



Indian Council
of World Affairs



INDIA AND LATIN AMERICA RELATIONS

Understanding the SICA



DR. STUTI BANERJEE & DR. ARNAB CHAKRABARTY



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ABSTRACT



Most countries in Latin America are experiencing the longest uninterrupted period of democracy in their respective histories.

The political landscape of the region faced a collective challenge of the rise of new leaders, a polarised citizenry coupled with the economic slowdown and growing social and economic inequalities and a fast-changing international environment. Developments in Latin America have a significant impact on its neighbourhood, especially relations with the United States (US). In looking beyond the neighbourhood, these countries are turning to Asia in an effort to not only diversify trade and economic partnerships but also diplomatic relations. Reciprocally, China and India are deepening relations through political, economic and defence engagements.

As India begins to extend its approach beyond the conventional Latin American partners in the region; the economic and strategic potential of the Central American States has gained prominence among Indian policymakers. Within the region the Central American Integration System (SICA) remains critical for India to enhance its economic ties to Central America as the strategically important bridge between North and South America and between the two oceans – the Atlantic and the Pacific. The SICA was set up in 1991 as the revived institutional framework for Regional Integration in Central America. As both India and SICA nations look to strengthen their relations, it becomes imperative to explore their respective strengths vis-a-vis the requirements that each has and identify areas of cooperation that will propel the relationship in the future.

Keywords: Latin America, SICA, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, United States, China, India

1. INTRODUCTION



India's relations with the countries of Latin America and the Caribbean (LAC) region have witnessed sustained growth in the past few decades. The beginning of this relationship can be traced to the then Prime Minister (PM) Jawaharlal Nehru's visit to Mexico in 1961, followed by the visit of PM Indira Gandhi to eight countries of the region in 1968. While the intervening years did not witness similar high-level visits, relations during the Cold War and in the decades since its end remained cordial. The relations found renewed vigour with the visit of PM Narendra Modi to Brazil for the BRICS (Brazil-Russia-India-China- South Africa) summit in 2014. The visit paved the way for a number of other high-level visits such as by President Ram Nath Kovind in 2018 and Vice President M. Venkaiah Naidu in 2016 and 2019 and a visit by PM Modi to Argentina for the G-20 Summit in 2018. Minister for External Affairs, Dr. S. Jaishankar has also visited the region with the most recent visit being in August 2022 when he inaugurated the Indian Embassy in Paraguay. The opening of Indian missions such as in the Dominican Republic, Guatemala and Paraguay are India's efforts to increase its engagements with the region by establishing diplomatic contacts and also fulfilling its commitments to address the demands of the countries for India to increase representation in the region.

Strategic Importance of LAC to India

The LAC region is emerging and becoming increasingly important to India, particularly in the economic arena leading to an upswing

in India-LAC relations. The resilience shown by the economies of the region in the aftermath of the global financial crisis of 2008, showed the LAC region as an emerging economic hub. Since then the region has witnessed steady growth with social security being expanded and upward mobility of people, and reduction in poverty. The region today is home to a number of emerging economies such as Peru, Paraguay, etc.

India's increasing global role has necessitated the need to engage with the countries of the region which is increasingly gaining strategic importance in its foreign policy. This engagement has coincided with the recent global positioning and economic restructuring among the LAC nations. The countries of the region are looking to diversify trade from traditional partners in North America and Europe to the emerging economies of Asia. In this, India has gained prominence as it remains one of the fastest growing economies of the region which is politically stable and has a significant influence over the shape of the global political environment. India's growing economy needs natural resources which are exported by LAC countries. The LAC region has abundant natural resources such as freshwater, arable land, minerals and hydrocarbons. In turn, India provides an enormous market for LAC goods. Beyond export, India also provides expertise in fields such as information technology, pharmaceuticals, education and innovation, etc., to LAC. Both India and the countries of the region also share the fact that they have young demography that needs to find gainful employment. India also shares cordial relations with all countries of the region which is an added advantage.



India and the countries of the region have initiated engagements in a number of multilateral forms such as the BRICS, BASIC (Brazil, South Africa, India and China) and IBSA (India-Brazil-South Africa). India is a partner nation in regional economic integration mechanisms such as the Pacific Alliance. India and the countries of the region also engage in institutions of global importance such as the United Nations (UN), the G-20, the G-77 and climate change negotiations. These engagements have more recently been capped with a substantially deeper dialogue in areas of global governance and sustainable and equitable development.

The region also gains strategic importance for India in its efforts to ensure the security of energy supplies. India imports the majority of its energy needs and disruptions hamper the country's economic growth. The countries of the LAC region are energy abundant and India can continue to engage through its oil companies by investing in energy exploration projects there. In addition to this LAC region is also one of the cleanest energy markets in the world. As India pushes for green energy, it provides another space for India to engage with the countries of the region. India is part of the Brazil-led efforts for the development of biofuels, in turn, a number of nations from the region are part of the International Solar Alliance (ISA).

The LAC region can also help India address its food security concerns. The region has vast areas of arable land and is also known for its food technology and agricultural research. These are areas in which India and the countries of the region could collaborate through joint ventures and research collaborations.

Initially led almost exclusively by the private sector, ties between India and the LAC region have in recent years since more dialogues between the governments and also nascent people-to-people engagements. Historically, the British ‘indented’ Indian labour was shipped to the region, mainly to the Caribbean to work at the colonial plantations. Today, the Indian Diaspora accounts for a major portion of the populations of Trinidad, Suriname and Guyana. In the present time, while there has not been a large movement of migrants from India to the region, there is growing awareness of the opportunities present in the region. Indian companies are increasingly looking at the LAC region and this entails the movement of people. Yoga and Ayurveda have found a number of followers in the LAC. The tourism sector is witnessing slow growth, especially with people who would be adventure tourists and who are focussed on exploring new destinations.

All of the above calls for the establishment of stronger linkages between India and the countries of the region. This process has acquired greater salience as the world witnesses an international order in flux with growing competition between China and the US, the ‘West’ versus Russia in the ongoing crisis in Ukraine, the economic slowdown as a result of the pandemic, the deepening South-South cooperation, the need to address a number of non-traditional threats such as the energy security, food and nutritional security, access to equitable health care and the need to address the growing challenge from climate change. In all of these India finds that it shares mutual concerns and solutions with its partners in the LAC region.



As mutual opportunities arise, India and the countries of the region need to avail them in order to enhance and build a beneficial relationship. One such opportunity is expanded engagement with Central America. As India begins to extend its approach beyond the conventional Latin American partners in the region; the economic and strategic potential of the Central American States has gained prominence among Indian policymakers.¹ A testament to this is the increased Indian interaction with Central American nations through high-level visits such as by Minister of State for External Affairs Meenakshi Lekhi to Panama and Honduras in 2022, visit of Minister of State for External Affairs Shri V. Muraleedharan to Guatemala, and Foreign Office Consultations (FOC) headed by Secretary (East) Ms. Riva Ganguly in Costa Rica and El Salvador. This string of high-level engagements is the result of the growing economic relationship between India and Central America vying to increase trade further. Central America contains a total of seven nations namely; Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. The nations are geographically smaller than their Latin American nations and also are not as gifted with natural resources; however, the region has become strategically important as the bridge between North and South America and between the two oceans – the Atlantic and the Pacific. As the countries of the region gain prominence, they have formed the Sistema de la Integración Centroamericana or the Central

As mutual opportunities arise, India and the countries of the region need to avail them to enhance and build a beneficial relationship.

¹ Aparajita Pandey, "India – Central America: Opportunities for the Future," The Financial Express, May 11, 2022, <https://www.financialexpress.com/defence/india-central-america-opportunities-for-the-future/2520633/>, Accessed on 16 October 2022.

American Integration System (SICA) in an effort to combine the strengths and become a formidable economic bloc.

The SICA remains critical for India to enhance its economic ties to Central America. The grouping remains important as India explores its relations with SICA nations in emerging areas of cooperation such as defence, health and enhanced cultural exchanges. The trajectory of cooperation has displayed signs of improvement but there are still many issues to overcome. Strategies and policies must be devised to take advantage of each other's strengths and learn the best practices from each other. To achieve this it is imperative to understand the organisation and its role in Central American regional integration.

2. THE EVOLUTION OF THE SISTEMA DE LA INTEGRACIÓN CENTROAMERICANA (SICA)

2 a The Evolution of the SICA

In 1824 Costa Rica, El Salvador, Honduras, Guatemala and Nicaragua formed the Central American Federation. Due to internal issues and disturbances the Federation collapsed in 1838.² Even though political and economic unity was far from being achieved, it did not dissuade them from trying further.

The SICA remains critical for India to enhance its economic ties to Central America.

2 Guillermo Vázquez Vicente, "Nacimiento y ocaso de la Federación de Centro América: entre la realidad y el deseo", *Revista Complutense de Historia de América*, 2011, <https://revistas.ucm.es/index.php/RCHA/article/download/38248/37005/>, Accessed 1 May 2022.



In order to improve their economies, it was believed that regional economic unity would be needed. Such measures would create a thriving zone for investment, production and transaction. Keeping these objectives in mind, the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) in the 1950s suggested creating a free trade zone in Central America. The Central American Common Market (CACM)³ was formed in 1960 with Nicaragua, El Salvador, Honduras and Guatemala being the initial members. Costa Rica joined the organisation in 1962. Initially it functioned well due to reduction in tariffs and promotion of trade however, by end of the 1960s there were various issues leading to differences among the member states and the CACM faltered. Primarily the absence of a sufficient industrial base coupled with institutional weakness and unequal distribution of economic benefits were the main reasons for its collapse. There being major disagreements among member states regarding tariff reduction. Additionally, the conflict between Honduras and El Salvador in 1969 led to major disagreements within the CACM.

The origins of the SICA can be traced to the ODECA (Organisation of Central American States) and the CACM. The ODECA was instrumental in creating the Agreement on the Regime of Central American Industries for Integration and the Multilateral Treaty of Free Trade and Central American Integration which was signed in the year 1958. With the end of the Cold War and the initiation of various regional integration models such as Mercosur, the Central American leaders pushed for an integrated model for

3 K.R. Simmonds, "The Central American Common Market: An Experiment in Regional Integration", *The International and Comparative Law Quarterly*, 1967, Vol.16, No.4, p.911-945.

their respective region. In December 1991 within the framework of the eleventh meeting of the Presidents of the Central American countries the Tegucigalpa Protocol was signed which amended the Charter of the ODECA leading to the creation of the SICA. The SICA officially entered into force on 1 February 1993.

In addition to this, the General Treaty of Central American Economic Integration also known as the Guatemala Protocol⁴ was signed on 29 October 1993. The purpose of this treaty was to achieve voluntarily and gradually an economic union within Central America. The treaty also established the Central American Economic Integration Secretariat (SIECA) in Guatemala. Over the next few years, various treaties and protocols were signed to further strengthen SICA, such as the Alliance for Sustainable Development for Central America (ALIDES)⁵ which was established in 1994 to promote democracy, socio-cultural development, economic development, improving the quality of the environment and efficient management of natural resources. Following up, the Treaty on Central American Social Integration also known as the Treaty of San Salvador was signed in March 1995. The purpose of this treaty was to promote coordination, harmonisation and streamlining of social policies in Central America. Finally, the Framework Treaty on Democratic Security was signed in December 1995 in Honduras which created the Central American Democratic Security model. It is aims are strengthening of the institutions of SICA, ensuring rule

4 OAS, Foreign Trade Information System, "Protocolo al Tratado General de Integración Económica Centroamericana (Protocolo de Guatemala)", 29 October 1993, <http://www.sice.oas.org/Trade/sica/PDF/Prot.Guatemala93.pdf>, Accessed 3th May 2022

5 SICA, "Alianza para el Desarrollo Sostenible de Centroamérica (ALIDES)", 3 October 1994, <http://www.sice.oas.org/Trade/sica/PDF/Prot.Guatemala93.pdf>, Accessed 3 May 2022.

of law, and that governments are elected by universal free, fair and secret adult suffrage.

