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Bern, March 2018

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Source : Encyclopedia Britannica

Foreword

Dear reader,

2017 was another good year for Swiss-Latin American economic relations, which saw significant steps forward in the strengthening of ties with the region. Free trade negotiations were launched with Mercosur, and those with Ecuador are well underway.

In 2017, Latin America's economies gathered momentum again. Rebounding commodity prices and favourable international conditions have allowed for a recovery and a return to positive growth rates across the region. With an average growth rate of 1.3%, more stable exchange rates, inflation at a record low and foreign direct investment picking up again, Latin America's economies are back on track, with double-digit export growth rates, trade surpluses and improved balance sheets. Latin America is an important market for Swiss firms. Their exports to the region increased threefold over the last two decades and by 7% in 2017. The overall trade volume with the region fell in 2017 (-11%) due to the lower price of gold imports into Switzerland.

There were several notable bilateral meetings in 2017: President Doris Leuthard travelled to Argentina and Peru with a business delegation in April, marking the first ever visit of a Swiss president to either country. Whilst there, Mrs Leuthard was welcomed by President Mauricio Macri and President Pedro Pablo Kuczynski, respectively. Federal Councillor Johann N. Schneider-Amman met in Bern Cuban Minister of Food Industries Maria del Carmen Concepción González in April, and Ecuadorian Minister of External Trade Pablo Campana in September.

In December, President Doris Leuthard welcomed the President of Bolivia, Evo Morales. On the occasion, a memorandum of understanding was signed that aims to intensify the cooperation in the building of the Tren Bioceánico, a train line linking Brazil and Peru, via Bolivia. The project will have an important role to play in the regional integration of the entire Cono Sur region, and will boost commerce and employment.

The OECD is becoming an ever more important partner for Latin America, a relationship spanning over twenty years. While Chile and Mexico are members, there are ongoing access negotiations with Colombia and Costa Rica. In addition, Argentina, Brazil and Peru applied for membership in 2017. We have therefore included a special chapter in this latest edition of our publication outlining the main features of this dynamic and successful cooperation, which has led to a growing interest in OECD membership.

I shall hope the report provides you with interesting insights into Swiss-Latin American economic relations, and wish you a pleasant read.

Livia Leu
Ambassador, Head of Bilateral Economic Relations
Delegate of the Federal Council for Trade Agreements

Overview

The first part of this report is a review of recent trends in the Latin American economies (chapter 1). Chapter 2 outlines the OECD's recently intensified cooperation with the region, whilst chapter 3 focuses on trends and developments in Swiss-Latin American economic relations in key areas including trade and investment, and updates on bilateral agreements. This is followed by a summary of recent progress in Latin American integration and the region's ties with the rest of the world. The remainder of the report offers insights into SECO's economic development cooperation in the region, and bilateral visits that took place last year.

1. Current Economic Situation in Latin America

With the global economy gathering steam again and rebounding commodity prices (+13%), the Latin American economies are back on track, continuing a path of recovery since 2017, where they grew 1.3% on average.[1] There were marked differences across the region: Mexico grew at 2.1%, South America at an estimated 0.8%, with the highest growth rate posted in Paraguay (4.0%) and Bolivia (+3.9%), followed by Uruguay (3.0%), Argentina (+2.9%), Peru (+2.5), Colombia (+1.8%) and Chile (+1.5%). Ecuador (+1.0%) and Brazil (+0.9%) grew moderately. Venezuela was the only economy to shrink (-9.5%). Central America and the Caribbean registered a growth rate of 3.3%, with Panama as the strongest performer (+5.3%). The Dominican Republic was not far behind, with a 4.9% expansion. Costa Rica and Honduras saw a 3.9% increase, Guatemala 3.2%, El Salvador 2.4%, Nicaragua 2.2% and Haiti 1.3%. Cuba grew moderately, at 0.5%.

With regard to **trade**, there was a significant trend reversal in 2017 for all but a few countries: **exports** from the region rose for the first time in four years (+13%, 2016: -3.3%). Higher levels of investment particularly from Asia boosted demand.[2] Imports also increased (+8%). Real export growth (volume) was concentrated in a few countries, the acceleration mainly driven by the recovery of commodity prices – which however remain below previous peaks. Demand from the United States and China explains 36% and 23%, respectively, of total export growth. South America experienced the largest export growth, with a 16% expansion. Venezuela (+28%, 2016: -24.1%), Colombia (+19%, 2016: -12.7%), Brazil (+18%, 2016: -3.1%) and Ecuador (+16%, 2016: -8.4%) saw the most notable trend reversal. Peru was the only country to register positive growth in exports in 2016 (+7.6%) and 2017 (+25%).[3]

Average **public debt** levels have not varied substantially since 2016 (standing at 54.6% of GDP in October 2017), however there are marked differences across the region. Debt levels declined in 7 countries but rose in the other. Brazil is the country with the largest gross government debt (83.4% of GDP), followed by Argentina (53.7%) and Honduras (44%). Chile (24.9%) and Guatemala (24.6%) have the lowest levels of gross public debt.[4]

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[1] ECLAC, http://repositorio.cepal.org/bitstream/handle/11362/42652/S1701177_en.pdf?sequence=104&isAllowed=y, pp.101-104, accessed 10/01/2018;
IMF World Economic Outlook (January 2018) http://www.imf.org/en/Publications/WEO/Issues/2018/01/11/world-economic-outlook-update-january-2018, accessed 01/02/2018
[2] ECLAC, http://repositorio.cepal.org/bitstream/handle/11362/42652/S1701177_en.pdf?sequence=104&isAllowed=y, accessed 10/01/2018
[3] IDB, *Latin America and the Caribbean: Trade trend estimates 2018*, December 2017, https://publications.iadb.org/handle/11319/8698, accessed 09/01/2018
[4] International Monetary Fund, http://www.imf.org/external/pubs/ft/weo/2017/02/weodata/weorept.aspx?sy=2015&ey=2022&scsm=1&ssd=1&sort=country&ds=.&br=1&c=213%2C263%2C268%2C273%2C218%2C278%2C223%2C283%2C228%2C288%2C233%2C293%2C238%2C321%2C2

Average **inflation** is low, standing at 4.2% in October 2017, having fallen from 5.6% in the previous year. This is the lowest level since 2013. There are wide disparities across the region: Ecuador (0.7%), El Salvador (0.8%), Panama (1.6%) and Costa Rica (1.7%) are amongst those with the lowest inflation. Argentina registered an estimated 26.9% inflation, Brazil 3.7%, Mexico 5.9%, Peru 2.0%, Chile 2.3% and Colombia 4.3%[5]. At the other end of the spectrum, Venezuela experienced an estimated 653% in 2017.

Over the past few years and with the fall in global commodity prices, national **currencies** had weakened significantly. According to the J.P. Morgan composite index for the region, currencies depreciated by 50% over two years to January 2016.[6] Economies with a regime of flexible exchange rates were better able to adjust to the global conditions (e.g. Brazil, Chile, Colombia, Mexico and Peru). In the course of 2016, the pressure on currencies weakened, following a mild recovery of commodity prices and a more favourable global financial environment.[7] **Exchange rates** have been more stable in 2017. Argentina registered a 10.2% depreciation, the largest in the region. Mexico was the country with the strongest currency appreciation with 8.6%.

The region's **current account** balance has improved. Owing to better trade balances as well as higher inflows of remittances, there was a deficit of an estimated -1.6% of GDP in October 2017 (down from -1.9% in 2016)[8]. In 2017, most countries registered a current account deficit: Brazil (-1.4%), Chile (-2.3%), Colombia (-3.8%), Costa Rica (-3.9%), the Dominican Republic (-1.6%), Ecuador (-0.7%), El Salvador (-1%), Mexico (-1.7%), Nicaragua (-8.4%), Panama (-5.1%), Uruguay (-0.4%) and Venezuela (-0.4%). Guatemala (0.5%) and Paraguay (1.1%) had a surplus.[9]

Foreign direct investment (FDI) flows declined by 7.8% in 2016 (-7.8%).[10] In the same year, Brazil was the largest recipient in the region, capturing 47% of FDI, followed by Mexico (19%) and Colombia (8%), where FDI increased 15.9%, and Chile (7%) – despite a 40.3% decrease. Investment in natural resources had been declining since 2010, following the end of the commodity boom, falling to 13% of the total in 2016. Investment in manufacturing and services, on the other hand, has been increasing. The EU and the United States are by far the largest investors in the region, with 53% and 20%, respectively. In 2016, Brazil attracted USD 78.9 billion, followed by Mexico (USD 32.1 billion), Colombia (USD 13.6 billion) and Chile (USD 12.2 billion).[11]

In **2018**, Latin America's economies are expected to expand further, with an average 2.2% of GDP for the region as a whole[12] and positive rates for all countries except Venezuela (-6%). Panama (5.5%), the Dominican Republic (5.8%), and Nicaragua (4.3%) are forecast to see the highest growth rates, closely followed by Bolivia and Paraguay (4%) and Costa Rica (3.8%). The Brazilian economy is expected to grow at 1.5%, Mexico's at 2.4% and Argentina at 2.5%.[13]

43%2C248%2C253%2C298%2C258%2C299&s=NGDP_RPCH%2CPCPIPCH%2CTM_RPCH%2CTX_RPCH%2CGGXWDG_NGDP%2CBCA_NGDPD&grp=0&a=&pr.x=66&pr.y=7, accessed 29/01/2018

[5] http://www.imf.org/external/datamapper/PCPIPCH@WEO/OEMDC/ADVEC/WEOWORLD/WE , accessed 12/02/2018

[6] IMF, *Regional Economic Outlook: Western Hemisphere* (2016)

[7] IMF, *op. cit.*, October 2016a, p. 5.

[8] ECLAC, http://repositorio.cepal.org/bitstream/handle/11362/42652/S1701177_en.pdf?sequence=104&isAllowed=y, accessed 10/01/2018

[9] IMF World Economic Outlook (October 2017), http://www.imf.org/external/datamapper/BCA_NGDPD@WEO/OEMDC/VEN/PAN/ARG/CHL/CRI/DOM/NIC/WE, accessed 10/01/2018

[10] ECLAC, http://repositorio.cepal.org/bitstream/handle/11362/42024/4/S1700815_en.pdf, accessed 22/01/2018

[11] https://www.cepal.org/en/publications/42024-foreign-direct-investment-latin-america-and-caribbean-2017, accessed 10/01/2018

[12] https://www.cepal.org/sites/default/files/pr/files/tabla_proyecciones_balancepreliminar2017.pdf, accessed 17/01/2018

[13] IMF World Economic Outlook, http://www.imf.org/external/datamapper/, accessed 09/02/2018

2. The OECD and Latin America - Key Features of an Active Partnership

Latin America and the Caribbean's (LAC) interest in the OECD is stronger than ever: two countries – Mexico and Chile – are members, Colombia and Costa Rica are in the process of joining, and Argentina, Brazil[14] and Peru[15] have applied for membership. The Dominican Republic, Panama and Uruguay have expressed interest in further intensifying cooperation. This chapter offers an overview of the main features of the OECD's cooperation with the LAC region, illustrating the different avenues through which the OECD helps addressing the challenges the region is facing. The OECD's work with Latin America takes place through a variety of channels and fora, the most important of which are briefly outlined in what follows.

1. Channels of Cooperation

1.1 Regional Collaboration

The OECD's strong links with leading LAC regional organisations are an important element of the Regional Programme. Partners include the Economic Commission for Latin America and the Caribbean (ECLAC), the Inter-American Development Bank (IDB), and the Development Bank of Latin America (CAF). The OECD's expertise in policy and best practice, and regional bodies' local knowledge and capacity to develop projects on the ground are highly complementary in this cooperation.

1.2 International Fora

The **International Conference and Ministerial Meeting on Productivity and Inclusive Growth** in Chile (2016) marked the first OECD high-level event in the region. Co-organised by the OECD Global Forum on Productivity and the IDB, it gathered more than 300 participants: ministers (Argentina, Chile, Costa Rica, Ecuador, Paraguay, Peru and Dominican Republic), representatives from IDB, CAF, ECLAC and the World Bank, and distinguished academics including Harvard's Dani Rodrik, the renowned development economist.[16]

Box 1. Key Conclusions of the Ministerial Meeting

- Reforms pay off: as demonstrated by the success of Chile's Productivity Agenda and Mexico's *Pacto por México*, production growth rates can indeed turn positive after a few years in the negative.
- Institutions such as the Mexican and Chilean Productivity Commissions play a useful role in bringing about policy coherence.

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[14] The OECD has five Key Partners: Brazil, China, India, Indonesia and South Africa. As a key partner, Brazil can participate as a Partner in OECD Bodies, adhere to OECD instruments and is integrated in OECD statistical reporting and information systems, has access to sector-specific peer reviews and has been invited to all OECD meetings at Ministerial level since 1999. Brazil contributes to the work of the OECD Committees and participates on an equal footing with OECD Members in different bodies and projects. Brazil also has its own OECD-Brazil Programme of Work. http://www.oecd.org/globalrelations/keypartners/

[15] Peru benefits from an OECD-Country Program

[16] http://www.oecd.org/mcm/documents/ministerial-meeting-2016-launch-oecd-latin-america-and-the-caribbean-regional-programme.htm

- Sequencing and the right policy mix are central to maximising the impact on growth and mitigate the social impact of reforms.

- Crucial reforms for productivity and inclusion include measures to reduce barriers to trade, the integration into global value chains, entrepreneurship and competition. Capacity building, rationalisation, measures against corruption and informality are also vital, as are the planning of productive expansion in urban and rural areas.

- Increased productivity gains are based on the successful overcoming of challenges arising from measurement, the right policy design, and peer learning and communication – all of which the OECD and IDB can provide support in.

Source: OECD (2016), Boosting Productivity in Latin America: International Conference and Ministerial Meeting, p. 2, OECD Publishing, Paris.

The annual **International Economic Forum on Latin America**[17] is one of the foremost events on Latin America in Europe. Co-organised by IDB, the French Ministry of Economy and Finance and the OECD Development Centre, this high-level event brings together representatives from international organisations as well as leading figures from the public and private sector.

1.3 OECD Development Centre and OECD-LAC Regional Policy Networks

LAC countries are members of the OECD Development Centre on Latin America, whose 20 years of work – complemented by various Regional Policy Networks – are the foundations of the **OECD Regional Programme for Latin America and the Caribbean (RPLAC)**.[18] Presently, the Programme promotes high-level policy dialogue in three priority areas: **social inclusion, productivity and governance**.

This focus comes at a decisive moment for the region, which is facing **new challenges** after a decade of sustained growth and poverty reduction. The slowdown of the global economy and falling commodity prices require **sound policy** to guarantee the sustainability of the social and economic progress that has been achieved.

Ministerial meetings take place annually, with the 2016 meeting (hosted in Chile) dedicated to productivity and the 2017 and 2018 meetings on social inclusion and governance held in Paraguay and Peru, respectively.

1.4 Partnerships in OECD Bodies and Legal Instruments

An active policy dialogue takes place via several Committee-supported networks on policy matters in diverse areas – from corporate governance, investment, competition, fiscal and budget issues to health, regulatory policy, open governance and water governance.

