

# Enhancing Trade & Investment Relations between India and Central America

**Mr. Ravindra Mehru**

**Resident Representative, Washington D.C.  
Export-Import Bank of India**



# Presentation Outline

**1** Macroeconomic Overview of Central American Economies

**2** Recent Trends in Central America's Trade

**3** Investment Scenario in Central American Countries

**4** Export-Import Bank of India in LAC

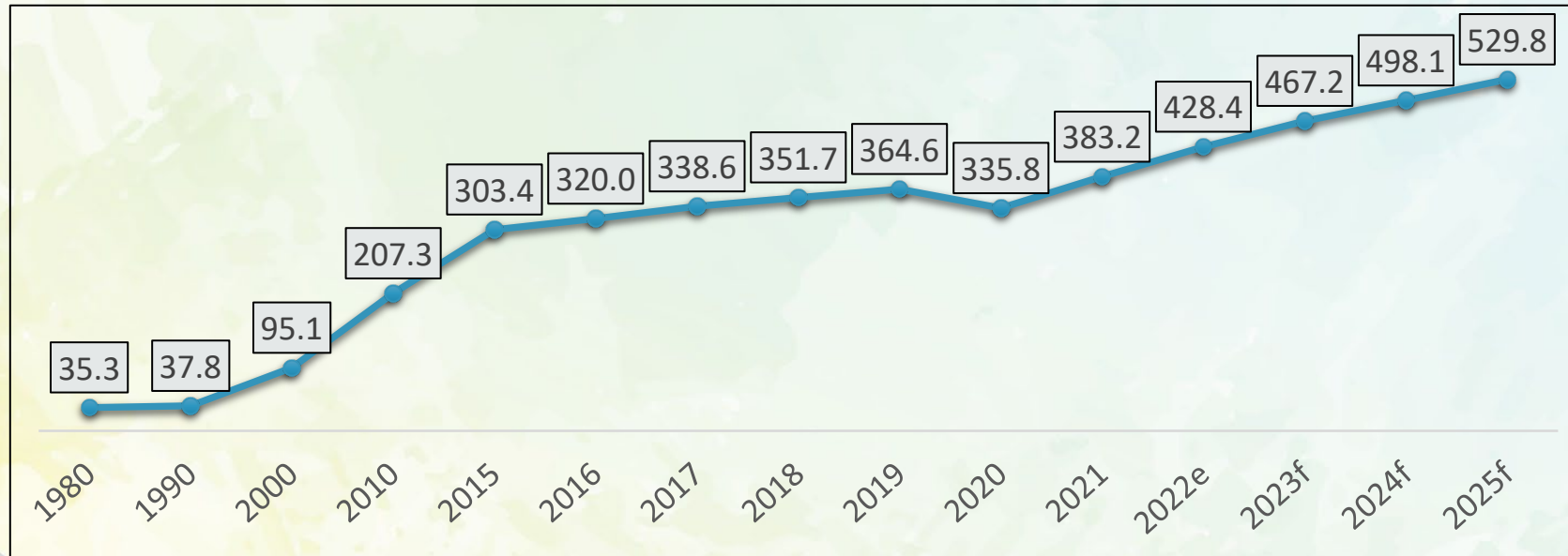
**5** Way Forward

# Macroeconomic Overview of Central American Economies

# Macroeconomic Overview of Central America



**GDP of the Central American Countries (US\$ billion)**



**GDP at Current Prices (US\$ billion)**

Country	2020	2021	2022 <sup>e</sup>	2023 <sup>f</sup>
Belize	2.1	2.5	3.0	3.2
Costa Rica	62.4	64.6	68.4	77.8
Dominican Republic	78.9	94.5	112.5	121.3
El Salvador	24.6	28.7	31.6	33.8
Guatemala	77.6	87.0	93.7	102.3
Honduras	23.7	28.3	31.5	34.3
Nicaragua	12.6	14.0	15.8	17.3
Panama	54.0	63.6	72.0	77.3

- Central America comprises of 8 economies: Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, and Dominican Republic.
- Together they form **Central America Integration System (SICA)**, set up in 1991.
- Combined GDP stood at an estimated US\$ 428.4 billion in 2022, with total population of 62.6 million.
- IMF projects combined GDP of the region to reach US\$ 467.2 billion by 2023.



# Recent Trends in Central America's Trade

# RECENT TRENDS IN CENTRAL AMERICA'S TRADE

Central America's Trade during 2021-21



- Total merchandise trade of the region has grown multi fold in the last two decades from US\$ 44.1 billion in 2001 to US\$ 201.6 billion in 2021.
- During 2001-2021, merchandise exports have grown more than 5 folds and merchandise imports have quadrupled.
- Merchandise trade of Central America rebounded even stronger in 2021 after the pandemic, with imports expanding by 44% and exports by 25% over the 2020 level.

# RECENT TRENDS IN CENTRAL AMERICA'S TRADE



Central America's Top Exports- Product Wise (US\$ million)