As of 2022, the member states of the SICA are Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama, Belize and the Dominican Republic⁶.

The central purpose of the SICA is to foster integration in Central America. To achieve this goal, it has laid out a number of principles that guide the member States in their efforts to achieve greater regional integration. The SICA principles have laid stress on the need to consolidate democracy and democratic institutions, develop regional security while ensuring the holistic development of the people through a system of economic welfare and social justice. The member States would coordinate to also work towards sustainable development. The SICA also aims to increase the presence of its member States in international affairs through active participation. Aimed as an economic grouping, it also aims to attain the goal of an economic union that will be able to contribute to the international financial systems. The member States agreed to the Central American Integration System would be guided by the notion of peace, development and freedom and democracy. Among the other principles the member States agreed to refrain from

The central purpose of the SICA is to foster integration in Central America. To achieve this goal, it has laid out a number of principles that guide the member States in their efforts to achieve greater regional integration.

6 SICA, "Integration at a Glance", https://www.sica.int/sica/vista_en, Accessed 4 May 2022.

Figure One: SICA Member States



SICA

Central American Integration Sys^t



Source: https://www.gn-sec.net/sites/default/files/event/files/8_ryan_cobb_sicreee_presentation.pdf

participating or taking any action which may be in contravention to the provisions of the SICA and to settle all disputes through legal and peaceful means.

In order to foster regional integration in Central America, the SICA established that the presidents of the member States would



One of the common interests of all the Central American countries which later permeated to the SICA was the establishment of peace, rejection of violence, democratisation and practice of democratic ethos.

meet every six months. They would be helped in their working by the Council of Ministers. The SICA executive committee and general secretariat are entrusted with the day-to-day functioning of the organisation. Additionally, the SICA also has meeting of the Vice-Presidents, the Central American Parliament (PARLACEN), the Central American Court of Justice (CCJ) and the Consultative Committee (CC-SICA)⁷.

2 b Converging Interests of the Member States

While the establishment of the CACM led to a marked increase in intra-regional trade, which increased from only 6.7 percent in 1960 to 26 percent in 1970⁸, nonetheless the collapse of the CACM ensured that the growth could not be sustained. It was only after the Esquipulas Accord⁹ in 1987 that peace returned to the region and regional integration could be promoted ones again.

One of the common interests of all the Central American countries which later permeated to the SICA was the establishment of peace,

7 SICA, "SICA bodies and institutions", https://www.sica.int/sica/instituciones_en.aspx, Accessed 3 May 2022.

8 ECLAC, "ECLAC contributions to integration in Central America", 2019, https://www.cepa.org/sites/default/files/wysiwyg/eclacs_contributions_to_central_americas_integration.pdf, Accessed 6 May 2022.

9 U.S. Department of State, "Central American Security Commission Esquipulas Peace Agreement, August 6-7, 1987, 25th July 2001, <https://2001-2009.state.gov/t/pm/rls/fs/4265.htm>, Accessed 8 May 2022.

rejection of violence, democratisation and practice of democratic ethos. Three key agreements were signed in order to achieve these goals. These were; the Esquipulas Accord of 1987, the Alajuela Declaration of 1988¹⁰ and the Joint Declaration of the Central American Presidents in 1989¹¹. These agreements offered the nations the opportunity to draw up a plan for regional integration, identify areas of cooperation and to expedite the process. It led to the creation of the Central American Parliament or PARLACEN. The PARCALEN under the auspices of the SICA also established thirteen separate commissions in order to facilitate integration.

The member States of the SICA have mutual interests and converging views of the following issues.

- (a.) Achieving economic integration remains a key area of convergence. SICA was established as to reduce barriers to trade, allowing mobility of labour and capital and investments within the region with a few exceptions on some products such as coffee and sugar. The member States have agreed to not to impose country-specific tariffs on products such as automobiles, electronic goods, machinery and parts, pharmaceuticals and petroleum products. They have also unanimously agreed that goods which originated completely in Central America would receive free trade treatment. A Common External

10 Naciones Unidas, Asamblea General Consejo de Seguridad, "Declaración conjunta de los Presidentes de Centroamérica, emitida el 16 de enero de 1988 en San José", 22th January 1988, <https://peacemaker.un.org/sites/peacemaker.un.org>, Accessed 6 May 2022.

11 Naciones Unidas, Asamblea General Consejo de Seguridad, "Declaración conjunta de los Presidentes Centroamericanos", 27th February 1989, <https://peacemaker.un.org/sites/peacemaker.un.org>, Accessed 6 May 2022.



Tariff¹² was also adopted which imposes duties on goods not originating in Central America. Climate change and the need to work together to address the challenges it poses, has also brought the countries of this rich bio-diverse region together. Under the Central American Commission on Environment and Development (CCAD)¹³ a roadmap has been created taking into account the views of all the member states to adopt environment friendly practices. It includes efforts to conserve forests, encourage low carbon-oriented agriculture and livestock management. It pushes for sustainable agriculture and to develop an expanded monitoring, reporting and verification system. By 2030 the SICA aims to restore and conserve ten million hectares of lands and achieve carbon neutrality by 2040¹⁴. The SICA is also working with other countries and institutions to address climate change challenges. It is collaborating with the Fund for the Global Environment (GEF)¹⁵ on Trans-boundary Integrated Management Project with a Basin-To-Reef Approach for the Mesoamerican Reef System. Additionally, the SICA is also collaborating with the European Union, the CABEI and the Federal Republic of Germany to enhance a Green Climate Background Initiative. This will lead to building resilience in local communities to

12 Ibid.

13 SICA, "Central American Commission for Environment and Development (CCAD)", <https://www.sica.int/consulta/entidad>, Accessed 6 May 2022.

14 CEPAL, "Estrategia energética sustentable centroamericana 2020", <https://www.cepal.org/es/publicaciones/25839-estrategia-energetica-sustentable-centroamericana-2020>, Accessed 6 May 2022.

15 SICA, "Protection of regional ecosystems", <https://www.sica.int/Iniciativas/ecosistemas>, Accessed 6 May 2022.

combat climate change. Social equality is another area of convergence. The Central American Observatory for Social Development (OCADES)¹⁶ is a subsystem within the SICA that seeks to address key social challenges such as social security and equality, nutrition and access to food. Within this the Regional Observatory on Food and Nutrition Security (OBSAN-R)¹⁷ was established in 2009 address the challenges of food security in the region. The SICA also has the Institute of Nutrition of Central America and Panama (INCAP)¹⁸, which addresses concerns related to food and nutrition security.

- (b.) Migration is another theme over which consensus has been achieved to some degree. *Proyecto Alternativas*¹⁹ is an initiative carried out by the Central American Social Integration Secretariat (SISCA) with the purpose of addressing issues related to migration in member states such as Guatemala, El Salvador and Honduras. Additionally, the Central American Agreement on Free Mobility (CA-4)²⁰ is a policy under which El Salvador, Guatemala, Nicaragua and Honduras have eased travel in effort to standardise migration process.

16 SICA, "Central American Observatory for Social Development (OCADES)," <https://www.sica.int/iniciativas/ocades>, Accessed 5 May 2022.

17 SICA, "Regional Observatory on Food and Nutrition Security (OBSAN-R)," <https://www.sica.int/iniciativas/obsanr>, Accessed 5 May 2022.

18 SICA, "Promoción de la Alimentación y Nutrición de Hogares Rurales," <https://www.sica.int/Iniciativas/mildias>, Accessed 5 May 2022.

19 SICA, "Proyecto Alternativas: Integración y reintegración de niños y jóvenes en riesgo de migración irregular en Centroamérica," <https://www.sica.int/Iniciativas/migracion>, Accessed 5 May 2022.

20 Ibid.

- (c.) Protection of the indigenous communities and helping them achieve success has been a goal of the SICA member States which they hope to achieve through the CICA (Central American Indigenous Council)²¹, which seeks to protect the rights of the indigenous people, provide education and other facilities on the lines of an intercultural development approach.
- (d.) Democratic Security is another theme where SICA member states share common interests. Within the ambit of the SICA, democratic security implies strengthening of the civil society, security for citizens and keeping a check on criminal activities. Since transnational criminal activities has plagued the region with the countries seeking to coordinated their efforts through the ICRIME²² (Cooperation in Criminal Level in Central America to Combat Crime and Drug Trafficking at the International Level) The organisation deals with crimes which ensure faster prosecution and award of justice. The Central American Security Strategy²³ was adopted by the SICA member states in 2011 that seeks to address issues related to security, strengthen law enforcement and provide a peaceful environment for the citizens.
- (e.) The SICA nations also united in their efforts to fight the pandemic. In the background of the 73rd Ordinary Meeting of the Council for Central American Social Integration,

21 SICA, "Pueblos Originarios," <https://www.sica.int/Iniciativas/originarios>, Accessed 4 May 2022.

22 SICA, "ICRIME en breve," <https://www.sica.int/icrime/inicio>, Accessed 4th May 2022.

23 Secretariat General of the SICA, "Central American Security Strategy", 2011, https://www.europarl.europa.eu/meetdocs/2009_2014/documents/dcam/dv/ca_security_s_/ca_security_s_en.pdf, Accessed 8 May 2022.

the SICA Regional Integration Social Policy (PSIR-SICA)²⁴ 2020-2024 was approved. The PSIR-SICA is a policy to focus on the common issues and interests between the member states, calling for cooperation among them to find solutions in dealing with the after-effects of the pandemic. This multidimensional social policy is a product of the common vision that all the member states share. It focuses on reducing inequality and structural problems in the society, making nutrition and access to basic amenities affordable and also on healthcare.

As can be noted the SICA member States converge on a range of issues, nonetheless, there remains differences between them that also need to be understood to achieve a holistic perspective of the workings of the grouping.

2 c Differences between the Member States

The SICA has a vision of fostering economic, social and political unity among all the member states. However, it is difficult to foster unison on all matters related to regional integration.

It has been observed that it is difficult to achieve political unity among the member States as they have their individual political

It has been observed that it is difficult to achieve political unity among the member States as they have their individual political dynamics, governance and regulations which at times act as obstacles.

²⁴ SICA, "PSIR-SICA Política Social Integral Regional del SICA," <https://sisca.int/agenda-estrategica/psir-sica>, Accessed 4 May 2022.



dynamics, governance and regulations which at times act tends to become as obstacles. There are also unresolved boundary disputes among the member States proved to be impediments to the working of the SICA. Disputes between Nicaragua and Costa Rica²⁵, Guatemala and Belize, Honduras and El Salvador²⁶ have affected the integration process. These instances and issues hamper regional unity. For instance, the PARLACEN or the Central American parliament is an institution to foster regional integration but Costa Rica and Belize are not yet part of it. Decision making at a regional level becomes difficult. Implementation of agreements due to structural weaknesses within the states has been a roadblock for the SICA.

The weakness of national institutions transposes into regional institutional weakness. Countries also have divergence national priorities that effect the functioning of SICA. This became evident as countries address issues of migration, employment, health care etc. For example, in 2015 Costa Rica temporarily withdrew from the SICA summit²⁷ due to its disagreements over the Cuban Migration crisis when Cuban migrants where stranded in Costa Rica after being refused passage rights through Nicaragua.

Corruption is another issue which hampers regional integration. Despite the SICA focussing on corruption and its elimination, it

25 Deutsche Welle, "Costa Rica sues Nicaragua over land dispute", 17th of January 2017, <https://www.dw.com/en/costa-rica-sues-nicaragua-over-land-dispute/a-37154779>, Accessed 6 May 2022.

26 Jorge, I. Dominguez et.al, "Boundary Disputes in Latin America", United States Institute of Peace, 1st August 2003, <https://www.usip.org/publications/2003/08/boundary-disputes-latin-america>, Accessed 5 May 2022.