As Partners of the OECD, participatory countries of the **RPLAC** can be invited to OECD **Committees**[19] and other bodies alongside the OECD's 35 member states. The programme countries

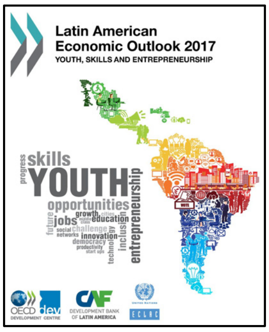
[17] http://www.oecd.org/development/lac-forum/
[18] http://www.oecd.org/latin-america/regionalprogramme/regionalpolicynetworks/
http://www.oecd.org/latin-america/Presentacion-del-programa-regional-para-America-Latina-y-el-Caribe-ante-embajadores-en-CEPAL.htm
[19] There are about 250 Committees in the OECD, working on specific policy areas such as trade, science, employment or financial markets and reviewing and contributing to the Secretariat's work. http://www.oecd.org/about/whodoeswhat/

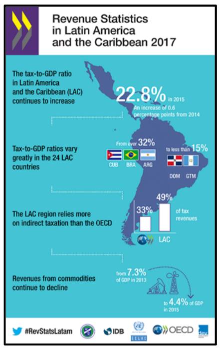
of the RPLAC take part in cover a wide range of OECD organs and fora, some of which (depending on the country's status) allow for participation on a near-equal footing with OECD members. They have the option of adhering to OECD Legal Instruments, which set international standards through binding and non-binding standards, guidelines, best practices, and norms. Argentina, Brazil, Colombia, Costa Rica and Peru have the strongest presence in OECD bodies; the other LAC countries participate sporadically. With different regional programmes underway, participation is set to increase over the coming years. As OECD members, Chile and Mexico already form part of all OECD instruments.

1.5 Publications

A wide range of publications, some of which are written in collaboration with regional partners, support the OECD policy dialogue with the region, serving as a basis for discussions, policy assessment and advice.

The **Latin American Economic Outlook**[20], the Regional Programme's annual flagship publication, offers an in-depth analysis of social and economic development in the region and has been published for over a decade now.[21] The 2017 edition was dedicated to the topics youth, skills and entrepreneurship. Latin America's favourable demographic conditions are an opportunity to be harnessed; skills and entrepreneurship have a central part to play in empowering youth, reviving growth and consolidating long-term economic and social development in the region.[22] Some of the other publications will be presented throughout this chapter.





1.6 More Widely Available, Comparable Data

The extension of OECD's datasets, with a new statistics portal for Latin America and the Caribbean, aims to make data more widely available and has allowed for the compilation of more comparable statistics.

The **Revenue Statistics on Latin America and the Caribbean**[23], modelled on the OECD Revenue Statistics database, is one example. A joint publication by the OECD, ECLAC, the IDB and the Inter-American Center of Tax Administrations (CIAT), it offers comparable, consistent data on tax levels and structures in 22 of the region's countries.

Inspired by the OECD Better Life Index, an initiative to produce wellbeing indicators for Latin America and the Caribbean is also underway, in collaboration with ECLAC.[24]

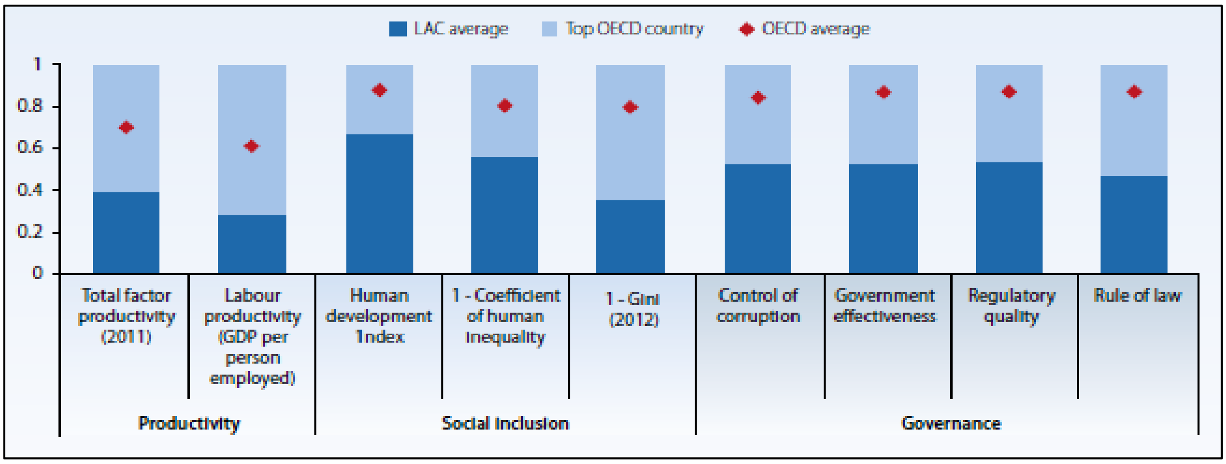
[20] http://www.latameconomy.org/
[21] http://www.oecd.org/latin-america/regionalprogramme/
[22] https://www.cepal.org/en/publications/40722-latin-american-economic-outlook-2017-youth-skills-and-entrepreneurship
[23] http://www.oecd.org/ctp/revenue-statistics-in-latin-america-and-the-caribbean-24104736.htm
[24] http://www.oecd.org/latin-america/regionalprogramme/

2. Latin America's Economies - Characteristics and Challenges

"The challenges that Latin America faces are enormous in magnitude and complexity. We are the most unequal region, with a poverty rate of 28%, in which a high degree of precariousness and informality persists. It is imperative to seek ways to boost sustainable growth for the region, diversify our economies and increase our productivity. The OECD Regional Programme for Latin America and the Caribbean is an important step in this direction."
Michelle Bachelet, President of Chile, *OECD Ministerial Council Meeting 2016*[25]

Though no two countries are ever the same, the region's economies share a number of common traits. Blessed with abundant natural resources (oil, gas, minerals, agriculture etc.), swings in commodity prices heavily affect the region's economies, the majority of which heavily rely on the export of raw materials. Diversification is paramount to reduce this dependence. Notoriously the world's most unequal region, informality is pervasive. Institutions tend to be deficient and law enforcement weak, at the cost of efficiency and deterring investors. Though demographic conditions are favourable, Latin America's economies face a considerable skills and technology gap that is holding back productivity. It is only fitting that the OECD's work should have its focus on governance, social inclusion and productivity.

Figure 1. Gap of LAC vs OECD in Key Productivity, Social Inclusion and Governance Indicators



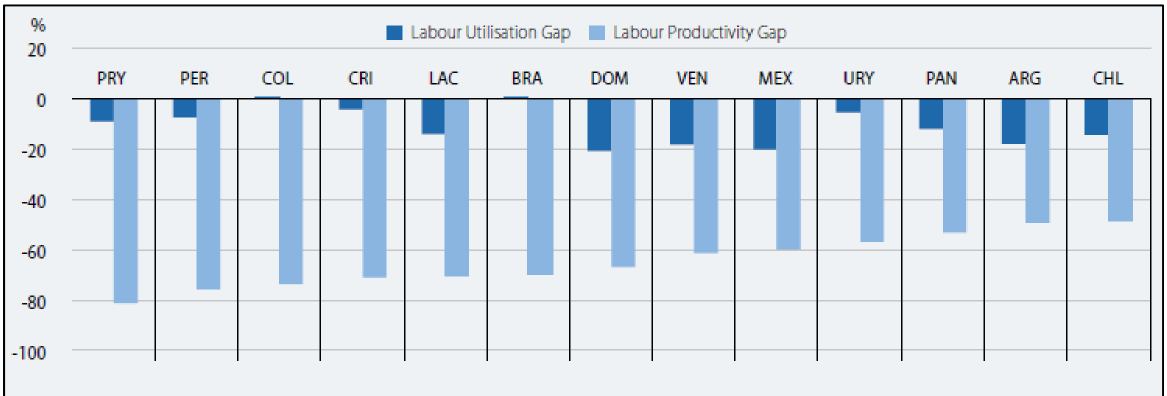
Source: OECD 2017, *Active with Latin America and the Caribbean,* pp. 6-7

2.1 Productivity, Innovation and Digital Technology in the LAC Economies

The per-capita income gap between OECD members and Latin American countries is considerable. **Low labour utilisation and productivity**[26] are amongst the main factors contributing to this disparity (fig. 2). The policy dialogue in the areas of productivity growth, which is closely linked to technological progress, is therefore given special emphasis in the OECD's work with Latin America and the Caribbean.

[25] http://www.oecd.org/latin-america/Active-with-Latin-America-and-the-Caribbean.pdf
[26] For definitions, see : https://data.oecd.org/lprdty/labour-productivity-and-utilisation.htm

Figure 2. Sources of Income per Capita Differences vis-à-vis OECD Economies, 2014



Note: Compared to the simple average of the 17 OECD countries with the highest GDP per capita in 2014 at 2011 PPPs (in mil. 2011US$). The sum of the percentage difference in labour resource utilisation and labour productivity does not add up exactly to the GDP per capita difference since the decomposition is multiplicative. Labour productivity is measured as GDP per employee. Labour resource utilisation is measured as employment as a share of population.

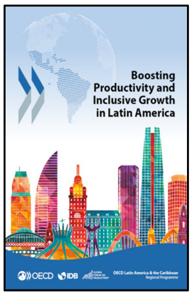
Source: Penn World Tables (2016)

Taking the different development stages in the region (manifested in different levels in productivity capabilities and GDP per capita) into account for the sequencing of sectoral reforms is a major challenge for the OECD's work in the region. Income per capita disparities range from USD 1'750 in Haiti to USD 32'635 in Trinidad and Tobago.[27]

Resource endowments vary throughout the region and investment needs to be tailored accordingly. Investment in innovation, technology and the tools of the digital economy, inclusive management practices, effective and efficient competition and regulation, the fight against informality, institutional capacity building and measures to improve governance and urban planning are all central to the different countries' development endeavours. The OECD aims to assist in the process of achieving fast and sustainable productivity growth.

Amongst the tools provided by the OECD are **country surveys** on Argentina, Brazil, Chile, Colombia, Costa Rica and Mexico, the compiling of which entails regular on-site assessments by OECD experts. These form the basis for discussions on development strategies and reform options, and allows LAC countries to **benefit** from the **expertise** and **experience** of more **advanced economies**.[28]

In addition, **Promoting Productivity for Inclusive Growth in Latin America**[29] was published in 2016 as part of the OECD's Better Policies series to address the twin challenges of large productivity and inclusion gaps.



Insights from the **2016 International Conference and Ministerial Meeting on Productivity and Inclusive Growth held** in Chile (2016) are captured in the **Boosting Productivity and Inclusive Growth in Latin America**[30] report. A joint production of the OECD and IDB, it highlights the need for educational reforms to empower the next generation, and increased domestic resource mobilisation through long-needed tax reforms. A more effective judiciary that is able to provide legal security, trustworthy institutions and the successful fight against corruption are all vital for the establishment of well-functioning markets and a favourable environment for businesses to operate in.

[27] PPP (purchasing power parity) adjusted, as of 2015
[28] http://www.oecd.org/latin-america/Active-with-Latin-America-and-the-Caribbean.pdf, pp. 27-28
[29] http://www.oecd.org/publications/promoting-productivity-for-inclusive-growth-in-latin-america-9789264258389-en.htm
[30] http://www.oecd.org/latin-america/Boosting_Productivity_Inclusive_Growth.pdf

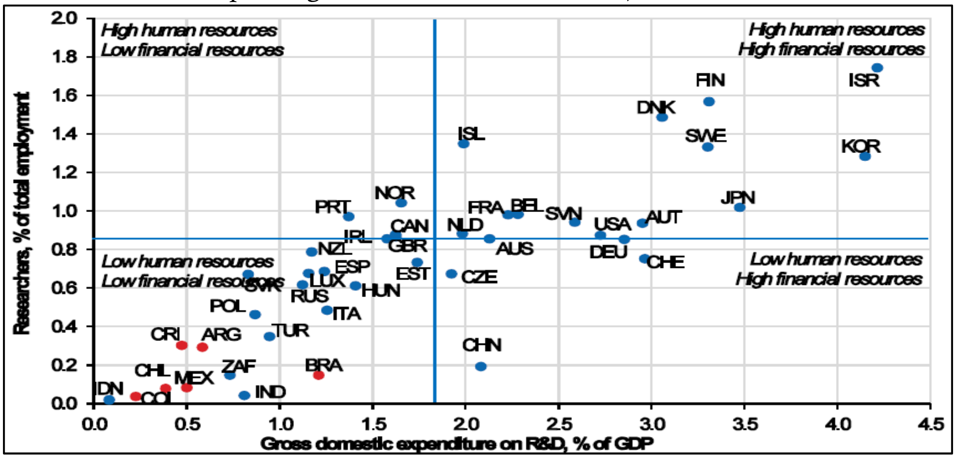
2.1.1 Investment in Technology and Innovation

Innovation is at the heart of productivity growth. Investment in new technologies (information and communication technologies, nanotechnology, biotechnology etc.) and investment in human and knowledge-based capital[31], are key to generating significant productivity gains.

Lower investment in knowledge-based capital (less Research and Development, for instance) is likely to be one of the main reasons for Latin America's productivity lagging behind that of OECD countries. Fig. 2 illustrates LAC countries' low human and financial capital. Only in Brazil, more than 1% of GDP is invested in R&D. [32] The average for the region is a mere 0.17% of GDP, considerably lower than the 1.47% spent in OECD countries.[33]

Figure 3. Investment in Knowledge-Based Capital OECD/LAC

R&D spending and number of researchers, latest data available



Note: The two blue lines depict the OECD averages (roughly 1.8% for the GDP share of gross domestic expenditure on R&D and 0.9% for the share of researchers in total employment).
Source: OECD/IDB (2015), Boosting Productivity and Inclusive Growth in Latin America, p. 73, OECD Publishing

Over the past 15 years, the LAC region has made noticeable progress on policies related to productivity, notably with regard to innovation. For innovation to translate into productivity gains, a favourable policy environment and well-designed policies in the areas of competition, employment and product markets are needed.

The OECD helps build a more stable global environment in LAC economies. It works to strengthen science, technology and innovation in the region, with practical policy advice being given to promote innovation and increase productivity. A close cooperation with national authorities (data collection and information on relevant policy) laid the basis for the OECD's **Science, Technology and Innovation Outlook 2016**[34] and the **OECD Innovation Policy Review**[35]**.** The former assesses recent developments and aims to inform on global patterns in science, technology and innovation. It includes country profiles for Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico, and Peru. The latter provides comprehensive analysis and policy recommendations based on the country-specific context.

[31] Knowledge-based capital refers to intangible capital (as opposed to physical capital)
[32] Source: OECD/IDB (2015), *Boosting Productivity and Inclusive Growth in Latin America*, p. 73, OECD Publishing, Paris.
[33] Based on OECD data and Red de Indicadores de Ciencia y Tecnología -Iberoamericana e Interamericana (RICYT).
[34] http://www.oecd.org/sti/oecd-science-technology-and-innovation-outlook-25186167.htm
[35] http://www.oecd.org/sti/inno/oecdreviewsofinnovationpolicy.htm

2.1.2 Embracing the Digital Economy

Digitalization has transformed the global economy, shaped patterns and modes of production and consumption, altered the organizational structure of firms and influenced the way they interact with consumers and suppliers. All of this ultimately translates into important productivity gains, via an improved access to foreign markets, more efficient and cost-effective communication and other factors.

Over the last two decades, the digital services sector has undergone a significant transformation. Internet and mobile phone coverage and usage have increased noticeably in Latin America and the Caribbean. However, the spread of even basic digital technologies was still very limited.[36] In 2015, about 300 million people still lacked internet access (roughly half of the region's population). Affordability and missing infrastructure are a barrier in some cases, whilst demand can also be weak. With the exception of Brazil and Uruguay, broadband access in the region remains very limited.