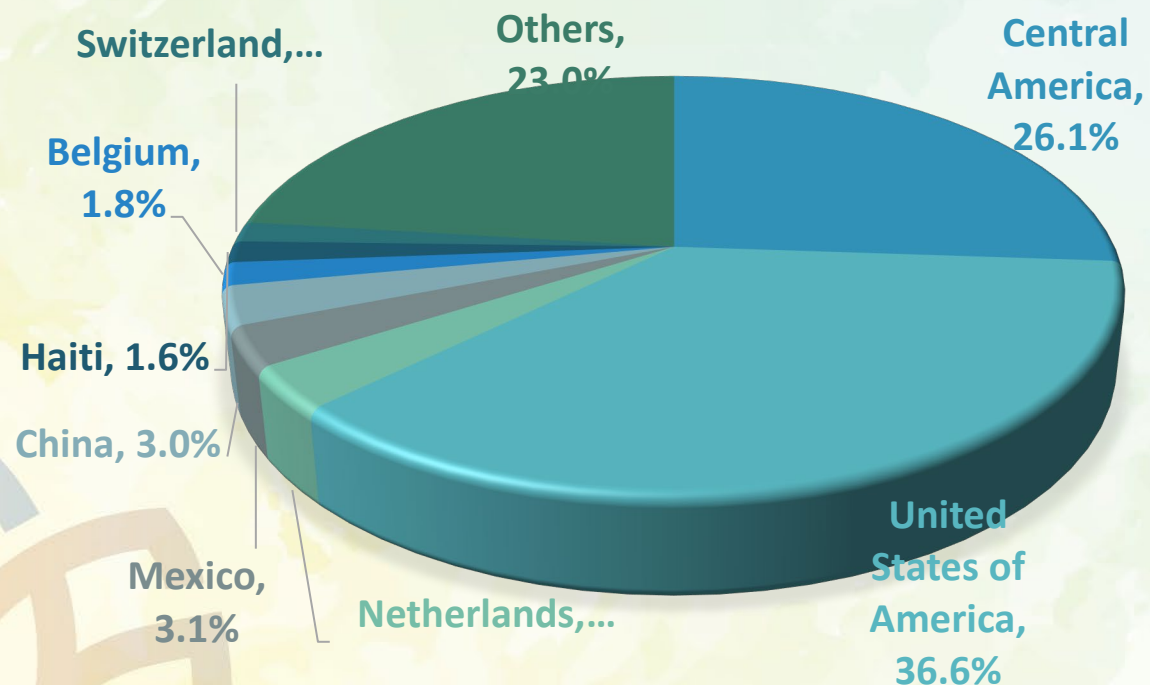
HS Code	Product label	2011	2021
<b>TOTAL</b>	All products	53894.0	70532.9
<b>90</b>	Optical, photographic, cinematographic, apparatus	2059.8	6527.5
<b>85</b>	Electrical machinery and equipment	5096.2	4868.0
<b>61</b>	Articles of apparel and clothing accessories, knitted or crocheted	3681.7	4823.2
<b>8</b>	Edible fruit and nuts	2933.9	4535.9
<b>71</b>	Natural or cultured pearls, precious or semi-precious stones	1359.6	4059.7
<b>9</b>	Coffee, tea, maté and spices	3915.3	3781.7
<b>30</b>	Pharmaceutical products	2322.7	3118.0
<b>26</b>	Ores, slag and ash	999.8	3066.3
<b>39</b>	Plastics and articles thereof	1429.6	2253.2
<b>72</b>	Iron and steel	1256.9	2023.0

Central America's Top Imports- Product Wise (US\$ million)

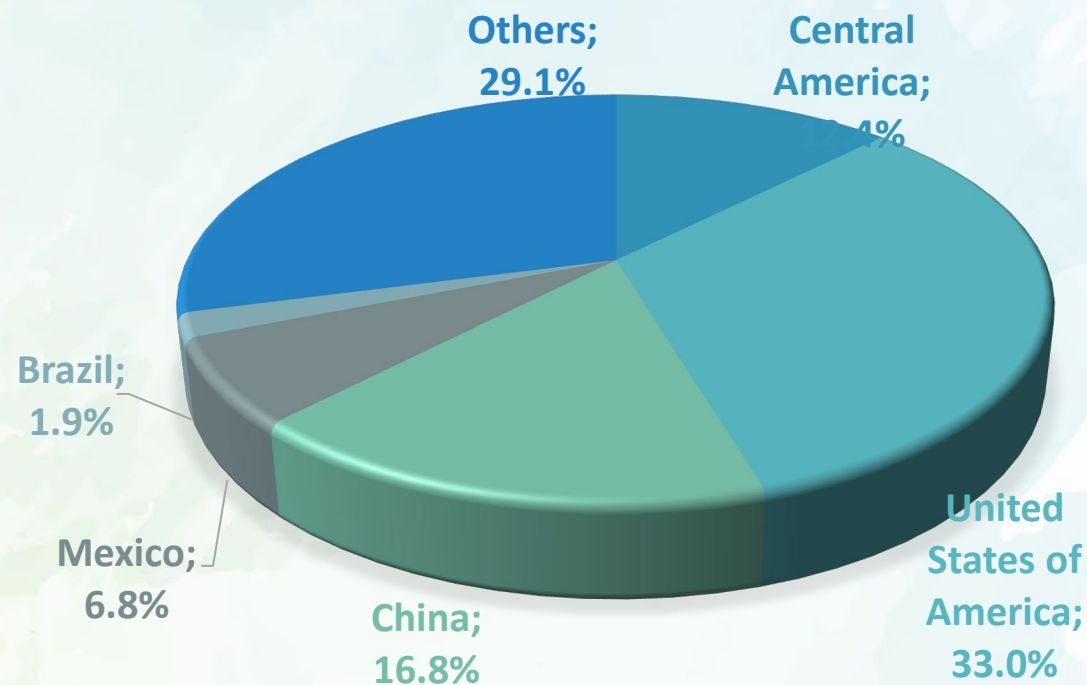
HS Code	Product label	2011	2021
<b>TOTAL</b>	All products	102767.2	131074.0
<b>27</b>	Mineral fuels, mineral oils and products	17878.5	17857.0
<b>85</b>	Electrical machinery and equipment	10192.9	10563.4
<b>84</b>	Machinery, mechanical appliances	7905.9	10553.5
<b>39</b>	Plastics and articles thereof	4796.7	7980.5
<b>87</b>	Vehicles other than railway or tramway	5592.9	7890.6
<b>30</b>	Pharmaceutical products	4069.9	7239.4
<b>72</b>	Iron and steel	2971.1	5185.6
<b>48</b>	Paper and paperboard	2703.3	3444.9
<b>10</b>	Cereals	2298.7	3151.5
<b>73</b>	Articles of iron or steel	1807.8	2659.4

# RECENT TRENDS IN CENTRAL AMERICA'S TRADE

Central America's Top Export Destinations, (% Share 2021)



Central America's Top Import Sources, (% Share 2021)