27 Q Costa Rica, "Costa Rica withdraws from SICA," 19th December 2015, <https://qcostarica.com/costa-rica-withdraws-from-sica/>, Accessed 11 May 2022.

is indeed difficult to find a common ground and cohesion to take substantive action against it. Implementation of agreements therefore becomes a key issue. Economic disputes occur within any regional organisation and the SICA is no exception. Several disputes mostly pertaining to tariffs and phytosanitary and zoosanitary conditions have occurred within the ambit of the SICA. Most of these cases concern the export and import of agricultural products, intermediate goods, bovine and other meat, dairy products and processed food. Judgements on most of these cases were awarded by various tribunals while a few were settled mutually²⁸. Aware of its divergences the SICA is making efforts to address them and it remains a work in progress.

3. SICA'S RELATIONS WITH REGIONAL POWERS

Brazil

Brazil became an observer within SICA on the 7th of October 2008²⁹. After many deliberations in El Salvador, the South American nation signed the Instrument of Accession with SICA led by Former Minister of Foreign Affairs of Brazil Celso Amorim and Former Secretary General of SICA Annibal Quiñonez. As an observer country, it participates in the proceedings of the SICA without the right to vote. For both the SICA and Brazil, the partnership has been

28 SIECA, "Mecanismo de Solución de Controversias Comerciales entre Centroamérica (MSC) Lista de casos," <https://web-sieca.s3.ca-central-1.amazonaws.com/Lista+casos+presentados.pdf>, Accessed 3 June 2022.

29 Secretaría General de SICA, "Brasil se incorpora al SICA y anuncia mayor cooperación", 7th October 2008, <https://www.sica.int/consulta/noticia.aspx?idn=28790&idm=1&ident=1>, Accessed 3 December 2022.



mutually beneficial, with Brazil exploring the options of diversifying its trade especially in the areas of bio-fuels and technology and the SICA member States gaining access to the Brazilian market has been an advantage. Looking at the future, both sides are working to deepen economic and technological cooperation, increase trade relations and cooperate to find viable solutions to climate change and socio-political challenges.

Colombia

Colombia is an important partner for the SICA and formalised its observer status on the 26th September 2013.³⁰ Former Minister of Foreign Affairs of Colombia, María Ángel Holguín and the Former Secretary General of SICA, Hugo Martínez signed the Instrument of Accession. Colombia's entry as an observer member was important considering the security dimensions of the region. The Colombia-Panama border is known as being particularly vulnerable for migration as well as drug-trafficking which is a security concern for the region. Colombia is an important partner country for the SICA in managing such security challenges. Security personnel from SICA member States receive regular training with their Colombian counterparts, apart from which there are mechanisms for sharing of intelligence. Being a participatory country within the ambit of the Central American Security Strategy³¹, Colombia contributes to devising strategies with member States for addressing

30 Secretaría General de SICA, "Colombia se convierte en nuevo observador regional del SICA", 27th September 2013, <https://www.sica.int/consulta/noticia.aspx?idn=81020&idm=1&ident=1>, Accessed 3 December 2022.

31 SELA, "Colombia coopera con Centroamerica y Republica Dominicana en la prevencion de la violencia", Noticias de Sistema Economico Latinoamerica y del Caribe", <http://www.sela.org/es/prensa/servicio-informativo/20140221/si/13594/colombia-coopera-con-centroamerica-y-republica-dominicana-en-la-prevencion-de-la-violencia>, Accessed 3 December 2022

several challenges such as violence prevention measures, counter-terrorism and counter-narcotics.

Apart from being an important security partner, Colombia is also an important trade partner of SICA. Both the SICA and the Community of Andean Nations (CAN)³² of which Colombia is a member, cooperate on various issues including nutrition, healthcare and access to sanitation. Recently, several rounds of discussions have taken place between SICA and CAN regarding implementation of democratic measures, addressing human rights and rule of law. Climate change is another area on which deliberations regarding cooperation has taken place, especially considering the vulnerability of certain countries such as Panama, Nicaragua and Honduras towards climate change. The pandemic exposed fault-lines within the global supply chains and as a result there are discussions to strengthen institutions across organisations to address these challenges.

Mexico

Mexico became an observer within SICA on 11th November 2004. Mexico is an important regional power and its partnership with SICA was a significant step in widening the outreach of SICA. Mexico has participated in the process of peace-building in the region in the early 1990s through the Concertation Mechanism and the Tuxtla Dialogue. Being an important economic power in the region

32 Comunidad Andina, 'SICA y CAN piden fortalecer coordinacion entre ambos esquemas de integracion', Aduana News, periodico juridico aduanero, transporte y comercio exterior, <https://aduananews.com/sica-y-comunidad-andina-piden-fortalecer-coordinacion-entre-bloques/>, Accessed 3 December 2022.

the adoption of a Free-Trade Agreement³³ between the SICA and Mexico in 2013 was an important step. Mexico-SICA Cooperation has widened since the past decade on various platforms and areas such as in the field of technology, climate monitoring, security and education. The establishment of the Mesoamerican Centre for Climate Services is an important step to monitor climate change and address concerns regarding vulnerabilities. An academic exchange programme known as the ANUIES-CSUCA (National Association of Universities and Institutions of Higher Education, Mexico- Central American Higher University Council) aids in collaboration in the field of higher education.

Apart from these Mexico also focuses on the Mesoamerica Project³⁴ by which it partners on various projects related to infrastructure, education, public institutions and health. For instance, Mexico has been instrumental in facilitating electrical connection among the SICA countries to Mexico. It has also enabled streamlining of the transportation system in the SICA countries through its Georeferenced Information System for Transportation. It has supported other programmes such as the Mesoamerican Public Health Systems and the Mesoamerica Hunger Free programme. Other than that cooperation on support for Central American public schools and addressing concerns related to migration of unaccompanied children from the Northern Triangle countries of the SICA are noteworthy.

33 Secretaria General de SICA, "Mensaje de la Secretaria General del SICA en ocasion del aniversario de la incorporacion de Mexico al SICA como observador regional", SICA Secretaria General, <https://www.sica.int/consulta/Noticia.aspx?Idn=92284&idm=1>, Accessed 3 December 2022.

34 Gobierno de Mexico, "Cooperacion de Mexico con Centroamerica y el Caribe", Gobierno de Mexico, Acciones y Programas, 12th April 2022, <https://www.gob.mx/amexcid/acciones-y-programas/cooperacion-de-mexico-con-centroamerica>, Accessed 3 December 2022.

4. SICA'S RELATIONS WITH THE HEMISPHERIC SUPERPOWER: THE UNITED STATES

4a *History of the United States Involvement in the Region*

Being a regional superpower, the United States has always played a significant role in Central American. Its presence in the region can be traced back to the Monroe Doctrine of 1823³⁵ which enshrined the concept of Manifest Destiny.

During the early 1900s American policymakers were still convinced that it was the responsibility of the United States to keep a lookout for foreign interventions in the entire continent. In 1907 the Washington Conference³⁶ ensured a leading role for the United States in maintaining peace in the region. In 1923, sponsored by the United States, the General Treaty of Peace and Amity³⁷ was drawn up in order to foster peace in the region and nullify recognition of any governments that assumed power through illegal means such as coups. It was another attempt to exercise influence in the region.

As the American presence as well as its investment increased in the region, it was felt by the Roosevelt administration that there was a

Being a regional superpower, the United States has always played a significant role in Central American

35 US Department of State, Archive, "Monroe Doctrine, 1823", 20th January 2009, <https://2001-2009.state.gov/rj/pa/ho/time/jd/16321.htm>, Accessed 8 June 2022.

36 Thomas, M. Leonard, "Central America and the United States: The Search for Stability", (University of Georgia Press), 1991.

37 Ibid.



need to keep the hemisphere aloof from these events and announced the ‘Good Neighbour Policy’ at the Seventh Pan-American Conference in 1933³⁸. According to this policy, focus was laid on the concept of Pan-Americanism where the entire hemisphere should be free from foreign influence and should rally for one another. Instead of intervening in Central and Latin America, the idea was to create a congenial atmosphere where the rest of the countries would work in close cooperation with Washington.

Post-Second World War, the United States became concerned with many countries turning towards the left and tried to ensure that Latin America remained out of the reach of the Soviet Union. Central America thus turned into a theatre of proxy US-Soviet conflict during the Cold War. To sustain its primary position in the region, the United States pursued a policy of economic aid, investments while also engaging in military interventions on a number of occasions.

One of the major United States interventions in Central America occurred in Guatemala in 1954³⁹, when the government of President Jacobo Arbenz was overthrown in a CIA (Central Intelligence Agency) sponsored coup. Ideology and defending America

Post-Second World War, the United States became concerned with many countries turning towards the left and tried to ensure that Latin America remained out of the reach of the Soviet Union.

38 Brian Loveman, “US Foreign Policy towards Latin America in the 19th Century”, *Oxford Latin American History*, 7th July 2016, <https://oxfordre.com/latinamericanhistory/view/10.1093/acrefore/9780199366439.001.0001/acrefore-9780199366439-e-41?print>, Accessed 8 June 2022.

39 Gordon L. Bowen, “U.S. Foreign Policy toward Radical Change: Covert Operations in Guatemala, 1950-1954”, *Latin American Perspectives*, 1983, Vol. 10 No.1, p. 88-102.

economic interests were cited as the rationale behind the coup. With Panama, there were issues regarding control over the Panama Canal and the question of sovereignty. In 1958, demands were made to allow the Panama flag to fly alongside the US flag at the Canal⁴⁰, leading to clashes between US forces and civilians. President Eisenhower in a bid to douse the situation directed that the flags of both the countries be flown. Similar incidents also occurred in 1964⁴¹ which again led to clashes and force was used to restore order. During the administration of President Kennedy, the Alliance for Progress⁴² was launched. It was an ambitious financial aid programme to counter the influence of the Soviet Union and gain influence among the Latin American states. Military interventions were also carried out by United States forces in the Dominican Republic in 1965, Guatemala in 1966, El Salvador in 1981, Nicaragua in 1981 and Honduras in 1982.

With the end of the Cold War, the United States emerged as the sole superpower and its view towards Central America underwent certain transformations. It realised that the threat of foreign interference is greatly diminished. Regionally, the peace after decades of conflict started in Central America with a gradual transition towards democracy within the region.

After the process of democratisation started, United States relations with Central America witnessed greater cooperation. With the

40 Office of the Historian, US Government, " Foreign Relations of the United States, 1958-1960, American Republics, Volume V, Document 347", <https://history.state.gov/historicaldocuments/frus1958-60v05/d347>, Accessed 9 June 2022.

41 Ibid.

42 Office of the Historian, US Government, "Alliance for Progress and Peace Corps, 1961-1969", <https://history.state.gov/milestones/1961-1968/alliance-for-progress>, Accessed 9 June 2022.

Soviet Union now fragmented, the United States could also focus on other regions and Central America could chart out its own policies facing minimal interference from Washington.

During the Presidency of George H.W. Bush, Central America was on the path of reconciliation and peace with elections in Nicaragua, Costa Rica and Guatemala. El Salvador continued to face a civil war, and with the Bush administration making efforts to foster a peace accord between the warring groups. The United States policy during this period was to encourage democratisation, peaceful transfer of power leading to end to the conflict. On the economic front the Enterprise of the Americas Initiative⁴³ was launched in order to foster free trade across the hemisphere and offer debt relief to certain countries. However, it was also the period when the Bush administration ordered the invasion of Panama, codenamed as operation Just Cause⁴⁴ to oust Manuel Noriega who fell out with the US. This was the last military intervention in Central America.

President Clinton's attention towards Central America was significant in nature as it was during this period that the migration and drug trafficking from Central America became prominent. In 1994 the first Summit of the Americas⁴⁵ was held at Miami where a vision for a free trade zone encompassing the entire Americas was proposed. Like his predecessor, President Clinton was preoccupied with conflicts in Eastern Europe, the Middle East and in Somalia. However, he made an outreach towards Central America when he

43 Roger B. Porter, "The Enterprise for the Americas Initiative: A New Approach to Economic Growth", *Journal of Interamerican Studies and World Affairs*, 1990, Vol. 32, No. 4, p.1-12.