In order to maximise the benefits of the digital economy, the LAC countries must ensure the affordability and accessibility of broadband services. A new regulatory framework is needed to eliminate the legal obstacles to digitalization. The OECD's extensive policy experience in digital technologies can serve as a source of concrete policy recommendations to LAC policymakers.

To this effect, the OECD published **Broadband Policies for Latin America and the Caribbean: A Digital Economy Toolkit**[37], which covers 26 LAC countries[38]. It offers a comprehensive overview of existing policies, regulatory practices and suggestions to maximise the potential of broadband to promote economic and social development. The spread of Information and Communication Technologies also forms part of the UN's Sustainable Development Goals. In the framework of the OECD LAC Regional Programme, the organisation will continue to support the region in the implementation of the **Digital Agenda 2020**.

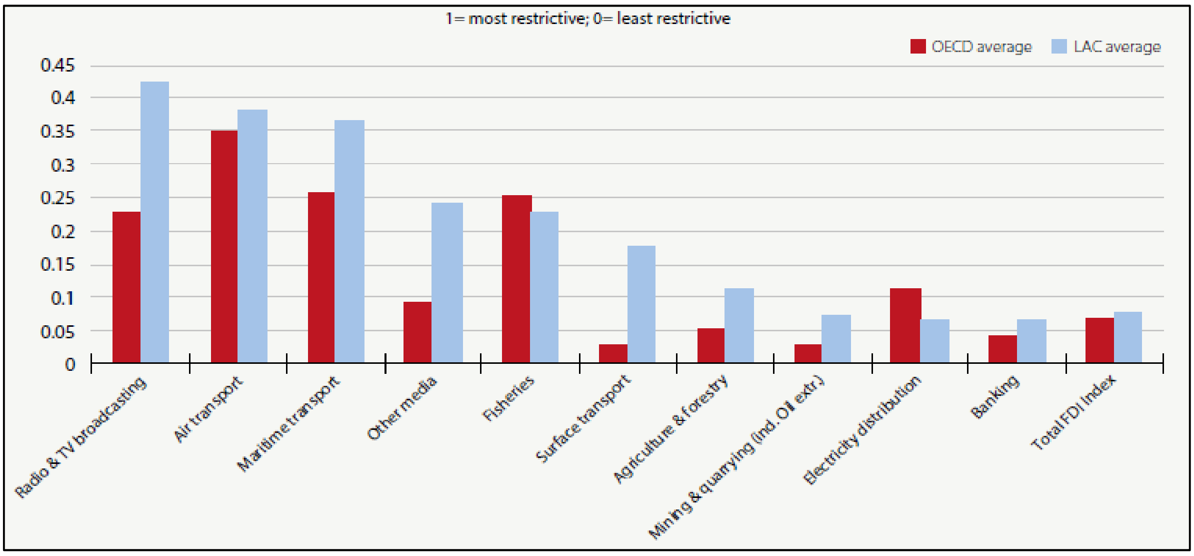
2.1.3 Investment, Global Value Chains and Small and Medium-Sized Enterprises

More investment in R&D and better capital goods[39] increase labour productivity, which ultimately translates into faster economic growth. To this end, the attraction and retention of investment remains a key priority in the LAC region. The support and promotion of small and medium-sized enterprises (SMEs) and their integration into global value chains is an important part of countries' growth strategies.

Openness is a key factor for attracting investment, for restrictive legislation is still a major obstacle to investment in a number of sectors in the LAC economies (fig. 4). Far-reaching reforms, the removal of excessive red tape and an opening-up of sectors to investment are vital. The OECD shares its technical knowledge in **investment policy reforms** with a number of LAC countries.

[36] There are wide disparities within the region: the percentage of companies with their own web page, for example, at the lower end was 11% in Suriname and 70% in Chile and Brazil at the higher end in 2010.
[37] http://www.oecd.org/internet/broadband-policies-for-latin-america-and-the-caribbean-9789264251823-en.htm
[38] Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago, Uruguay, Venezuela.
[39] Tangible assets such as buildings, machinery, equipment, vehicles and tools

Figure 4. Top 10 Most Restrictive Sectors across Selected LAC Countries (2015)



Source: OECD (2017), Active with Latin America and Caribbean, p.32, OECD Publishing, Paris.

The **OECD LAC Investment Initiative**[40] was launched in 2010 within the framework of the OECD LAC Regional Programme. The Initiative aims to increase the contribution of private investment to economic and social development in Latin America and the Caribbean through peer dialogue between governments and investors from 10 LAC[41] and 4 OECD countries.[42] This network meets several times throughout the year with the OECD Investment Committee.[43]

The Initiative helps governments design better policies at three levels: through general improvements to the investment climate (e.g. less red tape), through more focused approaches that reflect the needs of specific sectors (e.g. investment in agriculture), and through initiatives that enhance the development contribution of private investment (e.g. creating fairer public-private partnerships for essential infrastructure).[44] LAC countries also benefit from peer-to-peer exchanges and learning on investment policy issues and reforms by participating in the **OECD Investment Committee**, the **Freedom of Investment Roundtable** and the **Global Forum on International Investment**.

2.1.4 Integration into Global Value Chains

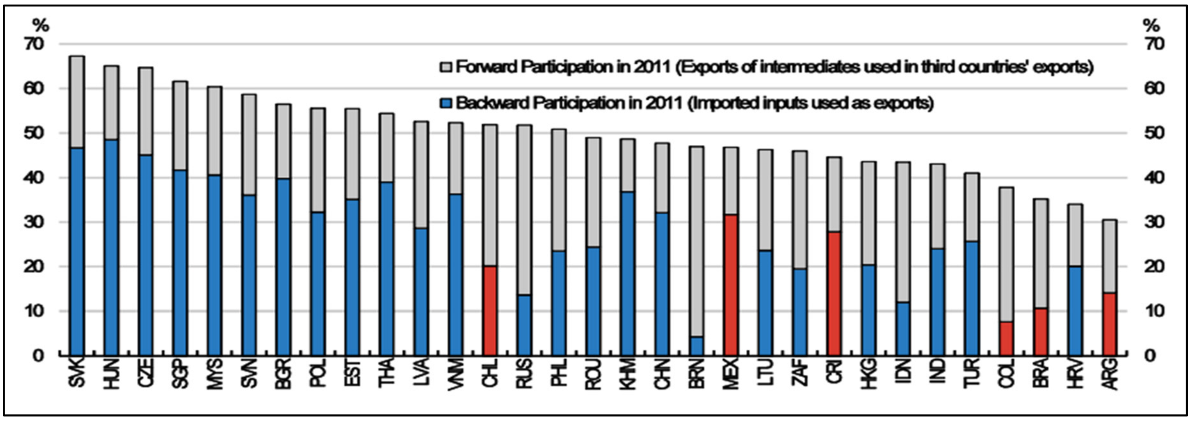
Access to global markets, intermediate goods and knowledge spillovers from the integration into global value chains all enhance productivity growth. Many of LAC's economies are not well-integrated into global value chains, however. Therefore, the OECD supports LAC countries in their efforts to integrate into and move up in global value chains through trade policy measures and the adoption of international product standards, by addressing barriers to competition and entrepreneurship and by promoting investment in human capital.

Participation in global value chains varies widely across LAC countries (fig. 5). Chile is the most

[40] http://www.oecd.org/corporate/mne/latin-america-caribbean-investment-initiative.htm
[41] Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico, Panama, Peru, Paraguay and Uruguay.
[42] Canada, Portugal, Spain and the United States.
[43] http://www.oecd.org/investment/oecdinvestmentcommittee.htm
[44] http://www.oecd.org/corporate/mne/latin-america-caribbean-investment-initiative.htm

integrated country, with 52% of external trade. Other Latin American economies are not integrated as much, including Brazil (35%) and Argentina (31%). The proportion of innovation that benefits from by international collaboration (knowledge spillovers) is low in both Chile (8% for large firms, 3% for SMEs) and Brazil (21% for large firms, 2% for SMEs).[45]

Figure 5. Backward and Forward Participation in Global Value Chains (2011)



Source: OECD/IDB (2015), Boosting Productivity and Inclusive Growth in Latin America, p. 89, OECD Publishing, Paris Boosting.

More flexible and ambitious trade agreements have a clear role to play in facilitating broader global integration. The OECD supplies comprehensive information on the effects of global value chains to policymakers in Latin America and the Caribbean.

The OECD's **trade facilitation indicators** cover the full spectrum of border procedures for more than 160 countries (28 from LAC) to help governments smoothen their border procedures, reduce trade costs, and increase trade flows. The OECD maintains the two databases **Service Trade Restrictiveness Index**[46] and the **Trade in Value Added** statistics[47]. The inclusion of LAC countries in these and other OECD databases allows for the benchmarking against a wide range of regions and countries and the sharing of different experiences, which benefits both the OECD and LAC countries.

In 2016, the OECD published **Participation in Global Value Chains in Latin America - Implications for Trade and Trade-Related Policy**[48], which highlights those features of trade integration initiatives that can be used to improve participation in global value chains.

The **Initiative on Global Value Chains, Production Transformation and Development** is a forum for exchange with LAC countries, in which government and business representatives from eleven LAC countries regularly participate. Hosted by the OECD Development Centre, it serves as a global platform for the policy dialogue between OECD and non-OECD countries for the promotion of sustainable and inclusive production transformation. In November 2017, it published the **Production Transformation Policy Reviews**[49] with a special focus on Chile.

[45] OECD (2017), Active with Latin America and Caribbean, p.88, OECD Publishing, Paris
[46] The **Service Trade Restrictiveness Index** covers 44 countries, including Brazil, Chile, Colombia and Mexico, and 22 service sectors. https://stats.oecd.org/Index.aspx?DataSetCode=STRI
[47] The **OECD-WTO Trade in Value Added** database covers 62 countries, including Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico and Peru. https://stats.oecd.org/index.aspx?queryid=66237
[48] http://www.oecd-ilibrary.org/trade/participation-in-global-value-chains-in-latin-america_5jlpq80ts8f2-en
[49] http://www.oecd-ilibrary.org/development/production-transformation-policy-reviews_9789264276628-en

2.1.5 Small and Medium-Sized Enterprises and Entrepreneurship

SME's are the backbone of LAC's economies, accounting for 99% of businesses and 67% of total employment. Due to the shortfall in labour productivity and restricted access to financial resources, their contribution to GDP is only 30% – as opposed to 60% in OECD countries[50]. The OECD supports SMEs with different instruments.

Financing SMEs and Entrepreneurs: An OECD Scoreboard[51] (2017) provides guidance in SME financing, improving international data comparability and serving as a basis for evidence-based policy design in LAC countries. It covers 39 countries (including Brazil, Chile, Colombia and Mexico), and offers expertise on SME financing, policies and good practices.

The OECD's **SME Policy Index**[52], a benchmarking tool, was compiled to assist with the various policy challenges countries in the LAC region face. Co-written with the Latin American Economic System (SELA) and Development Bank of Latin America (CAF), its methodology is adapted to regional characteristics. A pilot study has been initiated in May 2017 at the **OECD-SELA workshop** in Puerto Vallarta, Mexico, in cooperation with the Mexican Institute of the Entrepreneur. It covers the countries of the Pacific Alliance[53], Argentina, Ecuador and Uruguay. The final data is to be published in 2018.

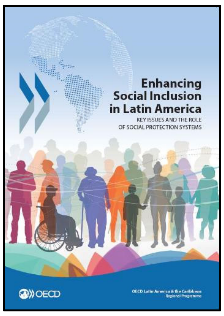
An overview of start-up promotion policies in Chile, Colombia, Mexico and Peru can be found in the publication **Start-up Latin America 2016: Promoting an Innovative Future,**[54] a joint undertaking by the OECD Development Centre and INADEM.[55] It contains in-depth country reviews and a comparative assessment that identifies good practices, highlights relevant reforms and offers suggestions for a policy framework to promote start-ups.

2.2 Social Inclusion

Latin America is the most unequal region in the world, both in terms of wealth and opportunities. Latin America's inequality is historical and structural, and has many dimensions including gender and racial discrimination. Disparities also manifest in the concentration of wealth at the top of the income ladder. Public spending is often regressive and tilted in favour of the privileged, as tend to be tax systems. Public service provision has failed to significantly reduce inequality, access to public goods remains highly segregated and the coverage of social safety nets remains insufficient. Though in recent years, important progress has been made to reduce poverty through social and cash transfer programmes, there remains much to be done. [56] Promoting inclusive growth in the region is thus of crucial importance.

[50] http://www.oecd.org/latin-america/Active-with-Latin-America-and-the-Caribbean.pdf
[51] http://www.oecd.org/cfe/smes/financing-smes-and-entrepreneurs-23065265.htm
[52] https://www.oecd.org/globalrelations/smallandmedium-sizedenterprisessmepolicyindex.htm
[53] Mexico, Colombia, Peru and Chile
[54] http://www.oecd.org/innovation/start-up-latin-america-2016-9789264265660-en.htm
[55] INADEM: Instituto Nacional del Emprendedor (Mexico)
[56] http://www.cepal.org/en/articles/2016-latin-america-worlds-most-unequal-region-heres-how-fix-it

In November 2017, the international conference and ministerial meeting on **Inclusive Social Protection Systems in Latin America and the Caribbean**[57] brought together senior government officials from the LAC region and the OECD, academic experts and representatives of international organisations and the private sector in Asunción, Paraguay, to discuss megatrends shaping social protection systems and alternatives for more efficient and inclusive reform. The key issues publication **Enhancing Social Inclusion in Latin America** was also launched at the event.[58]

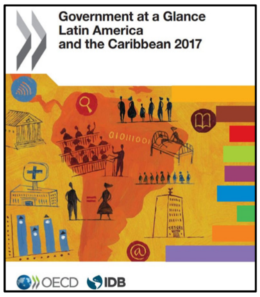


2.3 Public Governance

Sound, transparent institutions underpin economic success. Legal security, effective and efficient public service delivery and institutional capacity to adequately address socio-economic challenges are vital both for the economy and citizens' wellbeing. Strengthening public institutions and law enforcement and increasing transparency is thus a vital endeavour for the region, which the OECD strongly supports.

OECD public governance reviews have been carried out for Colombia, Costa Rica, Peru and Paraguay. These serve to identify strengths and weaknesses in public governance and outline areas for reform. The OECD champions more open and participatory governance models, specifically through the **OECD Network on Open and Innovative Government in LAC,**[59] which serves as a forum for policy dialogue, the exchange of good practices and knowledge transfer with OECD countries. Within this framework, in-depth policy analyses have been carried out for Costa Rica, Peru and Mexico.

A key publication in the area of public sector reform, the second edition of **Government at a Glance**[60] was published in 2016. It provides 45 indicators in numerous areas such as public finance, regulatory governance, open governance, public procurement and health budgeting to help governments compare their practices across the region and with OECD countries, and contribute to the public debate on government reform.