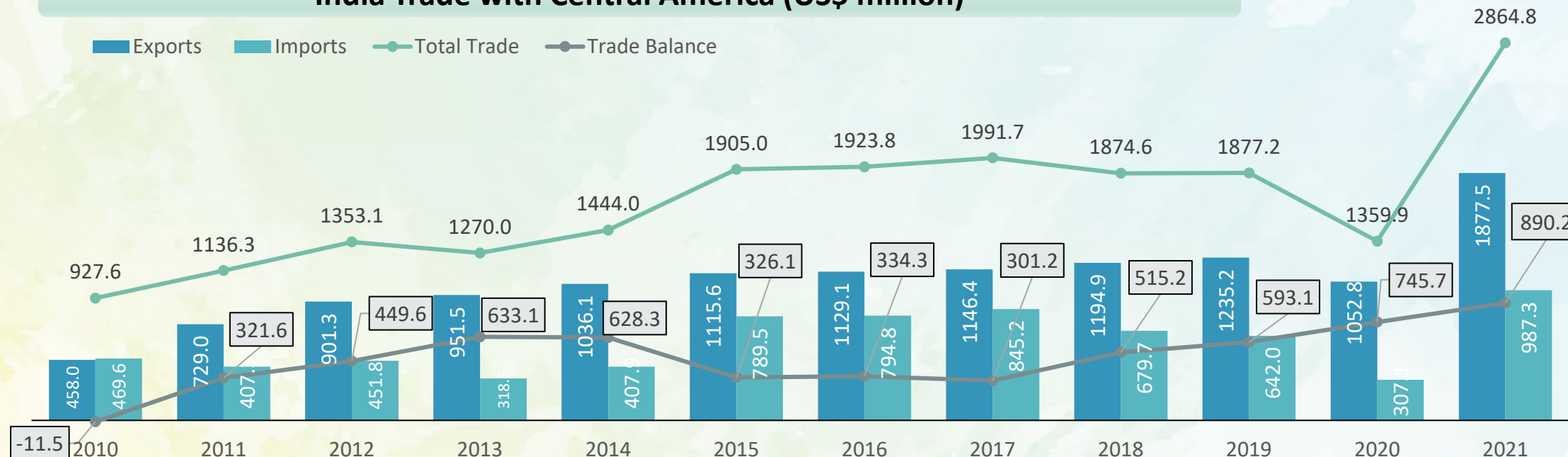


- In 2021, the region exported goods worth US\$ 1 billion to India, which amounted to 1.4% of region's overall merchandise exports.
- The region imported merchandise good worth US\$ 2.1 billion from India in 2021, which amounted to 1.6% of its total imports in the year.



# INDIA'S TRADE RELATIONS WITH CENTRAL AMERICA

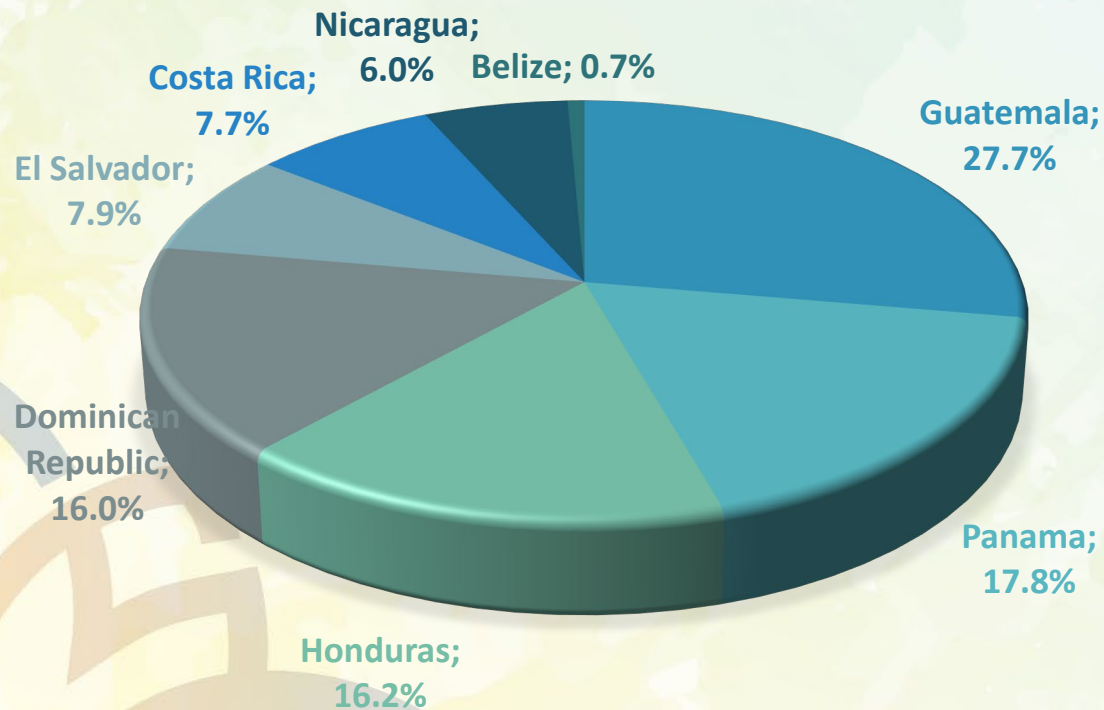
India Trade with Central America (US\$ million)



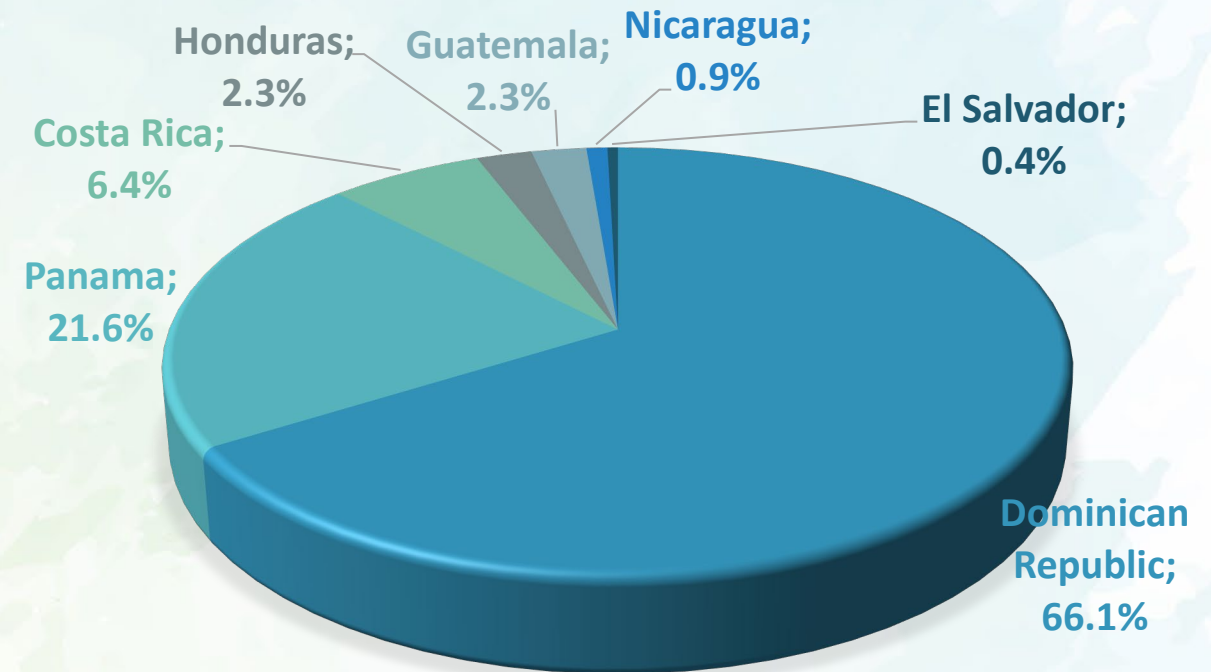
- India attaches high importance to its relations with SICA. The first India and SICA Foreign Ministers' meeting was held in February 2004, with the last round of talks in Panama in April 2023.
- Total trade which stood at US\$ 159.1 million in 2001, has grown to reach US\$ 2.9 billion in 2021.
- India's exports to Central America remained resilient during pandemic as well, with export of US\$ 1.1 billion in 2020.
- India runs a positive trade balance with the Central American region.