44 Jennifer Morrison Taw, "Operation Just Cause: Lessons for Operation Other than War", RAND, 1996, https://www.rand.org/content/dam/rand/pubs/monograph_reports/2007/MR569.pdf, Accessed 13 May 2022.

45 The Second Summit of the Americas was held in 1998 in Chile.

visited Guatemala, El Salvador, Nicaragua and Honduras through an offer of economic aid and assistance and deferred payments for Honduras and Nicaragua. Migration from Central America was the most prominent issue which President Clinton had to face, in response to this the Nicaraguan and Central American Adjustment Act⁴⁶ was implemented in 1997 which offered some relief to migrants from this region.

George W. Bush who succeeded Clinton as the President of the United States had to deal with migration and economic troubles in the Northern Triangle of Central America and the growing presence of China in the region. President Bush focussed on the ideas of a hemispheric free trade in which he wanted to include Central America. Enforcing democratic ethos and fortifying institutions was another challenge for the US Administration and in 2001 the Inter-American Democratic Charter⁴⁷ was adopted. The US Administration realised that in order to counter China and stem immigration from Central America, especially from the Northern Triangle, economic policies would have to be tailored to suit the requirements of the region. In this regard the Central America Prosperity Project⁴⁸ was launched in order to find the root causes behind poverty and migration. The Bush Administration

46 CRS Reports, U.S. Library of Congress, "The Nicaraguan Adjustment and Central American Relief Act: Hardship Relief and Long Term Illegal Aliens", 15th July 1998, https://www.everycrsreport.com/files/19980715_98-3_08ea932ffbb5b70b21888bb84863bfba90bfba25.pdf, Accessed 15 May 2022.

47 US Department of State, "20th Anniversary of the Inter-American Democratic Charter", 16 September 2001, <https://www.state.gov/20th-anniversary-of-the-inter-american-democratic-charter/>, Accessed 17 May 2022.

48 G.W. Bush Institute, "Central America Prosperity Project", <https://www.bushcenter.org/explore-our-work/developing-leaders/central-america-prosperity.html>, Accessed 19 June 2022.



subsequently in 2004 created a free trade zone⁴⁹ encompassing the United States, Central American countries and the Dominican Republic. The 9/11 attacks and the subsequent Global War on Terror diverted attention of the US Administration away from Central America, providing vital space for other powers like China to further strengthen its presence.

While problems related to migration, drug-trafficking and security were of major concern relation between the United States and the Central American States during the presidency of Barack Obama were warm. One of the main achievements was the foundation of the Central American Regional Security Initiative⁵⁰ which gave economic and security assistance to the Central American states in order to combat crime and trafficking. It aimed in boosting internal security and helped to improvise law enforcement in these countries. The Central American Citizen Security Partnership and the Western Hemisphere Counter Drug Strategy⁵¹ were devised to provide safety to the people in the region and to combat drug trafficking. During President Obama's tenure apart from the migrant crisis, the issue of criminal gangs infiltrating the US turned out to be a major problem. Despite attempts from both the sides, there were contestations over the number of migrants to be admitted to the US.

49 Office of the USTR, "CAFTA-DR (Dominican Republic-Central America FTA)", <https://ustr.gov/trade-agreements/free-trade-agreements/cafta-dr-dominican-republic-central-america-fta>, Accessed 19 June 2022.

50 US Department of State, "The Central American Regional Security Initiative: A Shared Partnership", 27 December 2011, <https://2009-2017.state.gov/documents/organization/183768.pdf>, Accessed 22 June 2022.

51 US Government Accountability Office, "Counternarcotics: Overview of US Efforts in Western Hemisphere", 25 October 2017, <https://www.gao.gov/products/gao-18-10>, Accessed 25 June 2022.

The Presidency of Donald Trump witnessed certain issues in the relationship between the United States and Central America. President Trump was very keen to stop migration from this region and built a barrier⁵² along the US-Mexico border. Concerned about the wave of migrants, the Trump administration held discussions with Guatemala, Honduras and El Salvador and came to agreements⁵³ to slow down the flow of migrants, offering them options to stay in a third country while their claims are processed. A policy known as the Remain in Mexico^{54,55} was also implemented to prevent immigrants, crossing over to the United States. While issues related to immigration became defining⁵⁶, the Trump Administration also had to contend with the growing presence of China in Central America.

While President Biden's Administration is facing the traditional issues in the region, the key challenge is being provided by the presence of China. Beijing has turned out to be an important player in the region, and in terms of trade and investment it is at competition with the US. China has steadily increased its

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- 52 Claire Hansen, "How Much of Trump's Border Wall was built?" *USA News*, 7th February 2022, <https://www.usnews.com/news/politics/articles/2022-02-07/how-much-of-president-donald-trumps-border-wall-was-built>, Accessed 27 June 2022.
- 53 The agreements encapsulate that probable migrants to the US must apply for protection in Honduras, Guatemala and El Salvador before arriving at the US; otherwise they would be sent back.
- 54 This policy is officially known as the Migrant Protection Protocols (MPP) and was implemented in January 2019. Additionally, the Trump administration in the wake of the Covid-19 pandemic invoked an old law, Title 42 to prevent migrants from crossing over. This law seeks to prevent the spread of communicable diseases.
- 55 Shayna Greene, "Remain in Mexico policy will continue for several weeks, Mayorkas says", *Politico*, 7 March 2022, <https://www.politico.com/news/2022/07/03/remain-mexico-policy-mayorkas-said-00043884>, Accessed 29 June 2022.
- 56 Even though the Northern Triangle countries and the US cooperated on migration, the Trump administration withheld financial aid in order to pressurize these countries to stem the flow of migrants.



engagement with Central America since 2007 by offering lucrative investments, aiding them in infrastructure and luring them away from Taiwan. China also gained goodwill by providing medical aid and assistance to these countries to tackle the pandemic. The current US Administration would have to reconnect with the region through fresh policies.

The current US Administration has taken some steps in this direction by revoking a number of Trump Administration policies while taking punitive actions against corrupt officials from Nicaragua, Honduras and El Salvador.

So far the Biden Administration has plans to invest US\$ 4 billion⁵⁷ in the region over a period of four years. Citing food security as a major concern, plans have been made to invest US \$ 331 million through USAID⁵⁸ especially in the Northern Triangle countries. There are discussions on inviting the private sector to invest more in the region and so far, US \$ 750 million⁵⁹ has been invested, while the target is to achieve US \$1.9 billion. At the ninth Summit of the Americas held at Los Angeles in 2022, fruitful discussions took place and the Biden Administration in order to reinvigorate the region announced plans on climate change, housing, clean energy, democratic governance and fighting the pandemic and its effects.

57 White House, "Fact Sheet: Vice President Harris announced more than \$1.9 billion in new private sector commitments as a part of call for action for Northern Central America", 7 June 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/06/07/fact-sheet-vice-president-harris-announces-more-than-1-9-billion-in-new-private-sector-commitments-as-part-of-call-to-action-for-northern-central-america/>, Accessed 24 June 2022.

58 Ibid.

59 White House, "Fact Sheet: Strategy to address the root causes of migration in Central America", 29 July 2021, <https://www.whitehouse.gov/briefing-room/statements-releases/2021/07/29/fact-sheet-strategy-to-address-the-root-causes-of-migration-in-central-america/>, Accessed 28th June 2022.

The main focus was on shared responsibility of all the countries in the hemisphere. Migration is the key issue which dominates the discourse, and certain steps have been taken. In 2021 the situation was particularly complicated due to the pandemic hence the Biden administration channelled US \$ 252 million⁶⁰ and US \$ 861 million in 2022⁶¹ to fund these countries in order to slow down migration and to fight the pandemic. The idea is to make these countries resilient so that people do not have a reason to migrate to the United States. In February 2021, Executive Order 14010⁶² was passed to streamline migration, and in the same month the Trump era 2019 agreements on migration with El Salvador, Guatemala and Honduras were suspended. March 2021 witnessed the reestablishment of the Central American Minors Programme⁶³ which allows stranded families to reunite, and some MPP cases were being processed quickly. Instead of looking for short term goals, the focus is laid on long-term strategies such as assistance programmes leading to socio-economic development of the region. In July 2021, a policy known as US Strategy to Address the Root Causes of Migration was

60 CRS Reports, "Central American Migration: Root Causes and US Policy", 31 March 2022, <https://crsreports.congress.gov/product/pdf/IF/IF11151/7>, Accessed 29 June 2022.

61 For the Financial Year 2023 US \$ 986 million has been requested.

62 White House, "Executive order on creating a comprehensive regional framework to address the causes of migration, to manage migration throughout North and Central America, and to provide safe and orderly processing of asylum seekers at the United States Border", 2 February 2021, <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/02/02/executive-order-creating-a-comprehensive-regional-framework-to-address-the-causes-of-migration-to-manage-migration-throughout-north-and-central-america-and-to-provide-safe-and-orderly-processing/>, Accessed 29 June 2022.

63 US Department of State, "Central American Minors (CAM) Program", <https://www.state.gov/refugee-admissions/central-american-minors-cam-program/>, Accessed 29 June 2022.



While the United States has realised that a multitude of approaches are required to engage the SICA countries, the growing presence of China remains a major concern for its future relations with the countries of the region.

launched and at the ninth Summit of the Americas the Los Angeles Declaration on Migration and Protection⁶⁴ was signed.

While the United States has realised that a multitude of approaches are required to engage the SICA countries, the growing presence of China remains a major concern for its future relations with the countries of the region.

5. THE GROWING PRESENCE OF CHINA IN THE REGION

5a Tracing the Growth of China's Interests in the Region

During the Cold War, China maintained diplomatic relations only with Cuba after it was diplomatically isolated in the aftermath of the 1959 revolution⁶⁵. During this era, options in terms of approaching Latin America turned out to be limited for Beijing. It did not have the resources or the means to challenge the United States in the region.

By the late 1970s and 1980s relations with major Latin American countries were established which portrayed Latin America and

64 Whitehouse, "Fact Sheet: The Los Angeles Declaration on Migration and Protection U.S. Government and Foreign Partner Deliverables", 10 June 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/06/10/fact-sheet-the-los-angeles-declaration-on-migration-and-protection-u-s-government-and-foreign-partner-deliverables/>, Accessed 4 July 2022.

65 Mao, Xianglin et.al, "China and Cuba: 160 Years and Looking Ahead", *Latin American Perspectives*, 2015, Vol. 42, No. 6, p. 140-152.

Beijing's outreach towards Central America remained limited primarily because of two factors – first, a very strong US presence and second, the region was witnessing its worst period of political and economic turmoil

China as members of the third world, focussing on sovereignty, economic independence and in opposition to the two superpowers. However, Beijing's outreach towards Central America remained limited primarily because of two factors – first, a very strong US presence and second, the region was witnessing its worst period of political and economic turmoil

The end of the Cold War was another significant event which gave some space to Latin American nations to approach other countries for establishing mutually beneficial relations, and the Chinese seized the opportunity.

In that decade, China actively participated in the Rio Group⁶⁶ and in 1994 became an observer state of the Latin American Integration Association (LAIA) followed by its membership of the Caribbean Development Bank in 1997. High-level visits occurred from both the sides which gradually cemented ties. In 2001 President Jiang Zemin visited six nations in Latin America⁶⁷ in order to boost ties. In 2002 Beijing joined the WTO and trade relations with Latin America

66 Ministry of Foreign Affairs of the Peoples' Republic of China, "The Rio Group", 15 November 2000, https://www.fmprc.gov.cn/mfa_eng/gjhdq_665435/dqzzywt_665451/2633_665453/2634_665455/20001115_697200.html, Accessed 9 July 2022.