Conclusion

As this chapter has shown, the OECD-Latin America partnership is strong and has significant impact on the region's economies. Colombian president Santos' comments echo the success of this cooperation:

"Colombia already has clear evidence of the impact that the OECD can have in a Latin American country. The accession process has initiated several institutional reform processes and triggered very important internal reflections. The OECD does well to turn their eyes towards our region, as evidenced by its new Regional Programme for Latin America and the Caribbean. This is a region that has much to learn and much to offer in experiences of social and economic policies." ***Juan Manuel Santos, President of Colombia***

[57] http://www.conferenciainclusion.org/
[58] http://www.oecd.org/latin-america/regionalprogramme/Enhancing-Social-Inclusion-LAC.pdf
[59] http://www.oecd.org/gov/open-government-in-latin-america-and-caribbean.htm
[60] http://www.oecd.org/gov/govataglance.htm

3. Bilateral Economic Relations

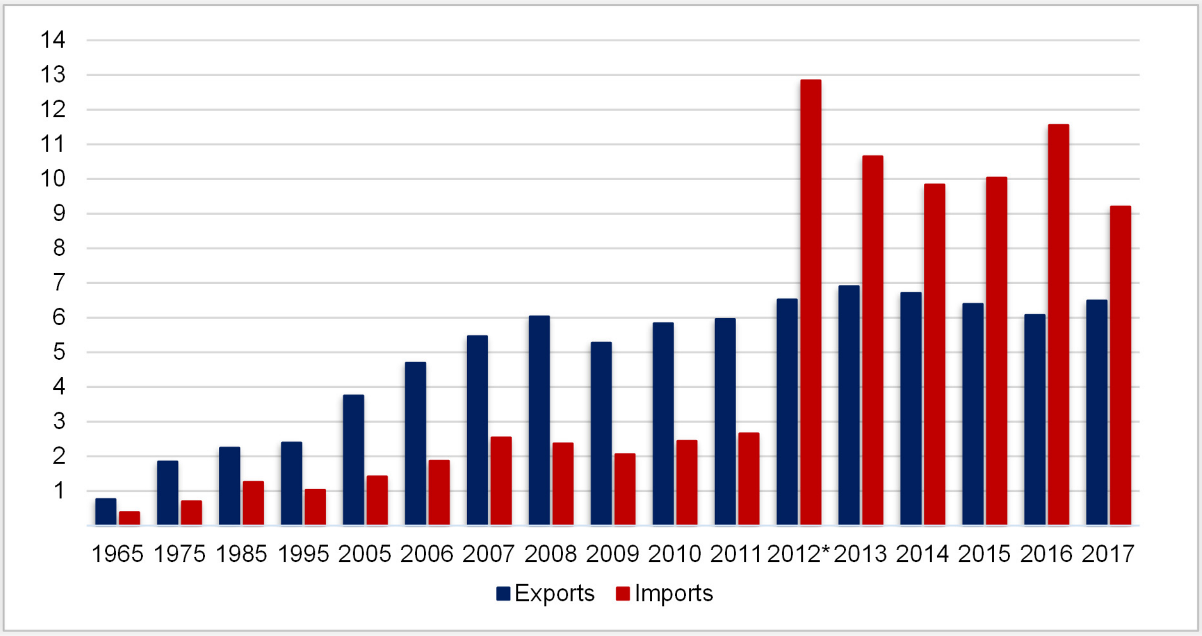
3.1. Trade[61]

Switzerland's bilateral trade volume with Latin America and the Caribbean (LAC) fell by 11.0% in 2017 (*gold excluded: +6.8%*), by 18.2% *(+4.8%)* with South America, and was stagnant (0%) with the Caribbean *(+26.4%)*, whilst trade with Central America intensified (+16.2%) *(+10.8%)*. Trade with LAC constitutes 2.8% *(2.1%)* of total Swiss trade, the biggest part of which (2.0%) is accounted for by trade with South America *(gold excluded: 1.4%)*. Trade notably increased with Argentina (+12.6%), Panama (+12%), Nicaragua (+101.2%), Honduras (+27.6%), Mexico (+21.3%), and Paraguay (10.3%). Trade with Venezuela plummeted (-97.4%), as did commerce with the Dominican Republic (-43.4%), which in the latter case was mainly due to a reduction in imports.

Total Swiss external trade fell by 1.2% in 2017 *(without gold: +5.8%)*. Bilateral trade with the European Union, Switzerland's most important trading partner, was stagnant at – 0.9% *(without gold: +5.1%)*. Commerce with Africa declined (-2.9%, *without gold: +9.3%*), as did with the Middle East (-24.2%, *without gold: +10.8%*) and North America (-3.3%, *without gold: 3%*). Trade with Asia was stagnant (-0.4%, *without gold: 9.3%*), commerce with Oceania saw an increase of 15.1% *(without gold: 7%)*.

In absolute numbers, **Swiss exports** to Latin America amounted to CHF 6.5 billion (*CHF 6.2 billion*) and imports to CHF 9.2 billion (*CHF 2.3 billion*) in 2017. Sales to Latin America constituted 2.2 % of total Swiss exports in 2017.

Figure 6. **Switzerland - Latin America and the Caribbean: Trade in Goods 1965 - 2017** (in CHF billion)



Source: Swiss Federal Customs Administration (FCA), Bern.
* Following a Federal Council decision, the FCA now includes gold, silver and coins in the trade statistics, which have been backdated to 2012

[61] The Federal Customs Administration compiles two types of trade statistics: Business Cycle and General Total, the latter including precious metals (incl. gold), precious stones and gems, works of art and antiques. In Latin America, gold imports account for most of the difference between Business Cycle and General Total. Figures 6-8 and relevant data in chapter 3.1 use the General Total. Numbers in brackets indicate Business Cycle data.

Traditionally, Switzerland registers a large trade deficit with LAC, which is mainly owed to gold imports. These account for 60.5% of total imports from the region (see also Table A.8., p. 44 and Figure A.5., p. 44 for individual countries' share).

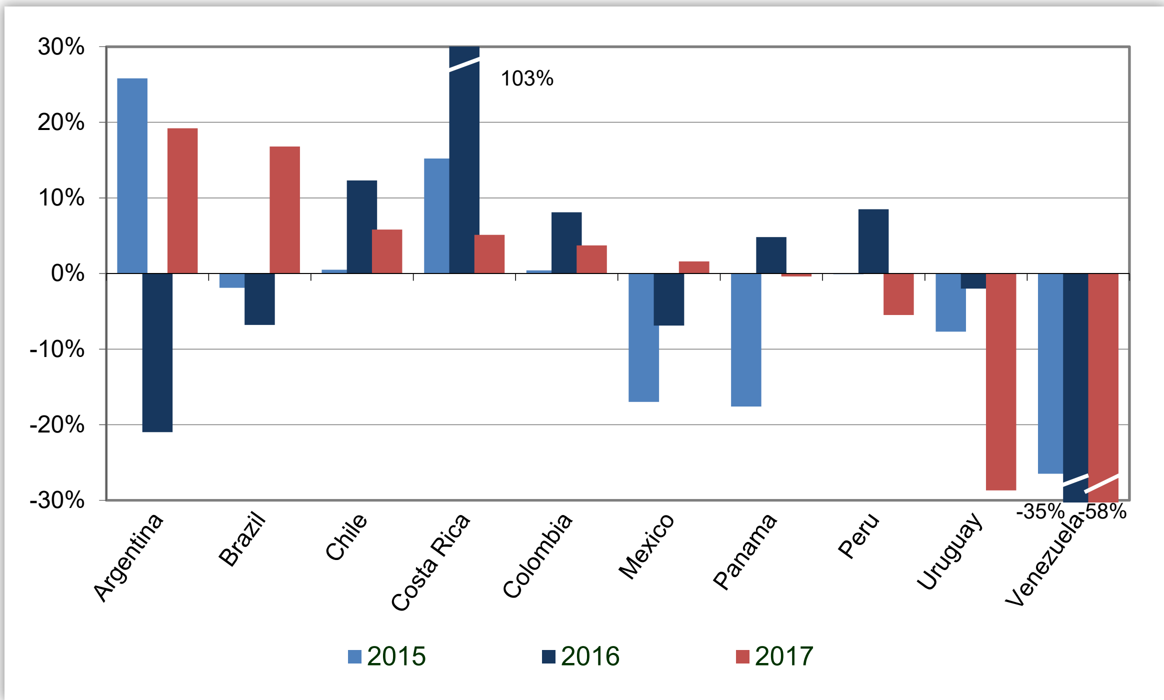
After a threefold increase over the last two decades, Swiss export growth to LAC declined (2014-16) to recover in 2017 (+6.9%, *without gold: +6.7%,* 2016: -5.1%:), with a particularly strong expansion in the Caribbean (+75.1%). In comparison, exports to Europe contracted by -4.4% (*without gold: +5.1%,* 2016: +17.5%) those to North America by -0.1% (*without gold: +2.8%,* 2016: +20.6%), whilst those to Asia rose by 2.8% (*without gold: +9.5%,* 2016: -8.9%). Trade with Africa grew 2.5% (*without gold: +9.3%,* 2016: +1.3%), as did with Oceania (+3.4%, *without gold: +7.0%,* 2016: -2.0%). Sales to the Middle East diminished by -10.4% (*without gold: 11.0%,* 2016: -22.8%).

Brazil, Mexico and Argentina are the biggest export markets for Swiss goods, which make up two thirds of Swiss exports to the LAC region. Trade to all three countries recovered in 2017, having contracted in 2016. Exports to Argentina (+19.2%) increased in several sectors, as did those to Brazil (16.8%) and Mexico (1.6%). Pharmaceutical products are the most important export goods to all three countries (Argentina: 57%; Brazil: 50%; Mexico: 34%). They rose in all three countries: in Argentina by 21.5%, in Brazil by 41.7% and in Mexico by 13.6%.

Export growth was also registered in particular with Cuba (17%), Chile (5.8%), Colombia (3.7%), and the Dominican Republic (3.4%). Exports to Venezuela (-58%), Uruguay (-29%) and Bolivia (-19%) saw a notable decline.

For absolute figures, shares and variations of Swiss exports see Table A.3. on page 39.

Figure 7. **Switzerland - Latin America: Change in Exports, Main Partners 2015-2017** (percentage change)



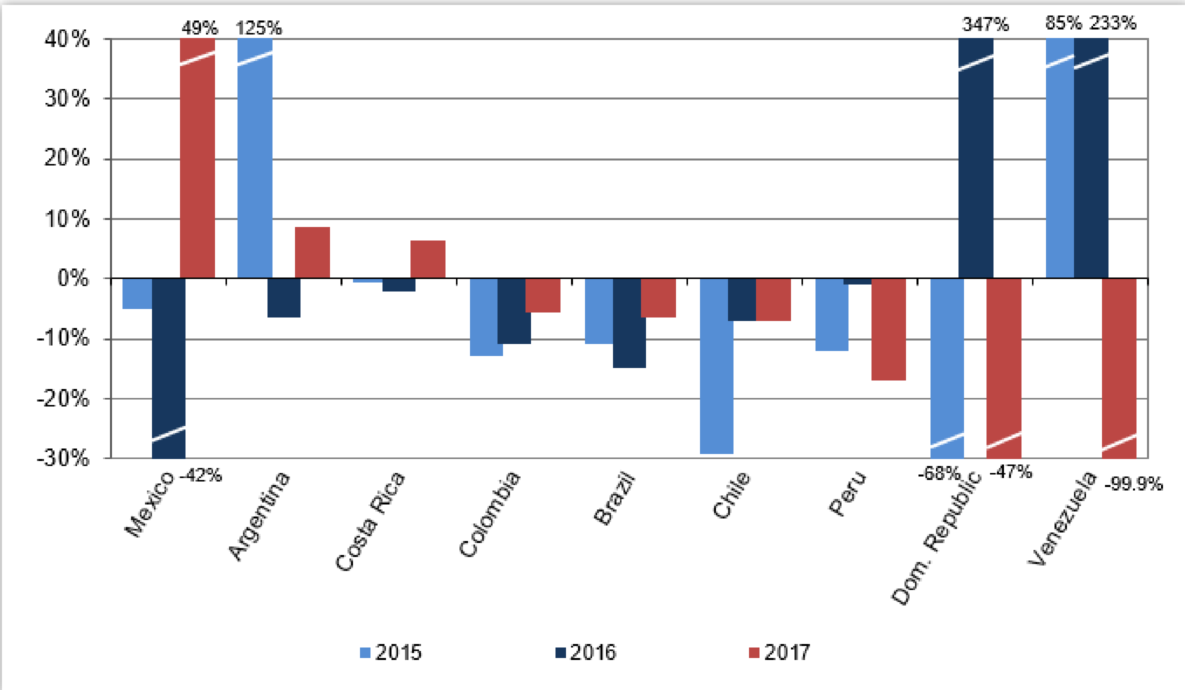
Source: Swiss Federal Customs Administration, Bern

Swiss imports from LAC fell by 20.4% *(without gold: -11.9%)*, amounting to 3.5% of total Swiss imports. The development of imports from other world regions varied: while imports from Europe rose (+4.0%; *without gold: +6.3%),* those from Asia (-5.0%; *without gold: +15.1%),* Africa (-5.0%, *without gold: +26.8%)* and the Middle East (-20.1%; *without gold: +120%*) declined, as well as those from North America (-8.3%; *without gold: -5.7%*). Imports from Oceania grew by 44.7% *(without gold: +15.1%).*

An important share of total Swiss imports from Latin America and the Caribbean consists of gold (2017: 61%). Of the major import partners, only in Panama (35%) and Mexico (33%) gold constitutes less than half of imports. The share of gold in total imports is all the more important with Peru (96%), Argentina and Nicaragua (92%), Chile (87%) and the Dominican Republic (82%); it is less significant for Uruguay (66%), Colombia (59%) and Brazil (50%). Gold imports from the region reached 752.3 tons in 2017, a decline of 5.2% with respect to the previous year. The value of gold imports declined by 27.9% due to falling prices. For further information, see Table A.8., p. 44.

In 2017, imports notably increased from Nicaragua (108%) and Mexico (49%). Increased gold imports explain the hike for these two countries. Imports from Venezuela plummeted (-99.9%), those from the Dominican Republic also declined notably (-47%). For absolute figures, shares and variations of Swiss imports see Table A.4., p. 40.

Figure 8. **Switzerland - Latin America: Change in Imports, Main Partners 2015-2017**
(percentage change)



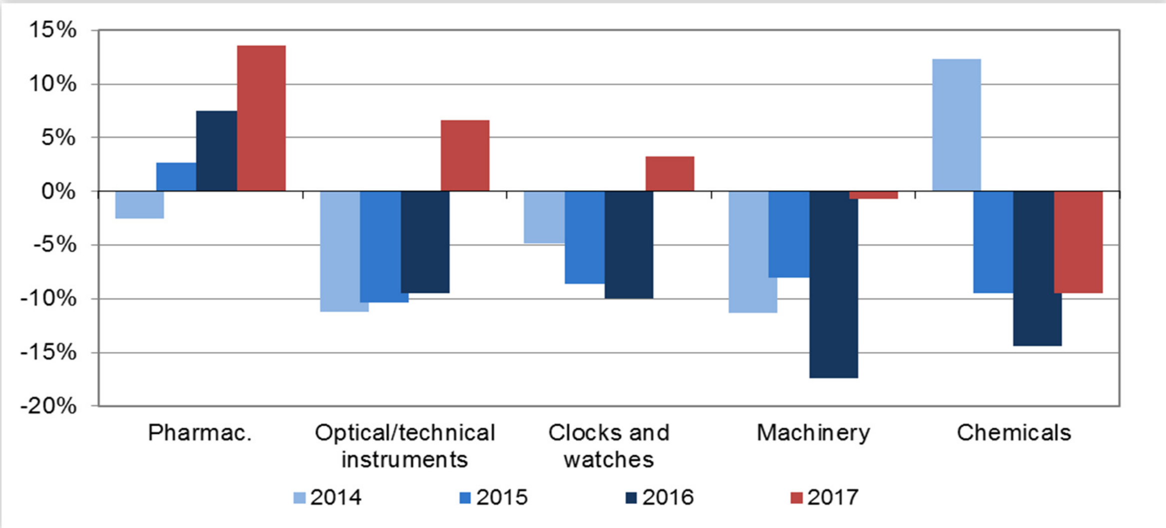
Source: Swiss Federal Customs Administration, Bern

Switzerland's **main export products** to Latin America are pharmaceuticals (46%), chemicals (17%), machinery (13%), watches (7%) and optical and medicinal instruments (5%). Although the largest exports to a few countries, such as Bolivia (50%), El Salvador (49%), and Nicaragua (43%) still consist of machinery, the share of pharmaceuticals has been growing all over the region and extending its leading position. Since 2000, pharmaceutical exports have more than tripled, whereas sales of machinery, which formerly constituted the biggest part of Swiss exports to the region, have declined (for complete data, see Table A.5., p. 41).