# INDIA'S TRADE RELATIONS WITH CENTRAL AMERICA

India's Top Export Destinations in Central America (% , 2021)



India's Top Import Sources from Central America (% , 2021)



# INDIA'S TRADE RELATIONS WITH CENTRAL AMERICA



## India's Major Exports to Central America (US\$ million)

HS Code	Product Label	2019	2020	2021
	All products	1235.2	1052.8	1877.5
87	Vehicles other than railway or tramway	270.9	218.5	408.2
30	Pharmaceutical products	179.1	181.4	248.5
52	Cotton	54.9	50.1	160.7
27	Mineral fuels, mineral oils and products	7.3	5.9	119.3
32	Tanning or dyeing extracts	95.2	53.6	110.9
84	Machinery and mechanical appliances	47.2	47.1	74.2
72	Iron and steel	23.7	14.0	67.4
39	Plastics and articles thereof	44.3	47.0	66.9
61	Articles of apparel and clothing accessories, knitted or crocheted	50.9	29.4	59.2
38	Miscellaneous chemical products	47.9	53.8	55.5

## India's Major Imports from Central America (US\$ million)

HS Code	Product Label	2019	2020	2021
	All products	642.0	307.1	987.3
71	Natural or cultured pearls, precious or semi-precious stones	437.0	177.9	615.1
26	Ores, slag and ash	33.4	0.2	160.5
44	Wood and articles of wood	92.9	56.3	92.8
72	Iron and steel	31.0	21.9	41.7
47	Pulp of wood or of other fibrous cellulosic material	9.8	11.7	22.7
84	Machinery and mechanical appliances	1.8	9.3	12.5
76	Aluminium and articles thereof	10.3	7.1	11.8
85	Electrical machinery and equipment	1.7	1.9	9.7
9	Coffee, tea, maté and spices	7.1	9.6	5.9
90	Optical, photographic, cinematographic apparatus	4.0	2.8	4.2

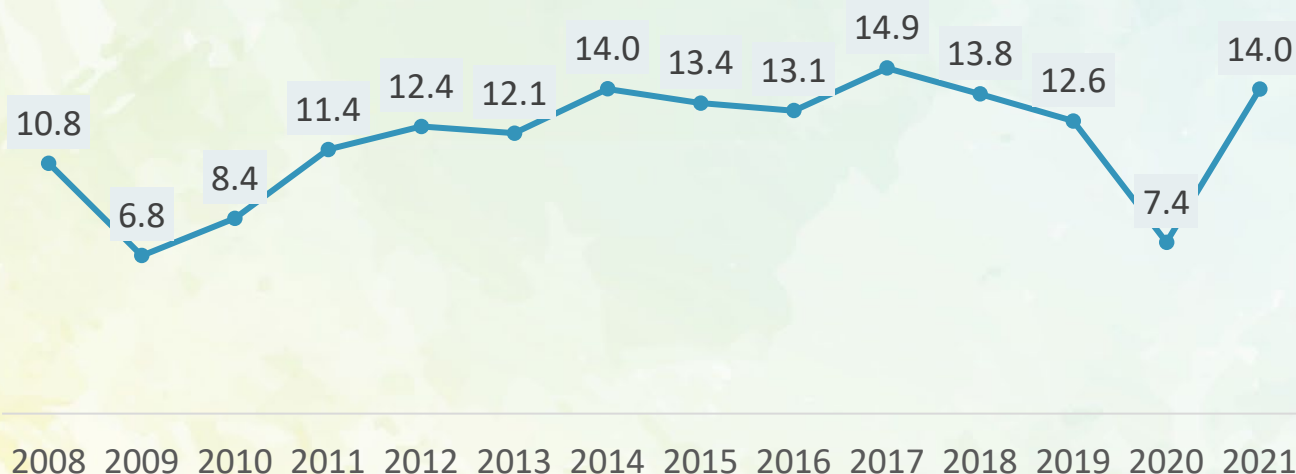
# Investment Scenario in Central American Countries



# INVESTMENT SCENARIO IN CENTRAL AMERICAN COUNTRIES



FDI Inflows in Central American Countries (US\$ billion)



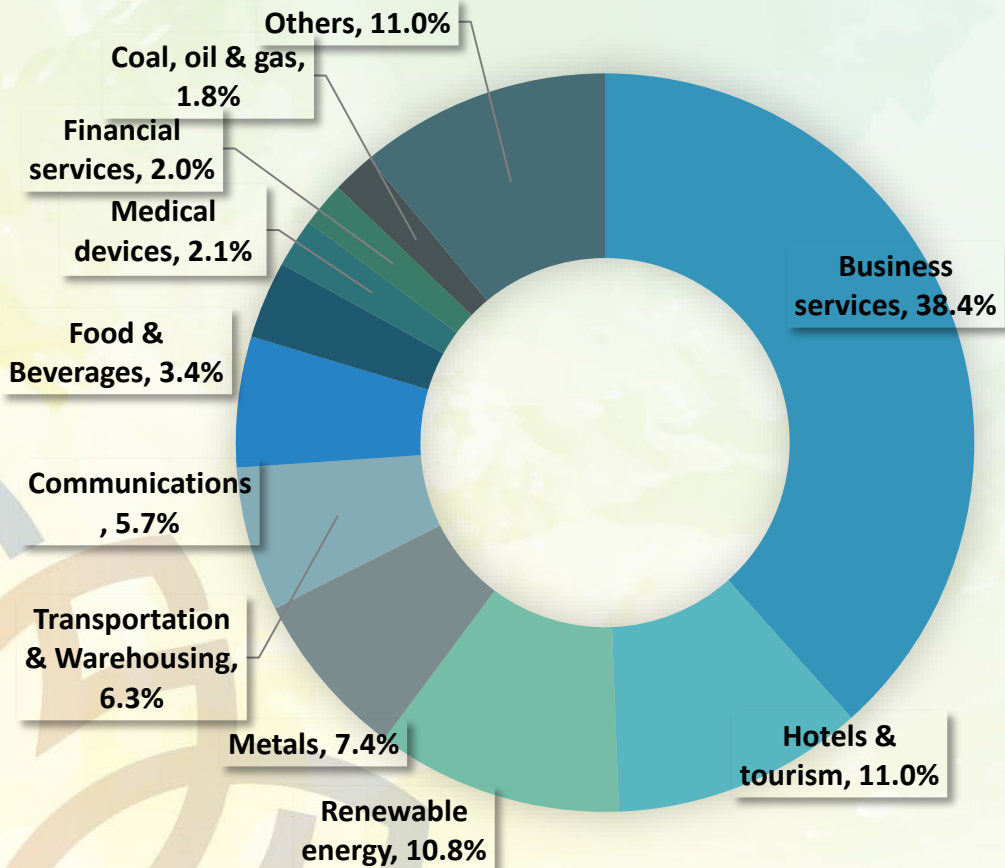
FDI Inflows in the Central America- Country Wise Share (US\$ million)