67 Ministry of Foreign Affairs of the Peoples' Republic of China, "President Jiang Zemin meets Venezuelan President Hugo Chavez Frias", 25 May 2001, https://www.fmprc.gov.cn/mfa_eng/gjhdq_665435/3447_665449/3538_665158/3540_665162/200105/t20010525_596733.html, Accessed 12 July 2022.



intensified. During the Cold War, China's approach towards Latin America was clouded with strong ideological overtones⁶⁸, only to be replaced by pragmatism, economic and diplomatic needs in the post- Cold War period. China's interest in Central America was primarily for economic and strategic reasons. In 2004 and 2008 President Hu Jintao made trips to Latin American nations which were quite meaningful⁶⁹.

In 2008, China released its first Comprehensive Latin American Policy which was updated in 2016⁷⁰. These policies hinted at areas of cooperation and identified thirteen areas of high priority such as cooperation between chambers and institutions related to trade and commerce, investing in high value-added commodities, industrial and agricultural investment and cooperation in manufacturing. President Jinping ambitiously announced the 1+3+6 cooperation scheme where the primary focus is the partnership with CELAC (Community of Latin American and Caribbean States)⁷¹. He further identified three driving forces- financial cooperation, trade and investment- in China's relations

68 Especially under the regime of Mao Zedong, ideology was the main driver of China's approaches towards Latin America. Events such as intervention in Guatemala, the Panama Canal riots and the Cuban revolution intensified its interest in Latin America.

69 Ministry of Foreign Affairs of the Peoples' Republic of China, "Hu Jintao arrives at Brasilia and starts State Visit to Brazil", 12 November 2004, https://www.fmprc.gov.cn/mfa_eng/gjhdq_665435/3447_665449/3473_665008/3475_665012/200411/t20041112_594578.html, Accessed 12 July 2022.

70 The State Council, The Peoples' Republic of China, "Full text of China's Policy Paper on Latin America and the Caribbean", 24 November 2016, http://english.www.gov.cn/archive/white_paper/2016/11/24/content_281475499069158.htm, Accessed 13 July 2022.

71 ECLAC, "First Forum of China and the Community of Latin American and Caribbean States: Exploring opportunities for cooperation on trade and investment", *Economic Commission for Latin America and the Caribbean*, January 2015, https://repositorio.cepal.org/bitstream/handle/11362/37578/S1421103_en.pdf, Accessed 10 July 2022.

Out of the eight SICA member states, China maintains diplomatic relations with Costa Rica, Panama, El Salvador, the Dominican Republic and Nicaragua.

with the region and identified six key areas of cooperation energy, technical innovation, scientific cooperation, resources, manufacturing and infrastructure projects.

Even though China started its approach quite late in Latin America, it has turned out to be an important player in the region. This has presented a serious challenge to the US which has always enjoyed closer relations with these countries. China's approach towards the SICA member states turns out to be a greater concern for Washington.

5b Current Status of Relations between SICA Member States and China

Out of the eight SICA member states, China maintains diplomatic relations with Costa Rica, Panama, El Salvador, the Dominican Republic, Nicaragua and Honduras. With Belize and Guatemala it does not have diplomatic relations although economic relations exist. Costa Rica was the first country which recognised it in 2007 and cemented relations with it. This was followed by Panama when in 2017. El Salvador and the Dominican Republic quickly followed suit and in 2018 they in turn recognized it. In 2021 Nicaragua also cemented diplomatic relations with China. In 2023, Honduras established diplomatic links with China



It sees economic and strategic advantages in the region particularly with respect to the Panama Canal which is frequently used by Chinese ships for trade. It is also interested in furthering the BRI (Belt and Road Initiative) in the region for strengthening trade. Beijing also wishes to establish itself firmly in the region which is in close proximity to the US.

Costa Rica was the first SICA country to establish diplomatic relations with China on 1st June 2007⁷². In return, Beijing purchased US\$ 300 million in Costa Rican debt and allotted US\$ 100 million for building a sports stadium in San Juan. A new building was donated to the Costa Rican Police Academy along with two surveillance aircrafts. It also led to the establishment of a Confucius Institute at the University of Costa Rica⁷³. In August 2007, Costa Rican President Oscar Arias welcomed a Chinese delegation led by Assistant Foreign Minister He Yafei. In October 2007 President Arias paid a visit to Beijing to hold discussions regarding various areas of cooperation. The Chinese side offered US\$ 20 million for flood relief in addition to another US\$ 27 million for various projects. Agreements were signed between the National Oil Refinery (RECOPE) of Costa Rica and China National Petroleum Corporation (CNPC). During this visit, the idea of a free trade pact between both the countries was discussed. In November 2008 President Hu Jintao visited Costa

72 Luis Guillermo Solís, "What's behind China's growing push into Central America?", *Americas Quarterly*, 1 July 2021, <https://www.americasquarterly.org/article/whats-behind-chinas-growing-push-into-central-america/>, Accessed 18 July 2022.

73 Constantino Urcuyo, "Despite U.S. pressure, China's presence in Central America is growing", *Latinoamérica21*, 18 June 2021, <https://latinoamerica21.com/en/despite-u-s-pressure-chinas-presence-in-central-america-is-growing/>, Accessed 19 July 2022.

Rica and eleven agreements related to cooperation in the fields of technology, education, finance, economy and energy were signed. The Presidents of both the countries announced the launch of negotiations on a free trade pact. In 2010 the Costa Rica-China FTA was signed which entered into force in 2011⁷⁴. In 2012 President Laura Chinchilla visited China and in 2013 President Jinping paid a visit to San Jose⁷⁵. In 2015 President Luis Guillermo Solís and Foreign Minister Manuel González visited Beijing. Trade between both countries has grown in the past few years. In 2020 Chinese exports to Costa Rica amount to US\$ 1.97 billion while Costa Rica exports around US\$ 287 million⁷⁶. Products such as transmission apparatus and other electronic equipment are the main exports of China whereas medical and surgical instruments, coffee, fruits and other agricultural products make up the bulk of Costa Rican exports. Although Costa Rica received medical aid from Beijing in view of the pandemic it rejected Sinovac Covid vaccine, citing its low efficacy⁷⁷. 2022 celebrates the fifteen years since the establishment of diplomatic relations, and Special Representative of China on Latin American Affairs, Qiu Xiaoyi paid a visit to San Jose to mark the occasion.

74 China Daily, "China-Costa Rica ties bear rich fruit", 2 June 2013, http://www.chinadaily.com.cn/china/2013xivisit/2013-06/02/content_16557223.htm, Accessed 11 July 2022.

75 Isabella Cota, "China lends Costa Rica \$400 million on Xi visit", *Reuters*, 3 June 2013, <https://www.reuters.com/article/us-china-costarica-idUSBRE95218820130603>, Accessed 16 July 2022.

76 OEC, "Costa Rica-China Bilateral Trade", 2020, <https://oec.world/en/profile/bilateral-country/cr/partner/chn>, Accessed 17 July 2022.

77 Marianne Guenot, "Costa Rica rejected a Chinese vaccine, saying it is not effective enough, as China's shot come under increased scrutiny", *Business Insider*, 17 June 2021, <https://www.businessinsider.in/science/news/costa-rica-rejected-a-chinese-vaccine-saying-it-is-not-effective-enough-as-chinas-shot-come-under-increased-scrutiny/articleshow/83604249.cms>, Accessed 18 July 2022.



Panama is one of the most important SICA countries, owing to its strategic location. China's main investments are in logistics, shipping and infrastructure. In 1999 the Chinese firm Hutchison-Whampoa received concessions for port construction at the Panama Canal. An investment amounting to US\$ 1 billion was made by the Chinese Landbridge Consortium for a new container port known as the Panama Colón Container Port (PCCP)⁷⁸. Panama joined the BRI in 2017 and also signed 19 MoUs. In 2018 President Jinping visited Panama and more agreements were signed. Significant investments have also been made in food processing, manufacturing and mining. The Chinese mining company, Jiangxi has 18 per cent stake in the Cobre Panama Mine⁷⁹. There were plans to construct a High-Speed Rail Link from Panama City to David amounting to an investment of US \$ 5.5 billion but the project ran into delays and is ultimately stalled. A US \$ 38 million investment has been made to create a digital free trade zone in San Miguelito⁸⁰. Significant investments have been made in the telecommunications sector, where Huawei plays a significant role. Financing is carried out by the Bank of China which was present even prior to the diplomatic recognition offered to China and in June 2020 the Industrial and Commercial Bank of China (ICBC) made its presence. In 2020 Panama exported US\$ 405 million worth of goods to China and in turn imported worth US \$8.8 billion⁸¹. Panama's main exports to China are copper ores,

78 Evan Ellis, "China's advance in Panama: an update", *Global Americans*, 14 April 2021, <https://theglobalamericans.org/2021/04/chinas-advance-in-panama-an-update/>, Accessed 17 July 2022.

79 Ibid.

80 Ibid.

81 OEC, "Panama-China Bilateral trade", 2020, <https://oec.world/en/profile/bilateral-country/pan/partner/chn>, Accessed 17 July 2022.

edible products such as flour, bovine meat and crustaceans. Panama maintains a steady rise in trade with it. China exports machinery, ships, ferry boats and petroleum products.

China encourages cultural diplomacy and a Confucius Institute exists at the University of Panama, scholarships are also awarded to students to study in China. China has maintained high-level contact with Panama, in 2019 Chinese Foreign Minister discussed areas of cooperation with Panama's former Foreign Minister Alejandro Ferrer and in 2022 the same was repeated with current Foreign Minister Erika Mouynes⁸². During the pandemic, China was generous with its medical aid even though Panama declined the use of Chinese vaccines. While the previous Varela administration made strong outreach, the current Cortizo administration has undertaken a more scrutinised approach to the burgeoning bilateral relations.

China established formal diplomatic relations with the Dominican Republic in May 2018, following which President Danilo Medina paid a visit to Beijing in November 2018. Eighteen MoUs were signed between both the countries and a Mixed Commission was created to cooperate on various commercial projects. Investments worth US\$ 3 billion were announced immediately on the establishment of relations and further US\$ 10 billion worth investments were promised⁸³. Chinese Foreign Minister Wang Yi paid a visit to the Dominican Republic in September 2018 to inaugurate the Chinese

82 CGTN, "China, Panama hail prospects in relations as FMs meet", 4 April 2022, <https://news.cgtn.com/news/2022-04-04/Foreign-ministers-of-China-Panama-meet-in-Anhui-18XbbZwmUOk/index.html>, Accessed 19 July 2022.

83 Evan Ellis, "Chinese engagement in the Dominican Republic: An update", *Dialogo Americas*, 23 July 2021, <https://dialogo-americas.com/articles/chinese-engagement-in-the-dominican-republic-an-update/#:Yt-KcHbMLIU>, Accessed 18 July 2022.

embassy where he thanked the hosts for upholding the ‘One China’ principle and promised greater cooperation. Announcements were made regarding investments in infrastructure and logistics, people to people contact and high level visits. The Dominican Republic expressed its desire to be a part of the BRI and to cooperate on multilateral forums such as the UNSC, CELAC, East Asia-Latin America Forum and the Forum of China. President Medina visited Beijing in November 2018 for furthering the relations. 14 projects worth US\$ 90 million were announced mostly related to construction and logistics. Beijing also offered US\$ 600 million loan for revitalising the electricity infrastructure and for constructions in the port of Manzanillo, while promising increased import of Dominican rum, tobacco and other agricultural products. Zhongxing Lingham, a Chinese mining company operates in the region and in terms of financing the Bank of China facilitates such projects⁸⁴. Under current President Luis Abinader, ties with China remained strong even though Chinese investments in strategic sectors such as ports and telecommunications⁸⁵ were initially paused hinting at possible limited engagement. However, the donation of vaccines and medical supplies during the pandemic allowed Beijing to earn goodwill. Bilateral trade has increased exponentially which amounts to US\$ 4.42 billion in 2020⁸⁶. Chinese companies operating in the country increased from mere six to twenty five. There were discussions on a Free Trade Agreement but so far it has

84 Evan Ellis, “China’s Role in Latin America and the Caribbean”, CSIS, 31 March 2022, https://www.foreign.senate.gov/imo/media/doc/033122_Ellis_Testimony1.pdf, Accessed 17 July 2022.

