countries are low due to the geographical isolation and the hilly mountains. It creates an obstacle in the logistics supply for trade.

Table 9: Global Peace Index of India and Countries of Central America, 2025

Country	Rank	Score	Country	Rank	Score
India	115	2.229	Guatemala	108	2.174
Belize	-	-	Honduras	124	2.347
Costa Rica	54	1.843	Nicaragua	111	2.207
El Salvador	104	2.136	Panama	84	2.006

Source: <https://www.visionofhumanity.org/wp-content/uploads/2025/06/Global-Peace-Index-2025-web.pdf>

The Global Peace Index is the main way to measure peace around the world. It ranks 163 different countries and regions based on 23 different factors. These factors are grouped into three areas: how safe and secure society is, whether there are ongoing conflicts, and how much militarization there is. Table 9 discusses the Global Peace Index of India and Countries of Central America. It has been found that India and Countries of Central America are not in a favourable position in the Global Peace Index. It is due to political and economic disturbances in the nations hampering the expansion of trade among themselves.

(3) Opportunities, Challenges and Government Initiatives

India's trade views with Central America remain substantial but are presently underdeveloped due to physical distance, limited direct transportation modes, and absence of comprehensive trade agreements. Key opportunities lie in the export of manufactured goods like vehicles and pharmaceuticals, and the import of regional resources such as renewable energy, wood, and minerals. Addressing challenges such as infrastructure and negotiating Free Trade Agreements (FTAs) are essential to unlock this potential. India's primary exports to the region include organic chemicals, pharmaceuticals, vehicles, and iron and steel, while Central America's main exports to India include natural pearls, wood, and mineral products. Trade is constrained by limited infrastructure, lack of direct shipping and air connectivity, and challenges in information trading. Negotiating FTAs is essential to reduce tariffs, streamline customs processes, and improve market access, thereby fostering a more enabling environment for Indian enterprises.

Central America's abundant renewable energy potential, especially in solar, wind, and hydro, offers a significant opportunity for collaboration and investment. India has substantial expertise in this field. Its experience in developing and managing digital networks could be utilized in Central America, potentially through initiatives like the proposed Central Asian e-network. India is a major exporter of pharmaceuticals, and there is considerable potential to boost exports to Central America. India can also capitalize on its strengths in the textile sector to enter the

Central American market. Its robust automotive manufacturing industry can be further developed, as evidenced by current vehicle export levels.

Key challenges in India's trade with Central America involve the long distance, which makes transportation expensive, and the lack of direct links between the two regions. High tariffs on agricultural goods pose a problem, even though China has a stronger presence and better trade connections in the area. Language barriers and the absence of a single regional engagement plan for India are additional obstacles. Indian products are not well known in Central America compared to those from other regions. There are no direct shipping services from India to Central America, while China benefits from direct routes through the Panama Canal. This lack of physical connection makes it hard to transport heavy and perishable goods. Central American countries are at different stages of regional integration, making it hard to develop a unified trade strategy with India. China has a more established trade and investment presence, giving it a significant edge. Many Indian business leaders lack proficiency in Spanish and Portuguese, which can hinder communication and business opportunities.

India is working to boost trade with Central America through initiatives like expanding trade agreements and investing in areas like agriculture, renewable energy, and pharmaceuticals. These efforts are backed by events such as the India-SICA Foreign Minister's Meeting and the promotion of Indian digital tools like the UPI payment system. India has also expanded scholarships under the Indian Technical and Economic Cooperation program for Central American students and is offering to set up vocational training centers, such as one for solar engineers, to build local skills. India should focus on negotiating comprehensive free trade agreements with individual Central American nations or groups like SICA. Encouraging direct shipping and air routes between the two regions can help reduce costs and transit times. Promoting business-to-business interactions through trade fairs, delegations, and online platforms can help build trust and close the information gap. India should also partner with Central American countries on projects related to renewable energy and digital infrastructure to deepen economic ties.

Conclusion

Trade between India and Central American countries is still in the early stages of development, but there is a good chance for it to grow. India sends automobiles, medicines, and engineering products to Central America, while Central America sends food, minerals, and some made goods. India also provides IT services, machines, clothes, and medicine to Central American

countries. Central America has chances for India to invest in areas like making things, farming, and providing services. Guatemala and Panama are the larger trade partner of India. India has respectively 562.6 million USD and 191.9 million USD trade surplus with Guatemala and Panama during 2024. In overall, India has trade surplus with the countries of central America region. India has more intense trade with Nicaragua and Guatemala, where low with Panama and El Salvador. India has a higher Trade Complementarity Index with Nicaragua, Costa Rica and Guatemala. India export more diversified products in central American countries.

Trade between India and Central American countries has some difficulties. These include the long distance between the two regions, the lack of direct connections, and differences in language. There are also other problems, like China's strong influence and existing trade deals in the area. Central America is not fully connected as a region, and each country has its own changing trade rules and regulations that can make things harder. The large distance between India and Central America makes transport expensive and causes problems with moving things around.

Trade opportunities between India and Central American countries look good. This is because trade is growing, there's more variety in what is being traded, and both sides are interested in areas like medicine, farming, and tech. The governments of India and Central American countries are working together on several areas like trade, digital technology, healthcare, and energy. This includes India's programs that help develop other countries, as well as efforts to create new trade deals and share knowledge in fields such as digital technology and farming. The relationship is based on South-South cooperation, which means countries in the Global South working together to solve common issues like food shortages and climate change. India is also trying to improve economic ties by making Preferential Trade Agreements and Free Trade Agreements with individual countries and groups in the region.

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