Country	2019	2020	2021	% Share in 2021
Belize	93.9	76.2	127.8	0.9%
Costa Rica	2812.3	1762.7	3195.7	22.9%
Dominican Republic	3021.0	2559.6	3102.1	22.2%
El Salvador	636.2	279.9	314.2	2.2%
Guatemala	976.1	931.8	3471.7	24.8%
Honduras	498.1	418.6	700.2	5.0%
Nicaragua	503.0	746.5	1220.1	8.7%
Panama	4062.9	606.7	1843.8	13.2%
<b>Total</b>	<b>12603.5</b>	<b>7382.0</b>	<b>13975.6</b>	<b>100.0%</b>

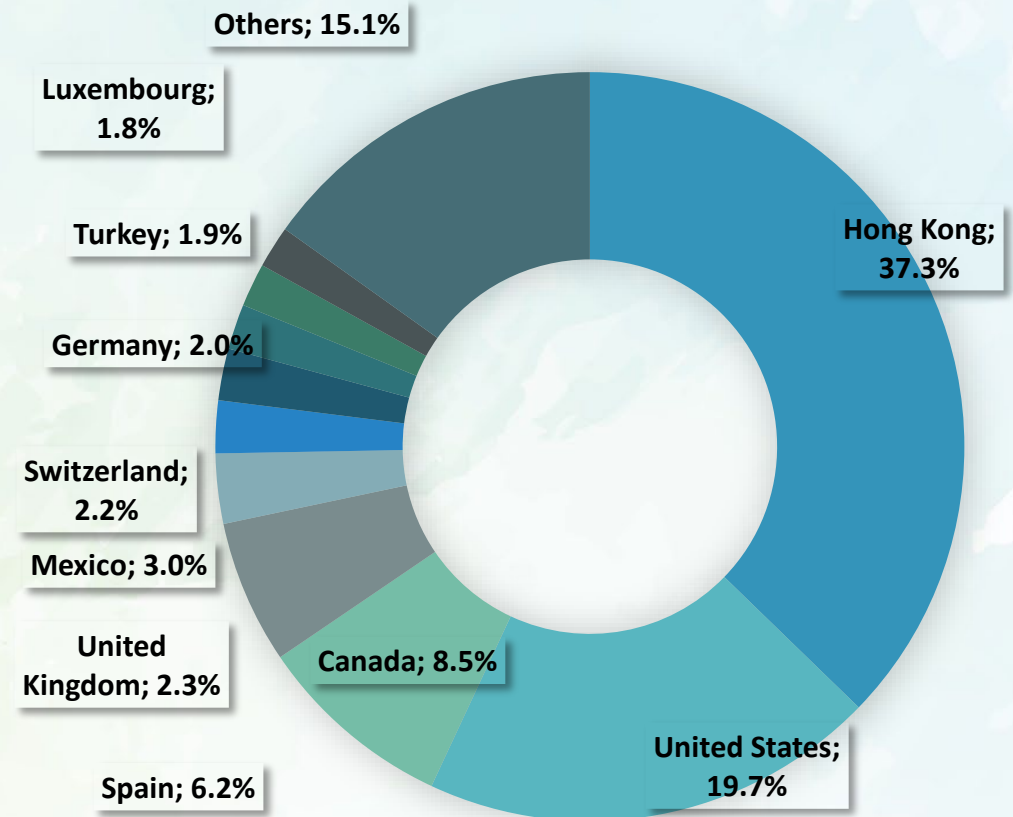
- Post financial crisis, FDI inflows witnessed a robust recovery. Previous decade saw continued inflows at high-level.
- FDIs peaked at US\$ 14.9 billion in 2017.
- In 2020, on the back of Covid-19 related economic crisis, FDI inflows in the region almost narrowed to US\$ 7.4 billion, the lowest value post financial crisis.
- In 2020, Panama took the hardest hit with its FDI inflows falling by 85%.