85 Huawei has been allowed to pitch in for the 5G auctions in the Dominican Republic in March 2021.

86 R. Evan Ellis (23 July 2021). Chinese engagement in the Dominican Republic: An Update. *Dialogo Américas*. <https://dialogo-americas.com/articles/chinese-engagement-in-the-dominican-republic-an-update/#:Ys-6RXbMLIU>, Accessed 21 June 2022

not materialised. China offers scholarships to students and runs a Confucius Institute to promote Chinese language and culture.

El Salvador recognised China in August 2018 under the Presidency of Salvador Sánchez Cerén. As a gesture of goodwill Beijing sent 3000 tons of rice and sanctioned US\$150 million for thirteen infrastructure projects⁸⁷. The electoral victory of President Nayib Bukele initially gave a perception that newly founded relations may be put under the scanner. However, President Bukele made a trip to Beijing in December 2019 to foster greater cooperation. Beijing promised more investments especially in sectors related to construction and logistics and also expressed interest to purchase large quantities of coffee, fruits and other agricultural products. El Salvador expressed interest in the BRI and stated that it would firmly abide by the ‘One China’ principle. Beijing proposed US\$ 500 million for various development projects and US\$ 85 million for a water treatment facility. It also promised US\$ 200 million for a Surf City project⁸⁸. Interest was also expressed to develop a special economic zone to be developed by Asia-Pacific Xuanhao. Chinese investments are also present in the telecommunication sector through companies such as Huawei and ZTE and Salvadorian television network TVX joined the BRI media community. Trade between both countries increased from a meagre US\$6.1 million in 2002 to US\$ 47.4 million in 2017. Currently, El Salvador exported goods worth US\$170 million in 2020 while China exported US\$

87 Evan Ellis, “China and El Salvador: An Update”, 22 March 2021, *Center for Strategic & International Studies*, <https://www.csis.org/analysis/china-and-el-salvador-update>, Accessed 25 June 2022.

88 Ibid.

1.36 billion in the same year⁸⁹. El Salvador mostly exports electrical capacitors, clothes, textiles, cane sugar and other agricultural products. China on the other hand exports finished products such as electronic and transmission apparatus and machinery. Sinovac vaccines were supplied in five batches to El Salvador, additionally medical equipment and testing kits were also given.

Nicaragua switched diplomatic relations in favour of China on 09 December 2021⁹⁰ and by doing so became another SICA Member State following a similar pattern. It must be mentioned that while initially it recognised Taiwan; in 1985 it switched recognition to China. In 1990 it again switched relations to Taiwan which continued till 2021. The recognition came at the time of the Summit of Democracy, hosted by the United States. In a joint communiqué the Foreign Minister Wang Yi expressed support for Nicaragua's pandemic relief works and cooperation on important aspects and even invited Managua to join the BRI. It also discussed a possible FTA and contemplated opening a Confucius Institute. In January 2022, President Jinping's special envoy Cao Jianming paid a visit to Nicaragua and after many deliberations four cooperation agreements were signed⁹¹. The first one dealt with Nicaragua expressing its willingness to join the BRI, while the second one established a framework for cooperation between both countries.

89 OEC, "El Salvador-China Bilateral Trade", 2020, <https://oec.world/en/profile/bilateral-country/slv/partner/chn>, Accessed 14 July 2022.

90 Evan Ellis, "Nicaragua's Flip to China: What does it mean for the region?" 10 December 2021, <https://theglobalamericans.org/2021/12/nicaraguas-flip-to-china/>, Accessed 17 July 2022.

91 Xinhuanet, "Xi's special envoy attends inauguration ceremony of Nicaragua president for new term", 11 January 2022, <https://english.news.cn/20220111/cd28e7eb8875428a82791f6f2f207ef1/c.html>, Accessed 17 July 2022.

A major challenge for the countries of the region remains the problem of de-industrialisation.

The third one was about visa exemptions and the final one was a MoU between the foreign ministries of both countries to establish political consultation mechanisms. Trade between both the countries is modest when compared to other SICA member states. In 2020 China exported US\$ 727 million worth of goods mostly comprising of fabrics, chemicals, automobile parts and motorbikes. In return, Nicaragua exported US \$ 13.1 million worth of goods which comprised of vegetable oils, wood and coffee⁹², however of late bilateral trade has increased.

China and Deindustrialisation in Latin America

A major challenge for the countries of the region remains the problem of de-industrialisation. Trade between Latin America and China have increased from a modest US\$ 12 billion in 2000 surpassing US\$ 300 billion in 2020.⁹³ China has also been generous with loans and invested in the region especially in building infrastructure. Nonetheless, concerns about these investments and loans remain.

It has been observed that Chinese interests are overtly focussed on extraction of natural resources which is abundant in Latin America

92 OEC, "Nicaragua-China Bilateral Trade", 2020, <https://oec.world/en/profile/bilateral-country/nic/partner/chn>, Accessed 18 July 2022.

93 Raquel Carvalho, "China in Latin America: partner or predator?", South China Morning Post, 25th May 2019, , <https://multimedia.scmp.com/week-asia/article/3011618/beijing-conquest-latin-america/index.htm>, Accessed 3rd December 2022.

and in ensuring a steady supply of raw materials from the region. In a short period, the export of natural resources contributes to inflow of foreign exchange for Latin American countries. The negative impact of such attributes is the dependency of these countries on the Chinese market.⁹⁴ Given the recent economic slowdown in China, its impact has also been across Latin America which witnessed slow exports of commodities. Another aspect which is has not been studied extensively is the ‘*Sinicization*’ of economic activities in Latin America, where projects are mostly completely dealt by the Chinese with minimal local involvement.

This dependency on the Chinese market for export is due to a number of factors, chief among them being the inability for local consumers to generate high demand as compared to China, the stability of exports (until the slowing down of the Chinese economy in the post-pandemic period) which ensures a steady inflow of foreign exchange and the ability of the Chinese to invest in infrastructure-building projects. Added to this is, China is willing to engage with governments irrespective of their political ideologies and political structures and its agreements are without conditions.

This overt dependency has created its own challenges for Latin American economies. For instance, the price of raw commodities determines the returns and a dip in prices can have disastrous

94 Jorge Guajardo et.al. “Industrial Development in Latin America: What is China’s Role? Atlantic Council, August 2016, https://www.atlanticcouncil.org/wp-content/uploads/2016/08/Industrial_Development_in_Latin_America_web_0829.pdf, Accessed 6 December 2022.

outcomes⁹⁵, for example reduced demand as well as low price of soy which is mostly exported by Argentina and Brazil, has impacted their economies due to low returns on this commodity. Additionally, the industrial activity of these countries have witnessed reduction, as most of the projects are outsourced to China, which bring its own labour force to complete them. For any country, the ability to build its own infrastructure with minimal dependency is an added advantage, which to a great extent is missing in the region.⁹⁶ Hence to conclude, China's economic activities in the region does not contribute to skill-development and lures these countries away from investing in capacity building towards export orientation which is again dependent on the domestic market of China. These factors may lead to gradual deindustrialisation in the region with consequences in the future. Trade between Latin America and China have increased from a modest US\$ 12 billion in 2000 surpassing US\$ 300 billion in 2020. China has also been generous with loans and invested a lot in the region especially in building infrastructure.

China has made steady inroads in the SICA countries in a short duration and today is one of the key players in the region. Although Taiwan has official relations with SICA, it may be possible that in the near future China may attempt to replace it. China will probably try to establish diplomatic relations with the remaining three SICA member states in order to fulfil its objectives.

95 Javier Santiso, "China: a wakeup call", *Decade of the Multilatinas*, 5 May 2013, <https://www.cambridge.org/core/books/abs/decade-of-the-multilatinas/china-a-wakeup-call/D8CF39CD52709341FBDAAF5AE4E17A9F>, Accessed on 05 December 2022.

96 World Bank, "Made in China? Latin America and the Caribbean's Long-Term Growth", September 2011., <https://www.cambridge.org/core/books/abs/decade-of-the-multilatinas/china-a-wakeup-call/D8CF39CD52709341FBDAAF5AE4E17A9F>, Accessed on 05 December 2022.

6. INDIA-SICA RELATIONS: PRESENT REALITIES AND FUTURE DIRECTIONS

6a India's Relations with the SICA

The economic relations have been the bedrock of the relations that India shares with Central American nations there remain several areas which can be explored for enhanced cooperation. The pandemic has caused a global economic slow-down; however, as the world emerges from the shocks, one finds that within the LAC region, the economies of Central America have shown resilience. As per the International Monetary Fund (IMF), since the onset of the pandemic, the economies of Central America, Panama, and the Dominican Republic (CAPDR) were among the best performers in Latin America. By 2021, all except Panama had surpassed the pre-pandemic output levels. This strong recovery was partly a result of the authorities' fast, comprehensive, and in many cases, unprecedented policy responses. These included historical cuts to monetary policy rates to help support economic activity and a sharp expansion of social support and health spending. External factors, such as the US recovery, amid the region's relatively high openness and reliance on remittances, also contributed to the recovery. The recovery faces two challenges, one natural in the form of devastating hurricanes that have caused loss of lives and caused

The economic relations have been the bedrock of the relations that India shares with Central American nations there remain several areas which can be explored for enhanced cooperation.

damage. The second crisis is man-made in the form of the crisis in Ukraine. The rise in energy prices and food prices has ramifications for the developing economies of the region.

The challenges have meant that the region has an opportunity to renew its focus on domestic reforms while also addressing issues of trade diversification from its traditional partners. Central America's priority is to recover from its deepest economic contraction to restore strong, sustainable economic growth and as they look towards Asia, they are looking at the two powerful economies of the region-India and China.

6b India's Relations with the SICA: Building a Future - Ready Relations

India's bilateral relations with individual SICA member States have grown over the past two decades with the Central American nations calling for more engagements between India and the region.

Belize, formerly British Honduras, is the only English-speaking country in Central America and is a member of the Commonwealth and India and Belize enjoy friendly, warm, and cordial relations. Belize traditionally supports India on most issues, in the UN and other multilateral fora, and vice versa. As the only country that has no standing army, Costa Rica is unique in the region. It is also country that has laid emphasis on protecting its biodiversity and has successfully reverse deforestation by increasing its forest cover from close to 24 per cent in 1984 to more than 50 per cent in 2011. It has a successful conservation programme and provides lessons for the protection of biodiversity hotspots, sustainable use of resources,



and the fair and equitable sharing of the benefits arising from the utilisation of genetic resources. India could explore this aspect within its cordial relations with the small republic.

India is the fourth largest trading partner of the Dominican Republic and opened its Embassy in Santo Domingo in 2022. The two nations are looking to expand their relations through capacity building and cooperation in science and technology such as space, Artificial Intelligence (AI) and cyber security, higher education and cultural relations. India also looks towards a strong partnership with the Dominican Republic in the International Solar Alliance (ISA), and the Coalition for Disaster Resilient Infrastructure (CDRI). Both India and El Salvador have shown a keen interest to expand and deepen their relations. The two countries recently held their third Foreign Office Consultations in which the whole range of issues including health, trade and investments were discussed. The two also share views on the need to strengthen the UN and to work within the UN to address international crisis situations.

India's relations with Guatemala have increased over the years with the high point being the visit of Vice President Naidu to the country in 2018. In May of 2021, the second meeting of the Political Consultation Mechanism — FOC Meetings — was held virtually with the participation of Secretary East Madam Riva Ganguly and Vice Minister Carlos Ramiro Martinez. In July of the same year the Minister of State for External Affairs, V Muraleedharan travelled for meetings with the Guatemalan Foreign Minister Pedro Brolo, including a courtesy visit to President Alejandro Giammattei. In the investment arena, it is worth noting that Guatemala under the

mantra “Guatemala No Se Detiene” (Guatemala does not stop) has generated vital strategies that seek to attract entrepreneurs from all over the world to invest in the region under the concept of Nearshoring, with India being no exception.⁹⁷ Under the umbrella of the strategy Guatemala has identified four sectors for which it will become the regional hub- pharmaceutical, medical devices, electronic devices manufacturing and company services. These are all sectors India has expertise in and could explore more investments. The 2022 visit of Minister of State for External Affairs Meenakshi Lekhi to Panama, Honduras and Chile provided fresh momentum to India’s bilateral ties with them. This was the first visit by an Indian minister to Honduras and while economic relations may be limited due to contains of market size India and Honduras could focus on other areas of cooperation such as in the education sector, agriculture and India could explore the availability of agricultural land leasing to meet its future food and nutritional security requirements.