Machinery exports have seen a decline over the last years and currently constitute 13% of exports to the region. The main export market is Mexico, with over a third of exports, despite a decline registered in 2017 (-13%). Brazil, the second export market, saw an increase of 11%; the country now accounts for just under a third of exports. Sales to Peru (+25%), and Bolivia (+23%) notably increased.

Despite a decline of chemical exports to the region (-10% in 2017), they still constitute 17% of total exports to Latin America. By far the biggest export market is Brazil, with 23% of total exports. Chemical exports to Panama increased fourfold in 2017.

Figure 9. **Switzerland - Latin America: Change in Exports, Main Product Groups 2014 - 2017**



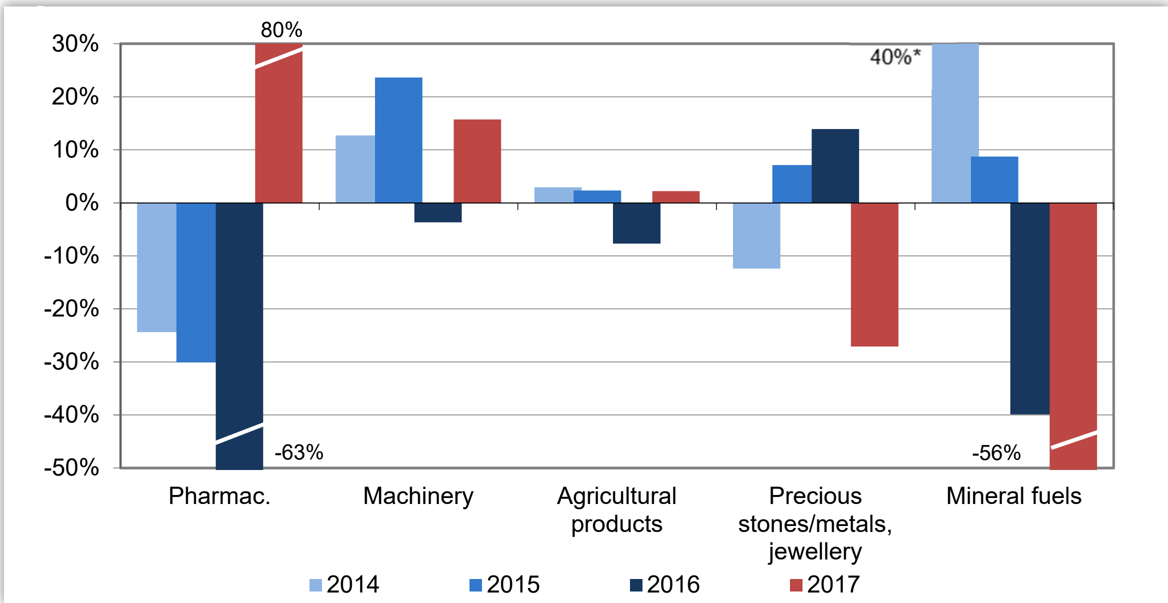
Source: Swiss Federal Customs Administration, Bern.

Apart from gold (72%)[62], **major import products** are agricultural products (12%), pharmaceuticals (4%), vehicles (3%) and machinery (2%). Pharmaceutical imports saw the biggest rise in 2017, with 80%. Sales of machinery grew by 16%. Mexico accounts for 72% of machinery imports; these rose by 17% in 2017. Imports of mineral fuels saw the sharpest drop (-56%), imports of precious stones, metals and jewellery also declined notably (-27%). For complete data, see Table A.6., p. 42.

Agricultural imports from Latin America did not exhibit sharp swings, with a 2% overall increase. Brazil is the most important country of origin by far, with 36% of total agricultural imports from Latin America, followed by Colombia (13% of total imports).

[62] Gold is included in Chapter 71 of the Hamonized System (precious stones, metals and jewellery).

Figure 10. Switzerland - Latin America: Change in Imports, Main Product Groups 2014 - 2017



Source: Swiss Federal Customs Administration, Bern.
* Annual percentage change for mineral fuels in 2014 not significant due to the very low base level in the previous year

Following strong growth in 2012 and 2013, pharmaceutical imports had fallen sharply during three consecutive years, with a drop of 63% in 2016, but recovered again in 2017 (+80%). Mexico accounts for 85% of Swiss pharmaceutical imports from the region.

3.2. Swiss Foreign Direct Investment[63]

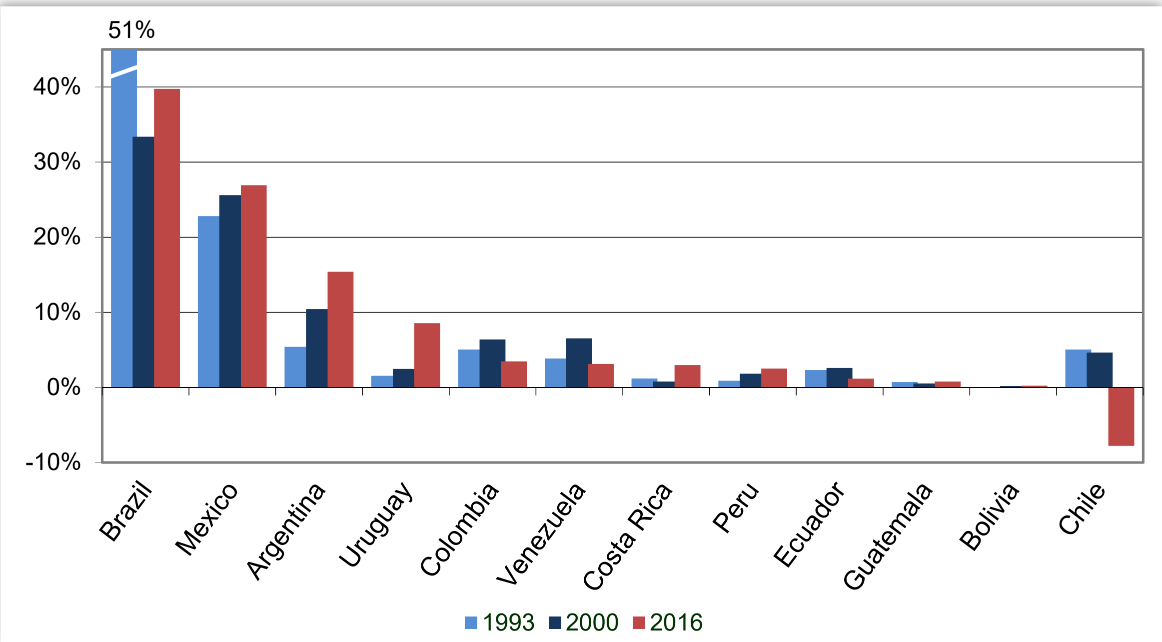
In 2016, Latin America accounted for 2.2% of the overall Swiss FDI stock with a total of CHF 26.8 billion. Together with FDI in offshore financial centers (OFC; CHF 86.7 billion), the subcontinent's share constituted 9.4% of the total Swiss FDI stock.

With CHF 10.7 billion (39.7%), Brazil attracts the biggest share of Swiss FDI (OFCs excluded), followed by Mexico with CHF 7.2 billion (27%) and Argentina with CHF 4.1 billion (15.4%). Figure 11 shows the main destination countries for Swiss FDI in Latin America. For detailed data, see Table A.7., p. 43.

At the end of 2016, Swiss firms employed 175'953 people in Latin America, the majority of which in Brazil (65'163), Mexico (34'751), Chile (18'852), Colombia (11'574) and Argentina (11'341). Swiss firms also had a large number of staff in Peru (6'512), Ecuador (5'413), Guatemala (2'641) and Costa Rica (1'704).

[63] Swiss National Bank (2017)

Figure 11. **Switzerland - Latin America: Foreign Direct Investment by Main Partners 1993 - 2016** (% of total Swiss FDI stock in Latin America)



Source: Swiss National Bank, Zurich

Box 2. Focus: Novartis' Investment in Argentina

In February 2017, Novartis signed a Memorandum of Understanding with the Argentine Ministry of Health for the cooperation in clinical research and to join efforts to combat the illness Chagas, currently one of the country's biggest health problems. Covering a period of four years, Novartis will invest substantially in science, research and digital capabilities, for which USD 155 million have been earmarked. Novartis has 560 staff in Argentina and a turnover of USD 328 million. It is the single most important company in clinical research in Argentina, with 110 ongoing clinical trials.

Box 3. Focus: Nestlé's Investment in Colombia

In 2017, Nespresso launched Aurora de la Paz, a limited-edition coffee capsule containing exclusively Colombian coffee from one of the areas previously affected by armed conflict in the south of the country. Nespresso is planning to invest USD 50 million in Colombia to improve coffee production in the former conflict zones, with special emphasis given to quality, quantity and sustainability in the production process. Nespresso's commitment opens up new and much-needed business opportunities for the local population, and has won praise from government at several public events.

Box 4. Focus: Flughafen Zürich AG in Chile

A-Port Chile S.A., subsidiary of Flughafen Zürich AG, last year won a new concession to expand and operate Diego Aracena International Airport in northern Chile, 40 km south of Iquique. With 1.2 million passengers per year, it is the fifth busiest airport in the country. Tourism and the mining industry are the key drivers of the region. Iquique is one of the main points of entry to the Atacama Desert. The concession is conditional on traffic, and is expected to last between 18-25 years. A-Port Chile S.A. is also concessionary of Cerro Moreno Airport, which serves the coastal town of Antofagasta and is used by around 2 million passengers a year.

3.3. Bilateral Economic Agreements and Joint Economic Commissions

Agreements on the Promotion and Reciprocal Protection of Investments (BITs)[64]

Switzerland has BITs with over 120 countries around the world, a number only surpassed by Germany and China. BITs enhance legal security, improve the investment climate of signatory countries and help them attract foreign investment.

Switzerland has BITs with nearly all Latin American countries, with Bahamas, Belize, Bermuda, Brazil, Guyana, Haiti, Suriname and some small Caribbean islands states as exceptions. The BIT with Guyana has been ratified by Switzerland. Ratification on part of Guyana is pending.

Though Brazil has signed numerous BITs with different countries – including Switzerland – since the 1990s, none of these have been ratified due to reservations about the discrimination of local investors. Foreigners would be at an advantage vis-à-vis local investors, as BITs would grant foreigners access to both the domestic courts and an international arbitration court.

Brazil therefore has proposed an alternative BIT model, which would make provisions for disputes to be settled with an ombudsman and a joint committee that includes representatives of the investor's home state and the host country, as well as the investor her/himself.

Taxation

a) Double Taxation Agreements (DTAs)

Presently, Switzerland has DTAs to avoid or mitigate double taxation with Argentina, Chile, Colombia, Ecuador, Jamaica, Mexico, Peru, Trinidad and Tobago, Uruguay and Venezuela.

b) Automatic exchange of information in tax matters

In 2014, the OECD Council adopted the new global standard for the **international automatic exchange of information in tax matters (AEOI)**, to which over 100 countries have thus far committed. This came in response to the global financial crisis, and to combat tax evasion worldwide.[65] In Switzerland, the introduction of AEOI requires Federal Assembly approval on a country-by-country basis to become effective.

Referring to Latin America, data has started to be collected in the course of 2018 and will be exchanged in 2019 for the first time on a reciprocal basis with Argentina, Brazil, Chile, Costa Rica, Colombia, Mexico and Uruguay. [66]

Table A9 (p. 45) presents an overview of the main economic agreements between Switzerland and Latin America.

[64] For more information on the nature and purpose of BITs visit: https://www.seco.admin.ch/seco/en/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/Internationale_Investitionen/Vertragspolitik_der_Schweiz.html

[65] http://www.oecd.org/tax/automatic-exchange/news/over-2500-bilateral-relationships-in-place-for-the-exchange-of-crs-information.htm, accessed 16/01/2018

[66] AEOI is also planned with: Barbados, Antigua and Barbuda, Montserrat, Belize, Grenada, Turks and Caicos, Aruba, Curaçao, St Vincent, British Virgin Islands, Cayman Islands, St Kitts and Nevis, St Lucia

Joint Economic Commissions

Switzerland regularly holds bilateral economic commissions with numerous countries around the world, the purpose of which is the strengthening of economic relations. These meetings, which are also an opportunity to address specific problems with partner countries and pluri- and multilateral matters, usually also include business representatives from both sides.

Commissions have been established with Argentina, Brazil, Chile[67], Mexico, Peru[68] and Venezuela. No Joint Economic Commissions were held in 2017, but several are scheduled for 2018.

3.4. Latin American Integration: Recent Trends and Developments

Inter-American Integration

Mercosur: Mercosur suspended Venezuela in August 2017.

Pacific Alliance: The Pacific Alliance was founded in 2011 by Chile, Colombia, Mexico and Peru with the purpose to gradually achieve a free movement of goods, services and persons. Following the immediate removal of 92% of tariffs between members, the remainder is to be phased out by 2020. Thus far, the integration has progressed on several fronts, notably the abolition of visas setting up a platform for student and academic mobility, a grouping of stock exchange markets into a single one, and progress in the homologation of health and regulatory certifications.

As one of 52 observer countries, Switzerland has offered collaboration in the areas of innovation, vocational and professional education and training as well as customs management.

The **Community of Latin American and Caribbean States (CELAC)** is a regional bloc of 33 states founded in 2011 as an intergovernmental platform for political dialogue, for the first time bringing together all Latin American and Caribbean countries. CELAC is the formal successor to the Rio Group and CALC[69]. In January 2017, CELAC member states met in Punta Cana, Dominican Republic for the Community's fifth summit. The meeting focussed on US-Cuban relations, multilateralism and the rejection of coercive economic policies.

Latin American Integration Association LAIA[70]: Founded in 1980 with the Montevideo treaty, LAIA's objective is the establishment of a common Latin American market based on a network of regional treaties and preferential tariffs. Headquartered in Montevideo, its member countries comprise over 510 million citizens.

System of the Central American Integration SICA[71]: Established in 1993, SICA aims to advance regional integration in Central America and promote peace, freedom, democracy and development in the region. Headquarters are in Panama.

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[67] Official denomination of the committee: Bilateral Economic Dialogue.
[68] Official denomination of the committee: Bilateral Economic Meeting.
[69] http://www.itamaraty.gov.br/en/politica-externa/integracao-regional/7623-community-of-latin-american-and-caribbean-states
[70] Asociación Latinoamericana de Integración, ALADI in Spanish; Member states are Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela. Nicaragua is currently in the accession process.
[71] Sistema de la Integración Centroamericana. Members states are Belize, Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

UNASUR[72]: Established in 2008 with the Treaty of the Union of South American Nations with the purpose of promoting the political dialogue between member states for inclusive social and economic development in the region, it is headquartered in Quito, Ecuador, with its Parliament in Cochabamba, Bolivia. Argentina's Mauricio Macri is currently the pro tempore president until April 2018.

Latin American - Europe Relations

Latin America - European Union: EU-CELAC ministerial meetings are held to strengthen the bi-regional dialogue. The 2016 summit in Santo Domingo focused on common ground in the implementation of the 2030 Agenda for sustainable development and financing for development and climate change.