# RECENT TRENDS IN CENTRAL AMERICA'S INVESTMENTS

## Top Sector Attracting FDI in Central America (2013-2021)



## Top Investing Countries in Central America (2013-2022)

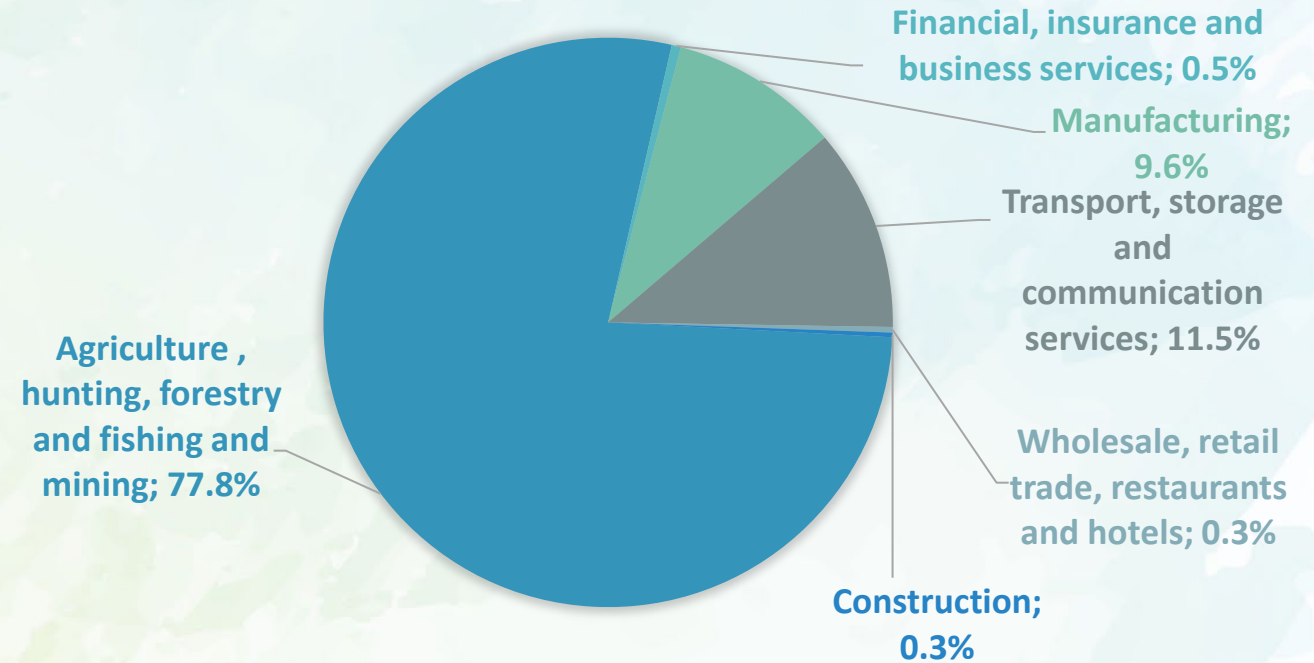


# INDIAN INVESTMENTS IN CENTRAL AMERICA

## OFDI from India to Central American Countries (US\$ million)

Country	Apl. 1996 to March 2023
Belize	1.8
Costa Rica	9.1
Dominican Republic	0.0
Guatemala	7.2
Honduras Republic	8.1
Panama	2633.1
<b>Total</b>	<b>2659.3</b>

## India's OFDI to Central America - Sector Wise Share (2010-23)



- India's investments in Central America during April 1996 to March 2023 amounted to US\$ 2.7 billion.
- 99% of India's investments in this period were concentrated in Panama.
- 77.8% of India's investments in Central America are in the agriculture and mining sector.

# INDIAN INVESTMENTS IN CENTRAL AMERICA

## Sectors of Investment by India: Country wise (April 1996-March 2023)

### Panama

Total Investments:  
US\$ 2.6 billion

Agriculture and mining, with a share of 78.5% remains the top sector followed by transport, storage and communications service, and manufacturing

### Costa Rica

Total Investments:  
US\$ 9.1 million

Investments were in the financial, insurance, real estate and business services sector.

### Honduras

Total Investments:  
US\$ 8.1 million

Investments were concentrated in the wholesale, retail trade, restaurants and hotels sector.

### Guatemala

Total Investments:  
US\$ 7.2 million

Investments were concentrated in manufacturing sector and financial, insurance, real estate and business services

### Belize

Total Investments:  
US\$ 1.8 million

Investments were concentrated in financial, insurance, real estate and business services sector.



# INVESTMENT OPPORTUNITIES IN CENTRAL AMERICAN COUNTRIES



## Belize

Fisheries and aquaculture, tourism and medical tourism, agribusiness and light manufacturing, logistics, information technology enabled service (BPO, includes financial services), and sustainable energy

## Costa Rica

Digital Technologies, Creative Industries, corporate and business processes, life science, manufacturing, wellbeing and tourism infrastructure

## Dominican Republic

Energy sector, mining sector, solid residue sector, agriculture sector, real estate and construction sector, film sector, software sector, telecommunications, tourism, manufacturing and services, pharmaceutical and medical devices, manufactured tobacco, clothing and contact centre industry

## El Salvador

Textiles and apparel; business services; tourism; aeronautics; agro-industry; light manufacturing; logistic and infrastructure networks; and healthcare services

# INVESTMENT OPPORTUNITIES IN CENTRAL AMERICAN COUNTRIES



## Guatemala

Medicines, medical devices, electronic devices, customer service centres, and tourism

## Honduras

Textile manufacturing, passenger tourism, business process outsourcing, agroindustry, social housing, light manufacturing, forest, logistics, construction, energy and mining

## Nicaragua

Agribusiness, light manufacturing and outsourcing services sectors

## Panama

Logistics, digital hub, agrobusiness, agro-parks, tourism, energy, mining, construction and infrastructure

# Export-Import Bank of India in LAC

# Export-Import Bank of India (India Exim Bank)



- Set up under an Act of Parliament in 1981 by the Government of India.
- 100% owned by the Government of India (“GOI”).
- Role in policy formulation and also export project selection under Economic Diplomacy.
- International investment grade ratings at par with Sovereign.
- Policy Business Guaranteed / Insured by the Sovereign.
- Strong regulatory capital position.
- Access to multiple sources of funds, both onshore and offshore.



# Major Financial Products of the Bank



## Export Finance

Lines of Credit (LOC)

Buyer's Credit – NEIA

Pre-Shipment Credit

Guarantees and L/Cs

Post-Shipment Credit

## Export Capability Creation

Term Loans

Working Capital

Export Product Development

Export Facilitation

Overseas Investment Finance

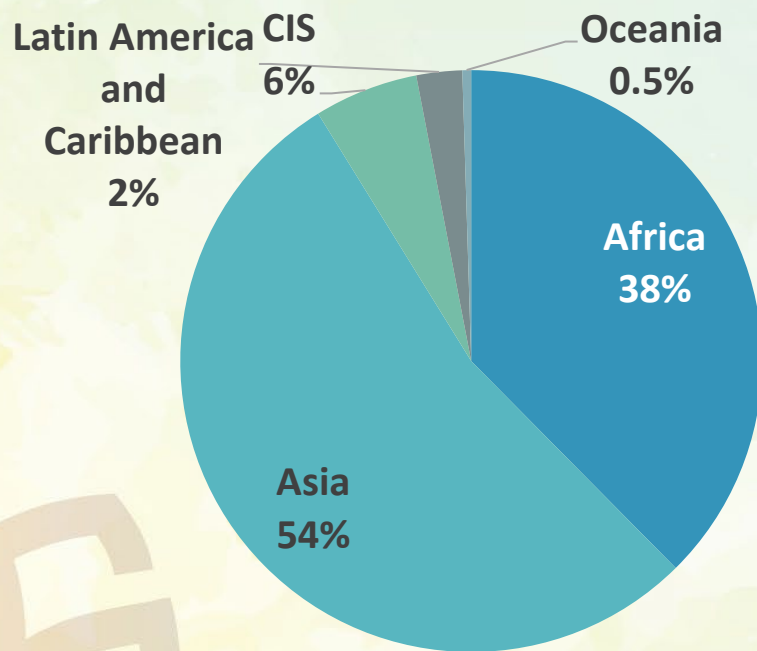
Import Finance

Guarantees and L/Cs

# Lines of Credit: Trusted Development Partner in Neighbourhood & Beyond



**Region-wise Commitments**  
[Total: US\$ 31.85 billion]



*Supporting economic and infrastructure projects, promoting bilateral trade, generating socio-economic benefits, and fostering capacity building and skills transfer across India's neighbourhood and in nations across Asia, Africa, Latin America and Oceania.*