India has welcomed the decision of Nicaragua to reopen its embassy in New Delhi. (Nicaragua had an embassy in India which was closed in 1990). The growing possibilities of collaborations in the FinTech sector discussed later in the paper provide a new area of cooperation between the two nations. India and Panama have had cordial, warm and friendly relations, based on mutual understanding and growing bilateral trade and all- round cooperation. India-Panama connection is the oldest in the Central American Region, dating

97 ----, “Guatemala & India: 50 years old relationship growing stronger,” <https://www.financialexpress.com/defence/guatemala-india-50-years-old-relationship-growing-stronger/2354213/>, Accessed on 17 October 2022

back to nineteenth century when groups of Indians came to work on the construction of Panama Railways and later Panama Canal in the early twentieth century. Panama is also the first country in Central America where India established a resident Mission in 1973. Since then, about 15000 persons of Indian origin have made Panama their home which has helped in enhancing the level of interaction between the two rich cultures.⁹⁸ The factor that has helped achieve closeness in the relations has been the shared common values of democracy, multiculturalism and secularism and the common objective to improve the quality of the lives of the citizens. The two nations also remain strong supporters of South-South cooperation based on criteria such as solidarity, equity, efficacy, mutual interests and sustainability. Panama's strategic location at the centre of the western hemisphere and its open economy as signalled by its myriad FTAs, make it an ideal springboard for Indian companies looking at global growth by allowing it to enter markets in Latin America and the Caribbean region with whom India does not yet have trade agreements⁹⁹ in areas such as agriculture, food security, energy security, MSMEs, and capacity building.

While individually the countries of the region may not be able to offer much for enhanced economic relations, however, as a collective whole-through the SICA regional grouping they have pointed that they offer India the opportunity to have increased trade with the United State and also with Europe through their deep engagement

98 Embassy of India, Panama, "India-Panama Relations," https://www.indianembassyinpanama.com/eoipa_pages/NDI1, Accessed on 17 October 2022

99 Ahmad Shariq Khan, Interview with the Dr. Gilberto Llerena García, Ambassador of Panama to India, "It Is Time For Panama & India To Draw Closer Ties," <https://www.thedollarbusiness.com/magazine/-it-is-time-for-panama-india-to-draw-closer-ties-/45600>, Accessed on 18 October 2022

India's engagement with SICA can be traced back to the beginning of this century when India hosted the SICA member states to a meeting in New Delhi in 2004.

with the two regions. While India is engaged deeply with the EU and European countries as well as the United States, the SICA provides India with another avenue to increase its engagements. India can also explore trilateral engagements with SICA nations in such sectors SICA nations have also invited India to become a member of the Central American Bank For Economic Integration as an extra regional partner to help facilitate development and also consolidate India's presence. Aware of these advantages India is also exploring deepening its ties through trade and commerce and investments.

India's engagement with SICA can be traced back to the beginning of this century when India hosted the SICA member states to a meeting in New Delhi in 2004. The outcome of the deliberations was a declaration that put in place the Establishment of a Mechanism for Political Cooperation and Dialogue between SICA and India. This visit was a path-breaker in foreign relations between India and Latin America and the Caribbean due to the fact that it was a debut for any Ministerial and high-level representations sent by Central America to India. The message from SICA has been an increased effort towards promoting linkages with India cutting across the hitherto obstacles posed by geographical distance and linguistic barriers. The second round of concerted energies towards cooperation was witnessed in 2008 when the Central American countries called for enhanced yet focussed economic cooperation with India in order to augment the existing ties between the two



regions with the third round of meetings in 2025.¹⁰⁰ As a result of these meetings India and SICA were able to identify areas of mutual interest and India offered to provide critical support in areas such as agriculture, information technology and related activities, renewable energy, healthcare and medicine, and education.

As we look to the future, the paper identifies a few areas of cooperation that may be explored to make the relations' future ready'. An area where the SICA nations and India can work together is in efforts to build resilience to climate change. Central America is exceptionally vulnerable to natural disasters and climate change. It already faces hurricanes, flooding, sea level rise, coastal erosion, coral bleaching, and droughts, with impacts likely to intensify given expected increases in weather volatility and sea temperature. Hence, planning for resilience-building, and engagement with development partners on environmental reforms, has become central to the policymakers of the region. India has been at the forefront of climate change negotiations. India has displayed commitment and leadership by taking affirmative action in climate change mitigation. On the domestic front, India has reduced its

An area where the SICA nations and India can work together
is in efforts to build resilience to climate change.

100 Dr. Aparajita Kashyap, "India-SICA Trade Cooperation," <https://diplomatist.com/2020/01/03/india-sica-trade-cooperation/>, Accessed on 17 October 2022.

emission intensity by 21 per cent of its GDP¹⁰¹ and is on track to achieve its goal of 33-35 per cent by 2030 as promised under the Paris Commitments.¹⁰² Internationally, India is leading the efforts for combating climate change with the establishment of ISA which aims to mobilise more than US\$1 trillion by 2030 to promote solar power globally. ISA, in August 2020, launched “One Sun One World and One Grid” plan, which aims to connect 140 countries through a trans-national grid that will be used to transfer solar power. India was also a critical in the launching of CDRI at the UN Climate Action Summit in 2019. Central American nations are members of the ISA and are committed to the need to cooperate to support the construction of climate-resilient infrastructure. These can also serve as platforms for enhancing cooperation between India and the SICA nations to work together to research and develop clean and sustainable energy solutions, good practices related to infrastructure, climate resilience and the possible displacement of people as a result of climate change.

Within the parameters of sustainable economic development, India is looking to develop partnerships for the sustainable use of ocean resources or the development of the blue economy. The SICA nations saddle the two oceans-the Atlantic and the Pacific, with the countries of the region working together on coastal and marine ecosystems while supporting economic development. Panama has

101 Reducing Emission Intensity - Emissions intensity is the level of GHG emissions per unit of economic activity, usually measured at the national level as GDP. This is usually done by tapping into non-fossil fuel energy sources and creating additional carbon sinks to fulfil commitment towards fight against climate change.

102 *The Economic Times*, 5 March 2021, <https://economictimes.indiatimes.com/news/politics-and-nation/india-to-meet-its-paris-agreement-commitments-ahead-of-2030-pm-narendra-modi/articleshow/81351882.cms?from=mdr#:~:text=%22India%20is%20well%20on%20track,below%202005%20levels%20by%202030,> Accessed on 18 August 2021



emerged as the maritime hub of the region as a result of the Panama Canal. Through steadfast conservation commitments on land and at sea, as well as a bold energy transition plan, Panama has become one of three carbon-negative countries in the world. Panama is committed to fostering both a blue and green economy through sustainable use of ocean resources, increased use of clean energy, ecological programs to preserve wildlife habitat and environmental regulations to reduce plastic waste and marine pollution and foster eco-tourism and sustainable fishing.¹⁰³ These initiatives outline a vision which is similar to India's views on the subject. In its draft policy framework on the blue economy, the policy envisages the optimal utilisation of all sectors of the maritime domain, (living, non-living resources, tourism, ocean energy, etc.) for sustainable development of coastal areas.¹⁰⁴ As India makes the blue economy a core area of its economy, it provides an 'ocean' of opportunities for in collaboration in ocean-based sectors including fisheries, shipping, tourism, deep sea mining, offshore energy resources, marine research, ocean conservation, and ocean sciences.

Related to the above sectors but not limited to them are the possibilities in space technology cooperation. There is a coherent link between disaster management and space technology development. Satellites have been used to address weather forecasting, advance warning for natural disasters, monitoring of environmental hotspots, telecommunication and e-education.

103 Mission Panama, "Boldly Sustainable," <https://missionpanama.gob.pa/boldly-sustainable/>, Accessed on 19 October 2022

104 Press Bureau of India, Ministry of Earth Science, Government of India, "Blue Economy Policy," 27 July 2022, <https://pib.gov.in/PressReleasePage.aspx?PRID=1845257>, Accessed on 18 October 2022

As the nations of the region such as El Salvador and Guatemala look at space exploration and the space industry, India is a natural partner in this sector. India has been among the world leaders in developing end-to-end capability in both satellite remote sensing and communication. Indian Space Research Organization (ISRO) has made remarkable progress in building state-of-the-art space infrastructure such as the Indian National Satellite (INSAT) for communication and the Indian Remote Sensing (IRS) satellites for earth observation. In May 2017, India launched the SAARC or South Asia Satellite. The 2,230-kg communication spacecraft will support communication, broadcasting and Internet services, disaster management, medicine, tele-education and weather forecasting in a region that is geographically challenging, economically lagging with limited technological resources. Its applications touch everyday life and India's neighbours use its applications free of charge. India is using its space technology know-how to support its natural resource management, infrastructure planning, healthcare, education, emergency communication, disaster management support, and space and atmospheric science research. India and SICA nations could explore the possibility of space collaboration as they share similar goals.

The growing technological development partnership has an impact on the structure and the form of the financial sector operates, accelerating its evolution towards a more automated and accessible ecosystem with immediate responses for its users. After the changes that the world has suffered because of the Covid-19 pandemic, interest in the FinTech sector has increased on the part of service providers, government entities, conventional financial institutions,



One of the key pillars of cooperation could be in the food security.

private entities and the general public; the foregoing as a result of the benefits and opportunities that this sector offers.¹⁰⁵ India is recognised as a strong FinTech hub globally, and as the Indian entrepreneurial landscape continues to evolve, more FinTech used businesses will be developed requiring more investments. The promising Indian FinTech market is expected to grow in market size to reach US\$1 trillion by 2030 from US\$ 31 billion in 2021. Innovation by Indian FinTech has powered the financial inclusion drive being witnessed in the country today. In Latin America, there has been a significant development in countries such as Brazil, Mexico and Peru. The largest FinTech in Latin America- Nubank raised \$750 million in pre-IPO financing in 2021 before going public and today is valued at over \$45 billion.¹⁰⁶ Within the region El Salvador has experimented with bitcoins being used as legal tender and has expanded the FinTech ecosystem in the country. Other countries of the region also are not immune to the growing interest in the sector with Panama vying to be the FinTech hub for the region. With the regions FinTech sector posed to grow in the near future, it provides an area of cooperation for the exchange of ideas, investments and collaborations with both India and Central America having similar visions for encouraging start-ups to help build innovative solutions, greater financial inclusion, easy access and increased financial literacy among their people.

105 ----, "The Fintech boom and its development in El Salvador," <https://www.lexology.com/library/detail.aspx?g=a6eee774-bcb6-4b99-a6ea-5a10bd27ce19>, Accessed on 19 September 2022

106 Ibid

One of the key pillars of cooperation could be in the food security. Ensuring food and nutritional security is a challenge for India given its population. Despite many remarkable developments and improvements in the agricultural and livestock sectors, challenges remain and India and SICA nations could work together to find affordable and viable solutions to overcome the challenges to achieving food security by using improved seeds, fertilizers, machinery, technology and innovative methods of production, marketing and export. Given that India has strengths in the use of technology in agriculture to boost productivity and reduce costs, both sides could work together in the Agri-Tech, Dairy and Food Processing sectors.