Mercosur - European Union: Free trade negotiations were relaunched in 2010. After the stalling of talks in 2012, progress has been made in the latest negotiation rounds in 2017 and early 2018. Difficult areas are EU agriculture and Mercosur's industrial and services sectors, and government procurement. The EU is Mercosur's first trading partner, accounting for 21% of trade (2015).[73]

Andean Community (CAN) - European Union: The EU has a comprehensive trade agreement with Colombia and Peru since 2013, of which Ecuador since 1st January 2017 is also part. Bolivia, CAN's fourth member country, benefits from preferential access to the EU Common Market under the EU's Generalised Scheme of Preferences (GSP).[74]

Central America - European Union: A comprehensive Association Agreement between the six Central American countries[75] and the EU was signed in June 2012 with the purpose of furthering political dialogue, cooperation and trade and contribute to economic growth, democracy and political stability in the region. The EU and Central America have a long history of cooperation dating back to the former's support of the peace process in the region in the 1980s. The Association Agreement signed in 2012 supplants the region's preferential access to the Common Market under the EU's GSP.

Latin America - EFTA[76]

Mercosur - EFTA: Based on a Joint Declaration on Cooperation in 2000 and following exploratory talks starting in 2015, free trade negotiations between the two blocs were launched last year. Two rounds have taken place so far, in June 2017 in Buenos Aires and in September 2017 in Geneva. The next round is set to take place in South America in April 2018.

72 Member states: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay, Venezuela.

73 http://ec.europa.eu/trade/policy/countries-and-regions/regions/mercosur/ , accessed 04/12/2017

74 http://ec.europa.eu/trade/policy/countries-and-regions/regions/andean-community/, accessed 5/12/2017

75 Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama

76 The members of the European Free Trade Association (EFTA) are: Iceland, Liechtenstein, Norway and Switzerland.

Central America - EFTA: A broad-based free trade agreement with Costa Rica and Panama was signed in 2013 and is in force since 2014. Following the signature of an Accession Protocol with Guatemala (2016) the entry into force awaits ratification. Negotiations with Honduras are on hold. The agreement remains open to the other Central American states.[77]

EFTA's Free Trade Agreements in Latin America

Source: EFTA

Ecuador - EFTA: Based on the 2015 Joint Declaration for Cooperation, negotiations for a Comprehensive Economic Partnership Agreement (CEPA) were launched in 2016 in Berne.[78] Good progress has been achieved in 2017. Negotiations should be concluded in 2018.

Mexico - EFTA: Following the launch of negotiations between EFTA and Mexico to modernize the EFTA-Mexico Free Trade Agreement in January 2016, four rounds of negotiations have been held so far, the latest in June 2017 in Mexico City, where good progress was made in most areas. Divergent positions on agriculture remain a key obstacle, however. Further internal consultations will be necessary.[79]

Latin America - Other Regions

Negotiations for the **Trans-Pacific Partnership (TPP),** which includes Chile, Mexico and Peru amongst the twelve signatories,[80] were concluded in 2015 following seven years of negotiations. Following the United States' withdrawal in January 2017 from the TPP, the remaining members made several adjustments and called the new arrangement the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).[81] The signing ceremony will take place in March 2018.

[77] http://www.efta.int/free-trade/free-trade-agreements/central-american-states, accessed 05/12/2017
[78] http://www.efta.int/free-trade/ongoing-negotiations-talks/ecuador, 05/12/2017
[79] http://www.efta.int/free-trade/free-trade-agreements/mexico, 05/12/2017
[80] Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States, Vietnam.
[81] https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-concluded-but-not-in-force/cptpp/tpp-and-cptpp-the-differences-explained/, access 11/02/2018

3.5. Economic Development Cooperation: The Swiss Platform for Sustainable Cocoa

It is **SECO's Economic Cooperation and Development (WE)** division's mandate to plan and implement economic cooperation and development projects and initiatives in middle-income developing countries, several countries of Eastern Europe and Central Asia and the new Member States of the European Union. The division also coordinates Switzerland's relations with the World Bank Group, regional development banks and the relevant economic organisations in the United Nations system. The UN 2030 Agenda for Sustainable Development and the Federal Council's 2017-2020 dispatch on International Cooperation provide its strategic orientation. As part of the division's activities, the Trade Promotion section works to enhance producers' access to (international) markets and enhance their competitiveness. This contributes to sustainable and inclusive economic growth and to poverty reduction. Special emphasis is given to creating jobs and opportunities to earn an income through sustainable value chains. To this end, the Swiss Platform for Sustainable Cocoa was launched in 2017.

The Swiss Platform for Sustainable Cocoa

The Platform is a multi-stakeholder initiative, pooling the efforts of representatives from the private sector, civil society, research institutes and the Swiss Government, to create a sustainable and attractive cocoa sector for current and future generations. Whilst there have been numerous individual efforts to address persisting challenges and problems in the cocoa sector, close cooperation and a shared responsibility for the outcomes are the hallmarks of this initiative. Switzerland is, of course, famous for and a leading producer of chocolate. It is therefore fitting that the country and its chocolate industry should assume their responsibility and spearhead efforts towards sustainability.

The Platform's members have thus committed to this joint effort to bring about measurable results as they contribute to promoting the United Nations 2030 Agenda for Sustainable Development. Special emphasis will be given to the livelihoods of cocoa farmers and important environmental concerns that arise in the production process. In addition, attention is paid to the provenance of products containing cocoa that are imported to Switzerland. These will eventually be required to be sourced predominantly from sustainable and certified sources. By 2025, 80% of imports are to be certified in line with established sustainability criteria guidelines.

SECO has been actively involved in the establishment of the Platform, in close collaboration with the trade association Chocosuisse and civil society since 2015. After the formal launch of the Platform in 2017, it is now functioning as an independent association. SECO's complementary, tailor-made support programme was designed to further intensify the impact of the Platform.

The Setup of the Platform

The Cocoa Platform rests on three pillars:

<u>Dialogue and global networking:</u> There exist numerous initiatives, projects and organisations dedicated to the cause; coordination and cooperation is thus vital in the cocoa sector. Through international dialogue, the Platform aims to closely align its efforts with other schemes, for resources to be used as efficiently as possible.

Information and competence centre: Swiss manufacturers, retailers and research institutes have substantial expertise to be tapped. The exchange of information and best practices is vital to address challenges. The harmonisation of accountability practices fosters transparency in the sector. To this end, a close cooperation between members in subject-specific Practice Communities facilitates the addressing of pressing issues such as climate resilience and biodiversity, and the traceability of cocoa butter or non-tariff measures.

Joint projects and innovation promotion: The Cocoa Platform features a facility to promote innovative and pioneering value chain projects with a clear link to the goals of the association. The involvement of all parties – and particularly SMEs – is crucial for the success of the platform's initiatives. In facilitating the leverage of private investment, SECO's work makes a substantial contribution to the Cocoa Platform.

Latin America

Latin America is a special focus of the Platform. With other cocoa-related SECO projects underway in several South American countries, joint efforts with existing initiatives are particularly promising. Future Platform projects can benefit greatly from the existing expertise in the area of cocoa and country-specific networks; this allows for the scaling-up of efforts.

These synergies make the Cocoa Platform a particularly promising venture for the SECO priority countries Peru and Colombia, where projects such as *SeCompetitivo* and *Colombia + Competitiva* seek to enhance the competitiveness of local cocoa producers. These initiatives fit well with the Platform's objective of fostering sustainable value chains – which can be key to accessing international markets. The success of these programmes has inspired the Swiss Cocoa Platform to support Latin America in their positioning as leading and innovative producer of Fine Flavour Cocoa, and to deepen the links with Swiss chocolate manufacturers known for the high quality of their products. The Platform's work is an important contribution to sustainable and inclusive growth in the region.

More information on the Cocoa Platform can be found on www.kakaoplattform.ch. Information on other WE projects can be obtained at: info.wehu.cooperation@seco.admin.ch.

3.6. Notable Bilateral Meetings 2017

Bern, 11 April 2017: Federal Councillor Johann N. Schneider-Ammann welcomed María del Carmen Concepción González, the Cuban Minister of Food Industries, for a fruitful exchange on bilateral economic relations, the Cuban reform process, the state of the Cuban food industry and Swiss business in Cuba.

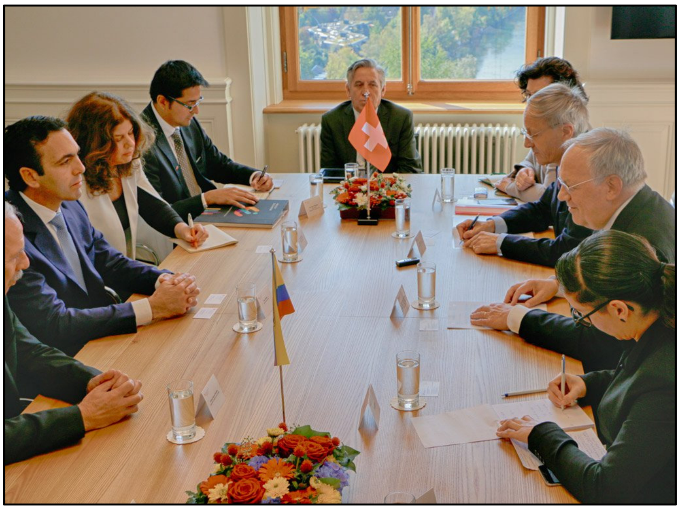
Buenos Aires, 17-19 April 2017: The President of the Swiss Confederation Doris Leuthard met President Macri of Argentina in Buenos Aires. This marked the first ever visit of a Swiss President to the country. Travelling with a Swiss business delegation, she visited Argentina for bilateral discussions on economic matters.

Ties with Argentina are traditionally very strong, to which the common Presidential Declaration signed on the occasion was testimony. The document will serve as a roadmap for an intensification of Swiss-Argentine relations and a closer collaboration in the areas of science, justice, infrastructure and finance, the environment and human rights, an area in which the two countries have worked together closely in the UN. Topics discussed also included the current EFTA-Mercosur negotiations. Mrs Leuthard also met Minister of Finance Susana Malcorra, Budget Minister Luis Caputo, Minister of Transport Guillermo Dietrich and Minister of Agriculture Ricardo Buryaile.

During her time in Argentina, the President also addressed members of the think tank Consejo Argentino para las Relaciones Internacionales (CARI) in Buenos Aires and enjoyed a guided visit to the Sarmiento train line tunnel, one of the biggest infrastructure programmes currently underway in the country. Mrs Leuthard also greeted some of Swiss citizens living in Argentina, home of a large Swiss colony (16’000).

Lima, 20-21 April 2017: After her departure from Argentina, Mrs Leuthard travelled to Lima to meet Peruvian President Pablo Pedro Kuczynski. This visit also marked the first ever visit of a Swiss President in Peru. Whilst there, the President also held discussions with the Minister of Transport and Communication Martin Vizcarra, Foreign Minister Ricardo Luna, Minister of Foreign Trade and Tourism Eduardo Ferreyros, Minister of Energy and Mining Gonzalo Tamayo, Minister of Culture Salvador del Solar, Minister of Justice and Human Rights Marisol Pérez, Minister of Development and Social Inclusion Cayetana Aljovín, Minister of Education Marilú Martens, as well as Vice Minister of Finance Rossana Polastri. A wide range of subjects were discussed, including Peru's steps towards joining the OECD, recent reforms and SECO's economic cooperation with the country, for which much appreciation was expressed. President Doris Leuthard visited also "El Taller de los Niños" an institution established in 1978 by Christiane Ramseyer from Switzerland. El Taller aims at alleviating poverty in a poor part of Lima with programs including pre-school day care for 150 children, health center for babies and education for teen-age mothers.

Bern, 28 September 2017: Federal Councillor Johann N. Schneider-Ammann met Ecuadorian Minister for Foreign Trade Pablo Campana for an appraisal and review of bilateral economic relations, in particular in the areas of trade and investment and the ongoing free trade negotiations between EFTA and Ecuador.



Bern, 27 October 2017: Representatives from the Swiss administration received a Colombian delegation to discuss mining in Colombia. The talks were led by Philippe G. Nell, Minister, Head of Americas Division at SECO. The Colombian delegation, headed by Colombian Ambassador Juan Jaramillo, included representatives of regional government and of mining companies active in Colombia. Sustainability in mining, and in particular the Swiss Better Gold Initiative and the Extractive Industries Transparency Initiative, were amongst the topics discussed.

Caracas, 6-10 November 2017: Philippe G. Nell, Minister, Head of the Americas Division at SECO, visited Venezuela, where he met with the Minister of Economy and Finance Simón Zerpa, Minister for External Trade Miguel Pérez Abad, the president of the Central Bank Ramón Lobo Moreno, Vice-Minister of Foreign Affairs Iván Gil, representatives of IDB, members and directors of the chambers of commerce and Swiss business representatives in Venezuela, to discuss the current economic situation and its impact on business operating in the country. He also held a speech for the students at the Henri Pittier Institute, a vocational school established by Swiss firms in Santa Teresa.

Swiss Ambassador to Venezuela Didier Chassot, Philippe G. Nell, Minister, SECO, Venezuelan Minister of Foreign Trade Miguel Pérez Abad

Bern, 14 December 2017: President Doris Leuthard welcomed Bolivian President Evo Morales to Bern for the signing of a cooperation agreement for the construction of the Tren Bioceánico railway line planned to link the Atlantic and Pacific Oceans, via Bolivia. The project is an excellent opportunity for Swiss industry to showcase its expertise from similar projects including the building of the Gotthard Base Tunnel.

The meeting marked the first presidential meeting between the two countries, which have a long history of cooperation. Bolivia has benefitted from Swiss development assistance for over 50 years. The encounter was also an excellent opportunity for an appraisal of bilateral economic relations, which Switzerland seeks to intensify in the area of trade and investment.

3.7. The Tren Bioceánico

The Tren Bioceánico is a very big project aiming at linking the Atlantic and the Pacific oceans from the Brazilian port of Santos to the Peruvian port of Ilo with a railroad. The trade link will open up significant new opportunities not only for landlocked, resource-rich Bolivia – it will also boost Brazil's exports to China. The trainline will reduce distances drastically: the journey from Brazil to China will take only 38 days, instead of the 67 it currently takes via the Panama Canal. Argentina, Uruguay and Paraguay will also be connected to the trainline.

The trainline crosses very diverse geographical regions, amongst them the Andes and Brazilian lowlands, with very steep slopes in parts of the trajectory. This poses significant challenges and requires expertise. In addition, significant investment is needed for the refurbishment of existing infrastructure such as train stations, ports, existing tracks etc. And this is where Swiss and German industry could come in, with their vast expertise and resources at hand. Switzerland is cooperating closely with German authorities and business to pool efforts. A meeting of German and Swiss government and business representatives was held subsequently to President Morales' visit in December in Bern.

There are different options for the cooperation with the different countries, including public tenders, public-private partnerships, or private ventures of all or part of the infrastructure. Each country conducts its own feasibility studies. The character and scale of the required works differ; in Bolivia and Brazil, for example, there already exist 85% of the tracks, which need to be refurbished and modernised. In Peru, on the other hand, 140km of the planned 200km trajectory will be newly built. The participating countries have established a task force aiming at bringing this project forward.