*Creating export opportunities for Indian companies in relatively untapped geographies.*

**As on March 31, 2023, the total number of operative LOCs to the LAC region stood at 32, extended to 6 countries namely Bolivia, Cuba, Guyana, Honduras, Nicaragua and Suriname, for supporting projects such as setting up of multi-speciality hospitals, irrigation, export of machinery and equipment, and amounted to US\$ 801.7 million**

# Lines of Credit: Success Stories

## Guyana



**Construction of Cricket Stadium at Georgetown under Exim Bank's GOI-supported Line of Credit to the Government of Guyana.**

## Guyana



**Supply and installation of traffic signaling system under Exim Bank's GOI-supported Line of Credit to the Government of Guyana.**



# Lines of Credit: Success Stories

## Nicaragua



**Supply of equipment to ENATREL Nicaragua under Exim Bank's GOI-supported Line of Credit to the Government of Nicaragua for transmission lines and substation project.**


## Honduras



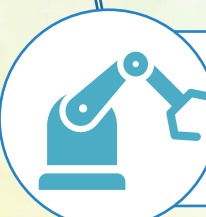
**Project Initiation Meeting with local beneficiaries at Jamastran Valley under Exim Bank's GOI-supported Line of Credit to the Government of Honduras for development of agriculture and irrigation infrastructure in the Jamastran valley in Honduras.**




# Partnering Indian Companies in their Globalisation Efforts



Building export capacity and boosting export competitiveness through support of ₹ 72,521 crore, sanctioned under Commercial Business during FY 2022-23



Propelling project exports to new heights with support for 75 project export contracts valued at ₹ 43,421 crore, in 37 countries across Asia-Pacific, Africa, CIS and Latin America, during FY 2022-23



Finance for 671 JV/WOS set up by 495 companies in 78 countries, as on March 31, 2023, providing opportunities for tapping new markets, forging backward and forward integration, accessing raw materials and improving efficiency. Support of over ₹ 67,000 crore

As on March 31, 2023, India Exim Bank through its overseas investment finance programme has supported 34 such ventures, set up by Indian companies in 7 countries in LAC namely, Brazil, British Virgin Islands, Cayman Islands, Mexico, Chile, Guatemala, Panama with an aggregate sanction amount of Rs. 4, 925 crore. India Exim Bank has also financed an Indian project exporter in the LAC region for water resources development project.

# Overseas Investment Finance in LAC: Select Cases

## Uruguay



Exim Bank in 2013 sanctioned non fund based facilities aggregating USD 19.50 mn to Suzlon Wind energy Uruguay for supply of 31, S95 2.1 MW Wind Turbine Generators on turnkey-basis to 'Rosendo Mendoza' wind farm with total capacity of 65.1 MW.

## Mexico



Exim Bank sanctioned a term loan to CFSL Mexico (a wholly owned subsidiary of Camlin Fine Sciences Ltd. (CFSL), India) towards part financing the acquisition of 65% equity stake in Dresen Quimica, A.A. De C.V., Mexico along with its associated companies. Established in 1980, Dresen is uses knowledge and research to manufacture and distribute engineered speciality intermediate chemical solutions.



# Overseas Investment Finance in LAC: Select Cases

## Antigua and Barbuda



Exim Bank has assisted Manipal Education Mauritius Private Limited, Mauritius (MEMPL) through its WOS, i.e. Manipal Education Americas, LLC, USA (MEA) for establishing universities outside India including American University of Antigua Inc.. (AUA), Antigua and Barbuda, in the field of medical and allied education.

## Brazil



Exim Bank sanctioned a loan to Elgi Rubber Company Ltd, Coimbatore towards on-lending to its wholly owned subsidiary Borrachas e Equipamentos Elgi Ltd, Brazil towards part financing its capex and working capital requirements. The Brazilian Company is engaged in retreading of tyres.

# Trade Assistance Programme: Expanding Export Horizons



## HELPING BUSINESSES EXPAND GLOBAL FOOTPRINTS

Supported 122 transactions of US\$ 305 million (~ ₹ 2,500 crore) across 17 countries, from Africa, Asia and Latin America. Support across diverse sectors - automotive, textile, iron and steel, machineries, etc. Significant multiplier effect.



## ENGENDERING CONFIDENCE IN TRADE SETTLEMENTS

Facilitating MSMEs in tapping new geographies by increasing confidence in trade settlements, exemplified by successful exports of textbooks by an MSME to multiple African countries.



## UNLOCKING OPPORTUNITIES IN UNTAPPED MARKETS

Supporting transactions in relatively untapped geographies such as Latin America, with exporters leveraging enhanced access in countries such as Ecuador and Argentina. Also facilitating cross-border transactions in countries with higher risk perceptions, such as Sri Lanka.



## SUPPORT FOR LONGER TENOR TRANSACTIONS

Demonstrated ability to support longer tenor transactions, such as for hydro power projects in Nepal, thereby facilitating project exports.



# Promoting Regional Integration through Research initiative



## Recent publications of India Exim Bank focusing on the LAC region

A Bridge between India and Latin America: Policy Options for Deeper Economic Cooperation (joint with Inter-American Development Bank, 2019)

India-LAC Trade: Recent Trends and Opportunities in Select Countries (2018)

Indian Investments in Latin America and Caribbean: Trends and Prospects (2018)

Enhancing India's Trade Relations with Latin America and the Caribbean (LAC) Region: Focus on Select Countries (2016)

MERCOSUR: A Study of India's Trade and Investment Potential (2011)

Caribbean Community (CARICOM): A Study of India's Trade and Investment Potential (2011)

# Promoting Regional Integration through Consultancy Assignments



- In 2022-23, India Exim Bank was commissioned by the Export Barbados for a consultancy assignment for setting up an Export Credit Agency (ECA) in Barbados.
- The Government of Barbados aims to boost exports to US\$ 1 billion by 2030, through the development of an enabling environment for exports in the country.
- In line with this objective, Export Barbados, an agency of the Government of Barbados with responsibility of promoting and facilitating industrial and export development, seeks to develop an establishment/business plan for an ECA in Barbados.
- The report has been successfully submitted by India Exim Bank in FY23 and the recommendations have since been accepted by multidisciplinary committee formed in Barbados for establishment of the ECA.