SICA has outlined a Climate Smart Agricultural Strategy 2018-2030. The strategy aims for the agricultural sector confronts the challenge of producing more food, in an efficient and sustainable manner, in order to respond to increasing demand from markets and, at the same time, to guarantee food and nutritional security for the world population. Climate Smart Agriculture has three pillars that favour food and nutritional security: i) sustainably increasing agricultural productivity and incomes (food security); ii) adapting and building resilience to climate change (adaptation); iii) reducing and/or removing greenhouse gas emissions from production systems, where possible (mitigation).¹⁰⁷

107 SICA, "The Climate Smart Agriculture Strategy for the SICA Region (2018-2030)," <https://www.cac.int/sites/default/files/Resumen%20EASAC.%20Ingl%C3%A9s.pdf>, Accessed on 29 November 2022

Indian agriculture is typically identified with the ‘Green Revolution’ that started in the 1960s enabling the nation to make great strides in domestic food production and significantly contributing to progress in agriculture and allied sectors and achieving self sufficiency in food grains. It transformed India from a food-deficit nation to a food-surplus, export-oriented country. However, now the country is facing second-generation problems, especially related to sustainability, nutrition, the adoption of new agricultural technologies and, perhaps most importantly, income levels of the population dependent on farming. Agriculture is facing new and unprecedented challenges. The government is continuously engaged in addressing these challenges, and while it is building relevant domestic policy to address the concerns it is also engaged with partner nations to find suitable solutions for the future.

As a region that is rich in natural resources and is looking for investments in smart technology for its various sectors including agriculture, India is a natural partner. India is developing itself as a technology start up hub and building value chain services. India and SICA nations could also explore investment opportunities including procurement of land in these nations.

As India and the SICA nations explore opportunities of cooperation in agriculture, they would have to also address challenges to the sector as a result of climate change, making it another area of collaboration. SICA countries for both their natural and geographical location, for its high levels of poverty and social deficits are at present time one of the most vulnerable regions to

the climate change threat. The region is already subject to new regimes of heavy rains and storms, drought and new unknown extreme phenomena that are having an impact on public resources, the social and economic base of the countries and threatening the regional democratic governance itself.¹⁰⁸ India has also launched its national climate change in 2008 and since then has placed the climate at the centre of its environmental policy and development agenda. India has launched the LiFE-Lifestyle for Environment initiative to propagate a healthy and sustainable way of living based on traditions and values of conservation and moderation as a key to combating climate change”¹⁰⁹

As members of the global south, India and SICA contribute to bringing attention to climate change research on the members of the global south. Given the rising international climate finance gap, particularly for adaptation, it becomes important for developing countries to examine complementary arrangements that could help them in progressing towards their climate goals. South-South cooperation and economic integration can enhance financial resources for developing countries, especially through regional development banks; facilitate green technology transfers and green investments; and develop capacities in LDCs and SIDs for reducing

108 Comisión Centroamericana de Ambiente y Desarrollo (CCAD) and Sistema de la Integración Centroamericana (SICA), “Regional Strategy on Climate Change 2010”, file:///C:/Users/Dr%20Saurabh%20Mishra/Downloads/Estrategia%20Regional%20de%20Cambio%20Climatico%20Ingles%20(1).pdf, Accessed on 29 November 2022

109 PIB, “To put forward and further propagate a healthy and sustainable way of living based on traditions and values of conservation and moderation, including through a mass movement for ‘LiFE’- ‘Lifestyle for Environment’ as a key to combating climate change”, <https://pib.gov.in/PressReleaseSelfframePage.aspx?PRID=1847812>, Accessed on 29 November 2022



South-South cooperation is an innovative means to build pathways for inclusive development along side North-South triangular cooperation, especially to achieve sustainable development goals.

their vulnerabilities to climate change through cooperation for climate adaptation.¹¹⁰ Within the ambit of south-south cooperation they could convene experts and encourage the development of a South-led research consortium dedicated to scientific exploration of ‘event attribution’ science. This would enrich climate science, draw attention to the more vulnerable regions, build research capacity in developing countries, and strengthen the L&D (loss and damage) framework. This also provides India and SICA to work not only together but also partner with other countries, through tri-lateral cooperation, to develop practical solutions. This south-south cooperation could also be explored in other areas allowing India and the SICA nations to build cooperative approaches and expand developmental option along with economic links.

South-South cooperation is an innovative means to build pathways for inclusive development along side North-South triangular cooperation, especially to achieve sustainable development goals. For example, India along with Brazil and South Africa is transcending geographical and regional distances to promote a collective interest. The IBSA is a forum for consultation on multilateral reforms, enhancing intra-regional and inter-regional trade of goods and

110 UN Conference on Trade and Development, “South–South Cooperation for Climate Adaptation and Sustainable Development,” https://unctad.org/system/files/official-document/tcsgdsinf2022d1_en.pdf, Accessed on 29 November 2022

services, and addressing international trade policy challenges. The BRICS (Brazil, India, China and South Africa) is another such organisation that is helping promote south-south cooperation.

The above are but a few areas of cooperation that bring innovation and technology development to the forefront of the relations between the region and India. It is not a suggestion to limit the relations to these sectors, nonetheless, they can be explored to help increase our people to people connect through the free flow of ideas, increases business to business relation by encouraging more private sector to engage with each other while laying the foundations for the a future- ready and enable relationship.

7. CONCLUSION

The LAC region is one of the few in which India has enjoyed cordial relations with all nations with no differences. The fact that there are no differences between the countries of the region and India, has also meant that relations have not received the attention that they deserve. India's relations with SICA also follow the same path. While there are similarities in global outlook and socio-economic visions, the relations have remained hampered by a general lack of knowledge that has meant that neither is aware of the other's potential and a coherent policy of strategic engagement. While these problems persist, it has to be acknowledged that there were practical financial constraints that have also hampered the presence in each other's radars. As a developing country that was building its economy, India did not have the financial capacity to



exponentially increase its presence in the LAC region. The focus on the region also was hampered by the fact that India's immediate neighbourhood and the security issues that arise within had kept the newly independent nation engaged. The bloc politics of the Cold War were not conducive to the development of deep relations and yet India and the countries of the region continued to work together as opportunities arose. In the post- Cold War years with the change in the geopolitical environment and with the economic liberalisation, India emerged as an economic giant in Asia. It has steadily grown to today becoming one of the fastest- growing economies of the world.

To commensurate its increased economic heft India has also expanded its global foreign policy outreach to project, highlight and share its views on issues of global importance. It is increasingly becoming a voice that cannot be ignored on geo-political, geo-economics and geo- strategic issues. As India builds on its foreign policy foundations it has taken consistent steps to engage with the region which has remained in the periphery. There has been a visible shift in India's focus on the LAC region with a noticeable increase in high- level visits between the region and India as well as renewed expression of bolstering ties. The President of India undertook state visits to Chile and Bolivia while the Vice President visited Paraguay

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and Costa Rica and also conducted a meeting with the Cuban President along the sidelines of the Non- Aligned Movement's (NAM) annual meeting in Azerbaijan. Coupled with this, was Modi's visit to Brazil to attend the BRICS Summit as well as his meeting with the CARICOM leaders in New York on the sidelines of the UN General Assembly meeting. There have been two state visits by Latin American leaders since, including the Argentinian President's visit in 2019, where several MoUs were signed as well as the announcement by the two states of moving towards a strategic partnership. The state visit of the President of Brazil to India in 2020 was similarly accompanied by a new action plan for the existing strategic partnership between India and Brazil.¹¹¹

Challenges to Overcome

Nonetheless, there remain some challenges that India would need to address to strengthen its ties with the LAC region, which includes the SICA. The biggest challenge for India remains if it should view it as a region or view them as individual States. It needs to be understood that the LAC region is not a monolith whole but presents a diverse region with countries that have different political ideologies, strategic interests and economic requirements. As has been discussed in this paper this is evident within the SICA as well. While India needs to view the region as a whole and formulate a

111 Devika Mishra, Saccidi Zerpa de Hurtado and Alberto Hurtado Briceno, The facets of India-Latin America relationship: Role of energy cooperation, in *India-Latin America: Trade and Investment Relationship* (Universidad de los Ande, August 2021), https://www.researchgate.net/publication/354047195_Capitulo_3_The_facets_of_India-Latin_America_relationship_Role_of_energy_cooperation, Accessed on 18 October 2022



A formidable challenge for India remains the growing presence of China in the region.

policy which caters specifically to the region, it would also have to understand the political establishment of each nation, its security requirements and its economic vision to tailor its policies towards the individual country. The social and economic diversity and the rapid pace of developments within this mega-region needs to be kept in mind as India builds its vision for engagement with the region. India has stressed on its relations with the larger States of the region with its relations primarily focused on Argentina, Brazil and Mexico. However, as India expands its relations with the continent it has to also engage with its partners in Central America and the Caribbean. In the past due to its own economic constraints that limited its diplomatic presence in the region, India has taken steps to enlarge its presence in the region, nonetheless, it remains inadequate and India needs to address this gap at the earliest.

A formidable challenge for India remains the growing presence of China in the region. India lags behind China in economic, political and cultural outreach. China, is now a proactive and undeniable partner for LAC countries and is the largest trade partner for many countries in the region, including Brazil, Peru and Chile, and is a major investor and lender for others like Venezuela, Bolivia and Argentina. China is also investing extensively in the SICA nations. China has formulated an exhaustive policy towards the region which has been supported by ideological and political linkages between China and LAC. At a time when the world is witnessing

the rise of China as a major global player, its steadily growing presence and influence needs to be monitored by India especially as India expands its diplomatic footprint and engages with the world on a range of issues. In such a situation bolstering ties with the countries of Central America is vital. While India cannot and need not compete with China, it has to highlight its strengths in science and development, information technology and space technology while continuing to play to its soft power strengths through cultural engagements.

Another challenge is the lack of Free Trade Agreements (FTA) between India and LAC countries which puts each other at a disadvantage in comparison to other partner countries like China, South Korea and the US, all of which have FTAs with Latin American countries. The countries of the region, including the SICA have sought increased economic engagement with India through economic agreements. The lack of direct shipping routes between India and Latin America mean that shipments can take between 35 to 75 days, depending on the route and the country; another detriment is the present lack of political will, which if increased could support and boost the commercial relationship.¹¹²

Despite all these challenges, there is no denying that India and the countries of the LAC region are partners and have emerged more or less simultaneously as new economies in important geographies of the world and will define the future global order. As mutual opportunities arise, India and the countries of the region have to

112 Hari Seshasayee, "Re-examining India – Latin America ties in an Asian and global context," Asia Power Watch, <https://asiapowerwatch.com/re-examining-india-latin-america-ties-in-an-asian-and-global-context/>, Accessed on 16 October 2022



There is awareness to explore an understanding of SICA as an emerging growth pole that was further underlined by the congruity of products, services and business interests between India and SICA.

understand how they can avail of these to enhance and build a beneficial relationship free of contention.

As India gains more understanding of the LAC region it is slowly but steadily engaging with the broader region through its bilateral ties while also exploring relations with the sub-regional organisations. It is in this context that India is increasing its engagement with the SICA. The push to bring renewed focus on the relations has found support from the governments who have intensified their engagements and cooperation in recent years. Economic ties remain the main pillar of India's relations with SICA nations as it does with the broader region as a whole. While the bilateral ties between India and SICA nations have been cordial, they remain limited in scope due to the difference in market size between India and the SICA nations. Nonetheless, as a grouping they provide more scope for cooperation and investment. There is awareness to explore an understanding of SICA as an emerging growth pole that was further underlined by the congruity of products, services and business interests between India and SICA. Given India's projected growth, its projected need for resources, democratic and stable polity and efforts to invest in the region for the mutual development of both, make it a very attractive partner for SICA. As we explore the future trajectory of the relations, keeping in mind the push from the SICA

to diversify trade, it provides the two sides the perfect opportunity to look beyond the traditional sector to future areas of cooperation that will propel innovation that will guide the future.

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Despite all these challenges, there is no denying that India and the countries of the LAC region are partners and have emerged more or less simultaneously as new economies in important geographies of the world and will define the future global order. As mutual opportunities arise, India and the countries of the region have to understand how they can avail of these to enhance and build a beneficial relationship free of contention.





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