Box 5. The Tren Bioceánico - Key Facts

Length: roughly 3700 km, with a 4000 m altitude difference

Frequency: a planned 11 scheduled daily departures in each direction (people), and 14 for freight

Planned capacity - passengers: just over 6 million passengers/year by 2021, rising to over 13 million passengers by 2055

Planned capacity - freight: 10 million tons of goods/year by 2021, rising to over 24 million tons/year by 2055

Appendix

Tables and Figures

Table A.1. Switzerland-Latin America - Share of Goods Exports and Imports, Trading Partners 2016-2017 (CHF million and percentage change)

	Exports				Imports				Trade balance 2017
	2016	2017	Var. (%)	Share in reg. exp. in %	2016	2017	Var. (%)	Share in reg. imp. in %	
SOUTH AMERICA AND MEXICO	**5,459.0**	**5,758.2**	**5.5**	**88.7**	**10,836.0**	**8,474.5**	**-21.8**	**92.1**	**-2,716.3**
Brazil	1,911.0	2,231.4	16.8	34.4	1,219.6	1,141.4	-6.4	12.4	1,090.0
Mexico	1,346.5	1,367.4	1.6	21.1	968.3	1,439.7	48.7	15.6	-72.3
Argentina	664.5	792.0	19.2	12.2	1,130.8	1,230.0	8.8	13.4	-438.0
Colombia	469.0	486.5	3.7	7.5	513.4	485.3	-5.5	5.3	1.2
Chile	287.7	304.5	5.8	4.7	519.8	482.8	-7.1	5.2	-178.3
Uruguay	239.1	170.5	-28.7	2.6	71.4	70.9	-0.7	0.8	99.7
Peru	163.8	154.7	-5.5	2.4	2,937.9	2,438.3	-17.0	26.5	-2,283.6
Ecuador	139.2	124.3	-10.8	1.9	88.8	76.6	-13.8	0.8	47.7
Venezuela	182.1	76.2	-58.1	1.2	2,855.9	3.8	-99.9	0.0	72.4
Bolivia	33.3	26.9	-19.4	0.4	9.4	9.5	1.9	0.1	17.3
Paraguay	19.7	18.9	-4.1	0.3	18.0	22.6	25.9	0.2	-3.8
Suriname	1.9	2.6	42.2	0.0	474.6	1,053.1	121.9	11.4	-1,050.5
Guyana	1.2	2.3	91.5	0.0	28.1	20.3	-27.7	0.2	-18.1
CENTRAL AMERICA	**467.9**	**479.8**	**2.5**	**7.4**	**327.4**	**444.5**	**35.8**	**4.8**	**35.2**
Panama	228.5	227.5	-0.4	3.5	100.0	140.5	40.5	1.5	87.1
Costa Rica	171.3	180.1	5.1	2.8	102.1	108.7	6.5	1.2	71.4
Guatemala	32.7	28.2	-13.8	0.4	46.1	48.3	4.9	0.5	-20.1
Honduras	13.7	14.4	5.5	0.2	21.9	30.9	41.4	0.3	-16.5
El Salvador	13.4	13.8	3.4	0.2	1.9	2.0	5.2	0.0	11.8
Belize	3.3	9.1	177.9	0.1	1.2	1.3	11.2	0.0	7.8
Nicaragua	5.0	6.6	32.3	0.1	54.4	112.9	107.6	1.2	-106.2

Source: Federal Customs Administration, Bern.

2016 - 2017 (CHF million and Switzerland – Latin America: Share of Goods Exports and Imports, Trading Partners

	Exports				Imports				Trade balance 2017
	2016	2017	Var. (%)	Share in reg. exp. in %	2016	2017	Var. (%)	Share in reg. imp. in %	
CARIBBEAN	**143.8**	**251.7**	**75.1**	**3.9**	**391.7**	**283.1**	**-27.7**	**3.1**	**-31.4**
Bahamas	37.5	82.9	121.3	1.3	0.7	24.2	3,506.0	0.3	58.7
Barbados	5.9	70.2	1,081.3	1.1	0.8	27.5	3,523.7	0.3	42.6
Dominican Republic	28.3	29.2	3.4	0.4	344.0	181.3	-47.3	2.0	-152.1
Cuba	17.6	20.6	16.6	0.3	34.2	38.3	11.9	0.4	-17.7
St. Vincent	19.2	16.6	-13.5	0.3	4.2	1.6	-62.3	0.0	15.0
Jamaica	12.7	10.7	-15.9	0.2	3.1	2.3	-25.5	0.0	8.4
Trinidad & Tobago	11.5	8.9	-22.3	0.1	0.6	1.8	198.3	0.0	7.1
Haiti	2.7	3.0	8.9	0.0	3.9	5.6	41.2	0.1	-2.6
Dominica	0.5	2.9	519.6	0.0	0.0	0.0	0.0	0.0	2.8
St. Kitts and Nevis	1.6	2.4	47.8	0.0	0.0	0.3	700.0	0.0	2.1
St. Lucia	3.5	2.3	-33.0	0.0	0.1	0.1	60.0	0.0	2.3
Antigua	2.3	1.8	-21.8	0.0	0.1	0.1	-50.0	0.0	1.7
Grenada	0.6	0.5	-21.9	0.0	0.1	0.1	83.3	0.0	0.4
TOTAL LATIN AMERICA	**6,070.7**	**6,489.7**	**6.9**	**100.0**	**11,555.1**	**9,202.2**	**-20.4**	**100.0**	**-2,712.5**
COMPARATIVE NUMBERS				Share of total Swiss exp. in %				Share of total Swiss imp. in %	
Asia	84,160.8	88,085.6	4.7	29.9	46,611.0	49,422.0	6.0	18.7	38,663.6
Asia: Emerging countries	33,394.4	34,550.5	3.5	11.7	19,912.8	19,844.1	-0.3	7.5	13,555.7
Africa	3,392.5	3,477.5	2.5	1.2	9,050.9	8,565.9	-5.4	3.2	-5,088.4
TOTAL SWISS FOREIGN TRADE	**298,408.0**	**294,975.9**	**-1.2**	**100.0**	**266,137.2**	**264,352.2**	**-0.7**	**100.0**	**30,623.7**

Source: Federal Customs Administration, Bern.

Table A.2. Switzerland – Latin America: Exports and Imports of Goods 1965 - 2017
(CHF million, percentage change/share)

	Exports	Imports	Balance	Share of Latin America in total Swiss trade (%)	
1965	762	385	377	5.9	2.4
1970	1,286	634	652	5.9	2.3
1975	1,847	696	1,151	5.5	2.1
1980	2,100	1,063	1,037	4.4	1.9
1985	2,242	1,260	982	3.3	1.8
1990	2,082	1,995	87	2.4	2.1
1991	2,346	1,893	453	2.7	2.0
1992	2,666	1,674	992	2.9	1.8
1993	2,574	1,174	1,400	2.8	1.3
1994	2,736	1,000	1,736	2.9	1.1
1995	2,393	1,032	1,361	2.5	1.1
1996	2,671	1,008	1,663	2.7	1.0
1997	3,243	1,057	2,186	2.9	1.0
1998	3,694	1,262	2,432	3.2	1.1
1999	3,500	1,166	2,334	2.9	1.0
2000	3,960	1,742	2,218	2.9	1.2
2001	4,143	1,607	2,536	3.0	1.1
2002	3,622	1,673	1,949	2.7	1.3
2003	3,400	1,228	2,172	2.5	0.9
2004	3,678	1,185	2,493	2.5	0.9
2005	3,750	1,416	2,334	2.4	0.9
2006	4,700	1,869	2,831	2.5	1.1
2007	5,463	2,542	2,921	2.7	1.3
2008	6,032	2,370	3,662	2.8	1.2
2009	5,275	2,058	3,217	2.8	1.2
2010	5,838	2,441	3,397	2.9	1.2
2011	5,955	2,655	3,300	2.9	1.4
2012*	6,521	12,843	-6,322	2.2	4.6
2013	6,902	10,653	-3,751	2.1	3.6
2014	6,714	9,837	-3,123	3.6	5.8
2015	6,392	10,034	-3,642	2.3	4.1
2016	6,071	11,555	-5,484	2.0	4.2
2017	6,490	9,202	-2,713	2.2	3.5

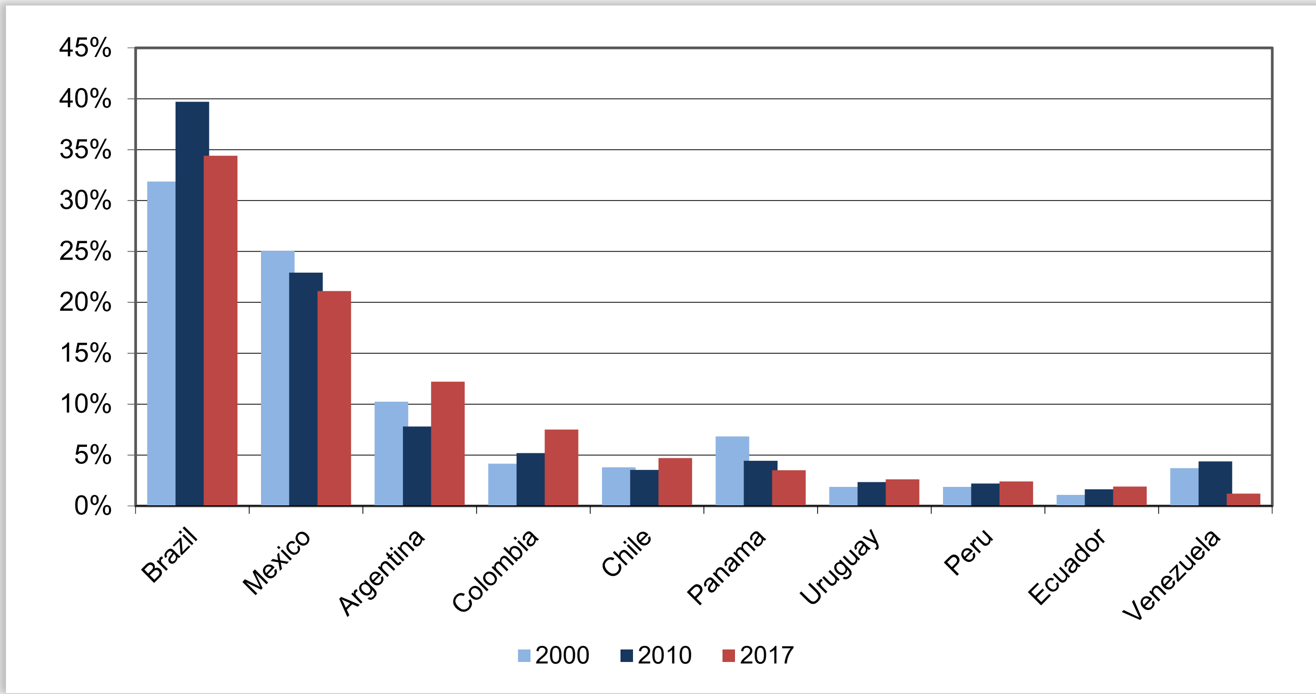
Source: Swiss Federal Customs Administration, Bern.
* * Following a Federal Council decision, the FCA now includes gold, silver and coins in the trade statistics, which have been backdated to 2012

Table A.3. Switzerland - Latin America: Main Export Destinations for Goods 1990 – 2017
(CHF million, percentage change/share)

	1990	2000	2010	2016	2017	Var. in % 2017/2016	Share in % 2017
Brazil	536	1,262	2317	1911	2231	16.8	34.4
Mexico	458	992	1338	1347	1367	1.6	21.1
Argentina	177	405	455	665	792	19.2	12.2
Colombia	154	164	303	469	487	3.7	7.5
Chile	104	150	206	288	305	5.8	4.7
Panama	135	270	259	229	228	-0.4	3.5
Uruguay	31	74	136	239	171	-28.7	2.6
Peru	61	74	128	164	155	-5.6	2.4
Ecuador	65	43	95	139	124	-10.7	1.9
Venezuela	117	147	255	182	76	-58.2	1.2
Others	244	379	346	438	554	26.5	8.5
Total	**2,082**	**3,960**	**5,838**	**6,071**	**6,490**	**6.9**	**100.0**

Source: Swiss Federal Customs Administration, Bern

Figure A.1. Switzerland - Latin America: Share of Goods Exports, Main Partners 2000 - 2017
(% of total Swiss exports to Latin America)



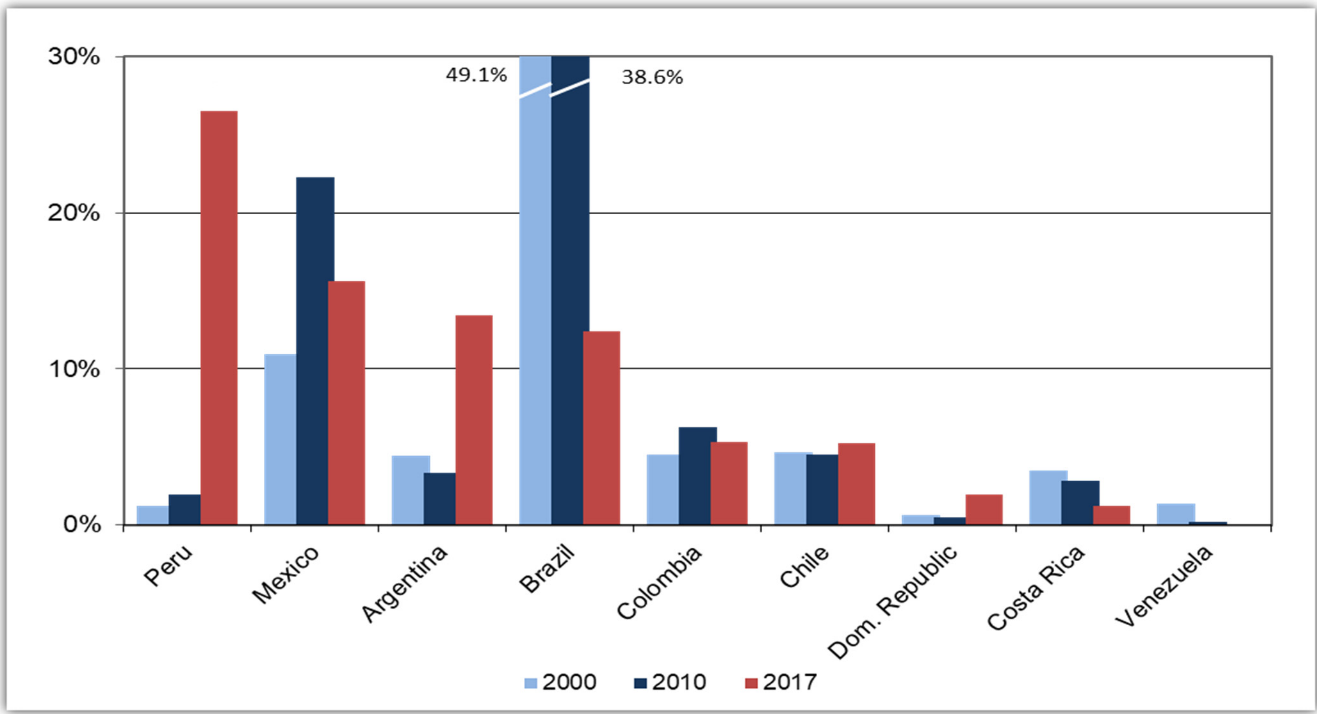
Source: Swiss Federal Customs Administration, Bern

Table A.4. **Switzerland - Latin America: Main Countries of Origin, Imports 1990 - 2017**
(CHF million, percentage)