# Institutional Linkages in the LAC Region



In 2006, India Exim Bank entered into a MOU with 4 Exim Banks and DFIs to form the Global Network of Exim Banks and Development Financial Institutions (G-NEXID). G-NEXID has been granted 'Observer' status by UNCTAD.

Currently, G-NEXID has 25 member institutions across the globe. Among the LAC countries, members of the G-NEXID include institutions such as:

Brazilian Development Bank (BNDES)

Development Bank of Latin America (CAF)

Foreign Trade Bank of Latin America S.A. (Bladex)

# Institutional Linkages in the LAC Region



## Strong Institutional Linkages with Key Institutions in LAC

Banco Nacional de Comercio Exterior, S.N.C. (Bancomext), Mexico

Banco de Inversion Y Comercio Exterior S.A. (BICE), Argentina

Caribbean Association of Industry & Commerce (CAIC), Trinidad & Tobago

Banco Mercantil, Venezuela

Central American Bank for Economic Integration (CABEI), Honduras

Corporacion Andina De Fomento, Venezuela

Banco Republica, Uruguay

Banco De Comercio Exterior De Colombia S.A. "Bancoldex"



# ALIDE Delegation Visit to India



- India Exim Bank hosted a delegation from **the ALIDE during its visit to India during October 22-30, 2018.**
- The 7 day programme covered:
  - presentations by area experts from India Exim Bank and by participants from ALIDE member banks on their respective institutions;
  - meetings with government officials, top management of development financing and micro financing institutions of India;
  - a seminar on **Trade and Investment Opportunities** in LAC was also organised to explore the substantial untapped for potential trade;
  - Exim Bank's publication titled **"India-LAC Trade: Recent Trends and Opportunities in Select Countries"** was released in the seminar on Trade and Investment Opportunities, Mumbai/ 8<sup>th</sup> India-LAC Conclave, Chile.



# Way Forward

# Way Forward



1 Expansion of trade based on commodities which hold export potential and import demand

2 Expanding and exploring a Free Trade Agreement (FTA) or an economic partnership agreement with the Central America

3 Efforts should be made to reduce transaction and transport costs, streamline trade logistics, promote communication

4 Business conclaves like the India-LAC conclave and other industry association engagements, endeavour to provide a platform for increased interaction.

5 Enhancing people-to-people interactions through improved connectivity



**Thank You**



# Back Up Slides

# Lines of Credit: Unlocking Opportunities in LAC Region



Country	Borrower	Goods/Projects to be covered	Amount (US\$ million)
<b>Bolivia</b>	Government of Bolivia	i. For undertaking Development Projects in Bolivia	100.0
<b>Cuba</b>	Banco Exterior De Cuba	<ul style="list-style-type: none"> <li>i. Setting up of a milk powder processing plant in Camaguey Province of Cuba</li> <li>ii. Setting up of a bulk blending fertilizer plant</li> <li>iii. For financing the modernisation of an injectable products plant in Havana</li> <li>iv. Setting up a 51MW wind energy farm in Cuba</li> <li>v. Setting up of a 50 MW Co-generation power plant in Cuba</li> <li>vi. Installation of 75MWp Photovoltaic Solar Parks in Cuba and</li> <li>vii. Purchase of Rice from India</li> </ul>	349.7

# Lines of Credit: Unlocking Opportunities in LAC Region



Country	Borrower	Goods/Projects to be covered	Amount (US\$ million)
Guyana	Government of Guyana	<ul style="list-style-type: none"> <li>i. Supply and installation of fixed and mobile irrigation pumps, Spares and Technical Support</li> <li>ii. Setting up a multi-specialty hospital in Guyana</li> <li>iii. Construction of cricket stadium</li> <li>iv. Design, supply, installation, commissioning and maintenance of traffic signals at 50 intersections in and around Georgetown, Guyana</li> <li>v. East Bank-East Coast Road linkage project</li> <li>vi. Procurement of ocean passenger-Cargo Vessel</li> <li>vii. Supply of high capacity fixed &amp; mobile drainage pumps &amp; associated structures in Georgetown, Guyana</li> <li>viii. Up-gradation of three primary health centres in Guyana</li> <li>ix. Procuring and installing solar home lighting systems for 30,000 homes in the hinterland communities in Guyana</li> </ul>	117.2



# Lines of Credit: Unlocking Opportunities in LAC Region



Country	Borrower	Goods/Projects to be covered	Amount (US\$ million)
<b>Honduras</b>	Government of Honduras	<ul style="list-style-type: none"> <li>i. Export of communication equipment, medical equipment and transportation equipment</li> <li>ii. Development of Agriculture and Irrigation Infrastructure in the Jamastran Valley in Honduras</li> </ul>	53.1
<b>Nicaragua</b>	Government of Nicaragua	<ul style="list-style-type: none"> <li>i. Supply of equipment from India for building two electric substations</li> <li>ii. Building Carlos Fonseca substation, 95 Km transmission lines and expansion of three substations (Villa El Carmen, Las Colinas &amp; San Rafael del Sur)</li> <li>iii. Transmission lines and substation project</li> <li>iv. Reconstruction of Aldo Chavarria Hospital</li> <li>v. Replacement and equipment of the high technology Centre of the hospital Antonio Lenin Fonseca in Managua</li> </ul>	95.0

# Lines of Credit: Unlocking Opportunities in LAC Region



Country	Borrower	Goods/Projects to be covered	Amount (US\$ million)
Suriname	Government of Suriname	<ul style="list-style-type: none"><li>i. Bulldozers, trucks, excavators, other items</li><li>ii. Water supply project</li><li>iii. Purchases from BEL, HAL and ordinance factory board</li><li>iv. 10 BEML-TATRA fire tenders with spare parts</li><li>v. Chetak helicopters from HAL</li><li>vi. Up-gradation of Transmission network infrastructure &amp; power generation</li><li>vii. Servicing and maintenance of 3 Chetak helicopters</li></ul>	86.7