	1990	2000	2010	2016	2017	Var. in % 2017/2016	Share in % 2017
Peru	29	21	43	2,938	2,438	-17.0	26.5
Mexico	54	191	491	968	1,440	48.7	15.6
Argentina	118	76	72	1,131	1,230	8.8	13.4
Brazil	345	856	849	1,220	1,141	-6.4	12.4
Colombia	71	79	138	513	485	-5.5	5.3
Chile	36	81	56	520	483	-7.1	5.2
Dom. Republic	2	11	11	344	181	-47.3	2.0
Costa Rica	48	60	62	102	109	6.5	1.2
Venezuela	28	23	4	2,856	4	-99.9	0.0
Others	1'246	344	276	963	1'691	75.6	16.9
Total	**1,995**	**1,742**	**2,202**	**11,555**	**9,202**	**-20.4**	**100.0**

Source: Swiss Federal Customs Administration, Bern

Figure A.2. **Switzerland - Latin America: Share of Total Goods Imports, Main Trading Partners, 2000 - 2017**
(% of total Swiss imports from Latin America)



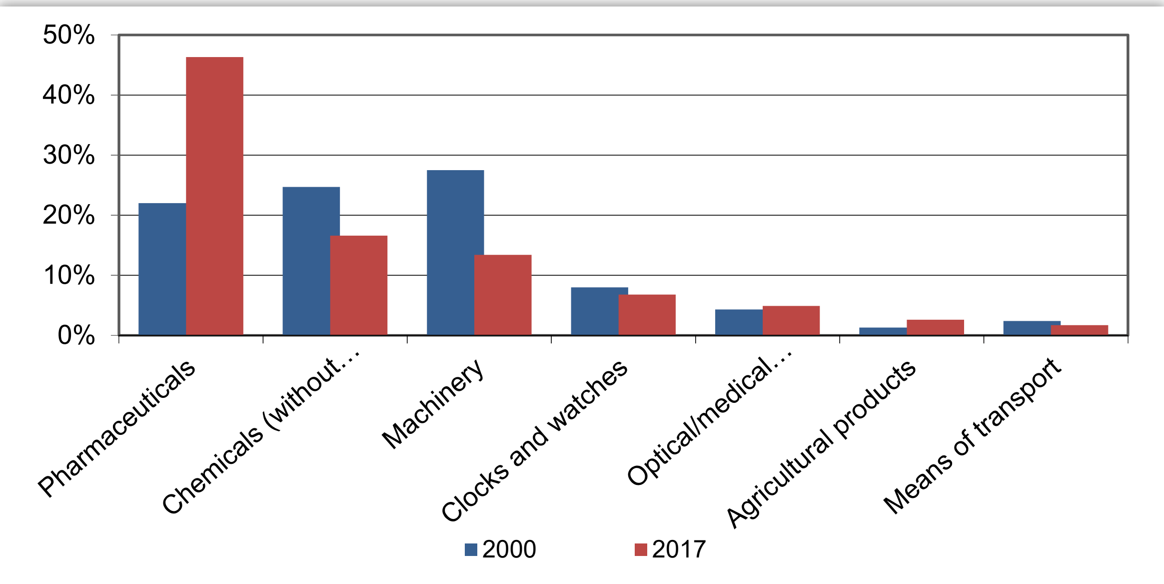
Source: Swiss Federal Customs Administration, Bern

Table A.5. **Switzerland - Latin America: Goods Exports by Product Groups 2000 - 2017** (CHF million, percentage)

Chapters of the Harmonized System		Value 2000	2016	2017	Var. in % 2017/2016	Share in % 2017
1-24	Agricultural products	52.0	158.9	169.8	6.9	2.6
25-26	Mineral products	0.7	1.7	0.2	-89.9	0.0
27	Mineral fuels	13.0	1.2	1.1	-12.9	0.0
28-38	Chemicals (without pharma.)	976.7	1'153.0	1'043.3	-9.5	16.6
30	Pharmaceuticals	872.2	2'644.3	3'004.2	13.6	46.3
39-40	Plastic, rubber	54.4	67.5	67.2	-0.3	1.0
41-43	Skins, leather and products thereof	3.0	2.5	2.8	11.6	0.0
44-46	Wood	1.6	4.9	6.3	27.9	0.1
47-49	Paper and articles thereof	25.6	16.6	15.7	-5.7	0.2
50-63	Textiles, clothing	34.0	15.6	16.5	5.8	0.3
64-67	Shoes, umbrellas, etc.	2.4	2.0	1.7	-15.6	0.0
68-70	Stone, glass, ceramic articles	31.6	25.9	24.3	-6.3	0.4
71	Precious stones, metals and jeweller	98.3	61.9	64.8	4.7	1.0
72-83	Metals and articles thereof	101.8	117.2	134.9	15.1	2.1
84-85	Machinery	1'089.4	849.8	843.9	-0.7	13.4
86-89	Means of transport	95.2	118.9	109.6	-7.8	1.7
90	Optical and medical instruments	168.9	297.7	317.4	6.6	4.9
91	Clocks and watches	318.0	428.6	442.8	3.3	6.8
93	Weapons and ammunition	1.3	1.5	0.4	-75.4	0.0
94	Furniture, bedding etc.	6.8	4.0	2.7	-32.5	0.0
95-96	Toys, sports articles, etc.	13.3	7.8	15.1	-32.0	0.2
	Unspecified	-	118.1	205.0	73.6	2.2
Total Swiss exports: Latin America		**3'960.2**	**6'066.4**	**6'489.7**	**7.0**	**100.0**
Total Swiss exports: World		136'014.9	298'408.0	294'975.9	-1.2	---

Source: Swiss Federal Customs Administration, Bern

Figure A.3. **Switzerland - Latin America: Goods Exports, Main Product Groups 2000 - 2017** (% of total Swiss exports to Latin America)



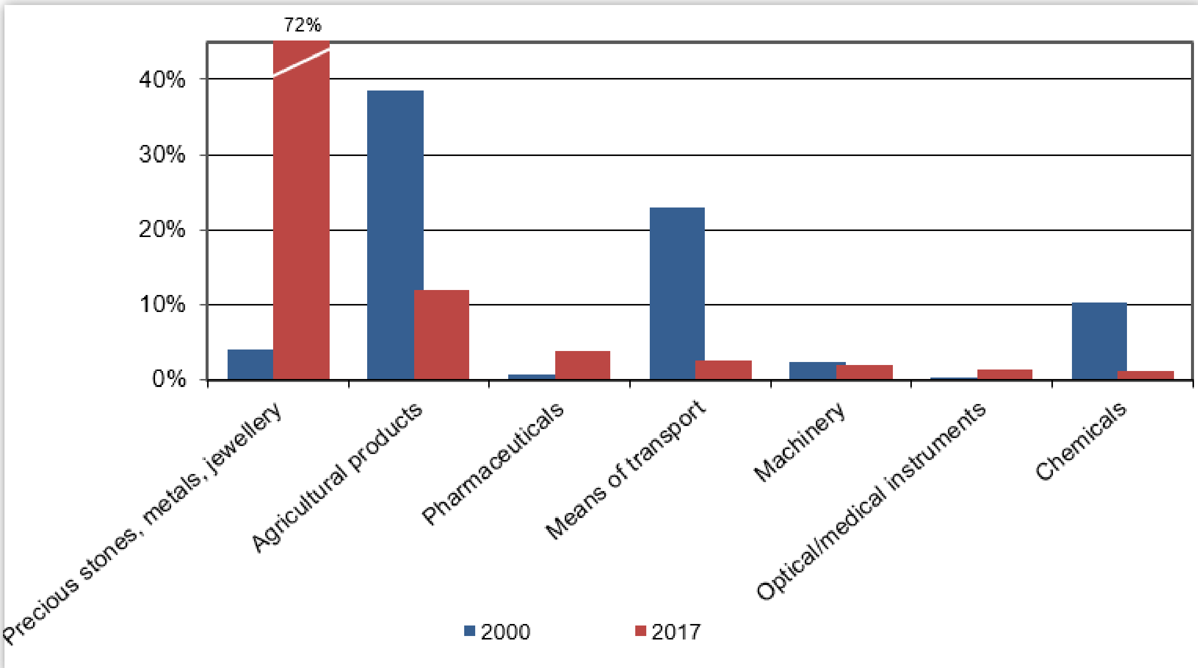
Source: Swiss Federal Customs Administration. Bern.

Table A.6. Switzerland - Latin America: Goods Imports, Product Groups 2000 - 2017
(CHF million, percentage)

Chapters of the Harmonised System	2000	Value 2016	2017	Var. in % 2017/2016	Share in % 2017
1-24 Agricultural products	670.3	1'075.2	1'099.1	2.2	11.9
25-26 Mineral products	2.5	0.7	0.8	10.7	0.0
27 Mineral fuels	0.4	151.3	65.9	-56.4	0.7
28-38 Chemicals (without pharma.)	178.2	84.2	103.7	23.2	1.1
30 Pharmaceuticals	11.6	199.8	359.1	79.7	3.9
39-40 Plastic, rubber	6.3	14.9	16.5	10.7	0.2
41-43 Skins, leather and articles thereof	4.5	5.6	3.3	-41.1	0.0
44-46 Wood	1.5	4.8	4.8	0.0	0.1
47-49 Paper and articles thereof	66.7	18.7	16.9	-9.6	0.2
50-63 Textiles, clothing	17.1	19.9	19.6	-1.5	0.2
64-67 Shoes, umbrellas, etc.	3.5	7.5	8.7	16.0	0.1
68-70 Stone, glass, ceramic articles	3.5	5.9	5.6	-5.1	0.1
71 Precious stones, metals and jewellery	70.4	9'089.2	6'627.2	-27.1	72.0
72-83 Metals and articles thereof	191.5	98.1	35.4	-63.9	0.4
84-85 Machinery	39.7	154.9	179.2	15.7	1.9
86-89 Means of transport	400.2	107.0	241.4	125.6	2.6
90 Optical and medical instruments	5.5	94.8	117.5	23.9	1.3
91 Clocks and watches	5.7	24.1	16.2	-32.8	0.2
93 Weapons and ammunition	0.2	0.7	0.8	14.3	0.0
94 Furniture, bedding, etc.	1.6	2.2	2.5	13.6	0.0
95-96 Toys, sports articles, etc.	61.6	3.2	2.3	-28.1	0.0
Unspecified	-	392.4	275.7	-29.7	3.0
Total Swiss imports: Latin America	**1'742.5**	**11'555.1**	**9'202.2**	**-20.4**	**100.0**
Total Swiss imports: World	139'402.2	266'137.2	264'352.2	-0.7	---

Source: Swiss Federal Customs Administration, Bern

Figure A.4. Switzerland - Latin America: Goods Imports, Main Product Groups 2000 – 2017 (% of total Swiss imports from Latin America)



Source: Swiss Federal Customs Administration, Bern.

Table A.7. Switzerland - Latin America: Foreign Direct Investment, Main Destinations 1993 - 2016
(Total FDI stock at the end of year in CHF million, excluding offshore financial centres)

	1993	2000	2015	2016
Brazil	4,214	5,707	9,273	10,672
Mexico	1,872	4,377	7,418	7,227
Argentina	443	1,782	4,878	4,131
Uruguay	126	421	1,805	2,295
Colombia	414	1,092	853	927
Venezuela	315	1,116	1,129	834
Costa Rica	96	130	647	798
Peru	72	310	656	668
Ecuador	189	441	350	310
Guatemala	58	88	214	208
Bolivia	n.a.	31	72	59
Chile*	413	790	-1,510	-2093
Others	n.a.	815	814	-1,277
Total	**8,211**	**17,099**	**26,599**	**26,852**

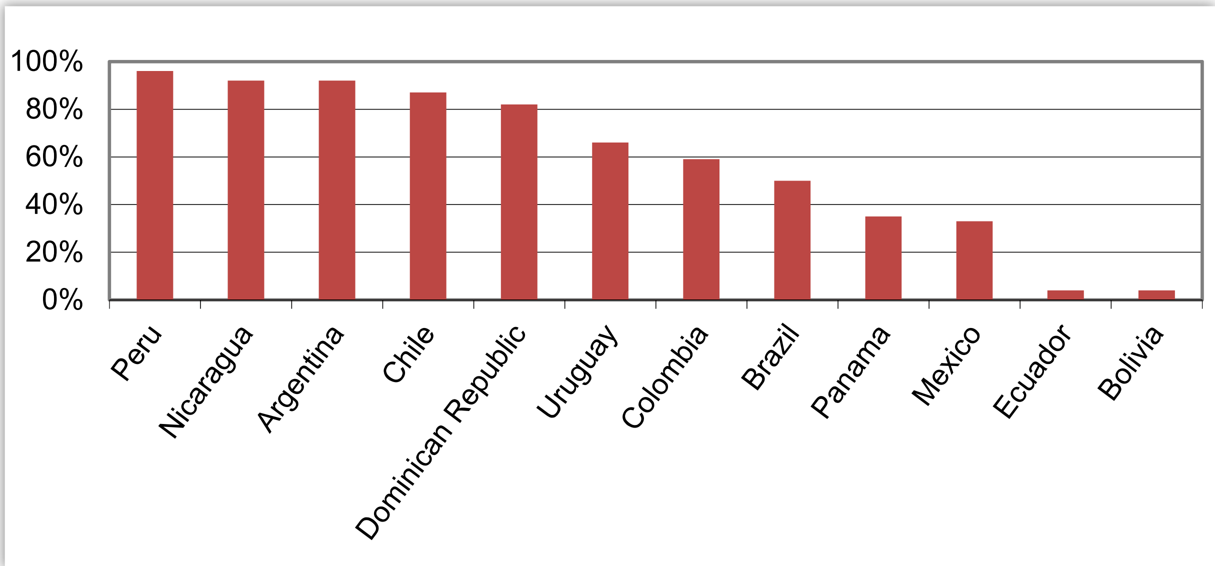
Source: Swiss National Bank, Zurich.
* The negative stock of Swiss direct investment in Chile can be explained by the *directional principle* method used by the Swiss National Bank. This method, which adopts a net perspective, calculating Swiss direct investment abroad as the difference between assets and liabilities of domestic parent companies vis-à-vis their subsidiaries abroad, thus making it possible for there to be a negative direct investment stock
.

Table A.8. Switzerland - Latin America: Gold Imports, Main Countries of Origin 2017 (CHF million)

	Gold Imports	Total Imports	Share of gold in total Imports (in %)
Peru	2'339	2'438	96%
Argentina	1'133	1'230	92%
Brazil	565	1'141	50%
Mexico	476	1'440	33%
Chile	418	483	87%
Colombia	286	485	59%
Dominican Republic	149	181	82%
Nicaragua	104	113	92%
Panama	49	141	35%
Uruguay	47	71	66%
Ecuador	3	77	4%
Bolivia	0.4	10	4%

Source: Swiss Federal Customs Administration, Bern.

Figure A.5. Switzerland – Latin America: Share of Gold Imports, Main Countries of Origin 2017 (% of total imports)



Source: Swiss Federal Customs Administration, Bern.

Table A.9. **Switzerland - Latin America: Main Economic Agreements** (entry into force)

South America

Argentina*	Trade agreement	26.11.1957
	BIT	06.11.1992
	DTA	27.11.2015
Bolivia	BIT	17.05.1991
	DTA	declaration of intention: 02.04.1993
Brazil*	Trade agreement	01.08.1936 (provisory)
	BIT	signed 11.11.1994; not adopted by the Brazilian parliament
	DTA	Draft DTA initialled on 19.05.2017
Chile*	Trade agreement	31.01.1899
	BIT	02.05.2002
	FTA (EFTA)	01.12.2004
	DTA	05.05.2010
Colombia*	Trade agreement	02.10.1909
	BIT	06.10.2009
	DTA	11.09.2011
	FTA (EFTA)	01.07.2011
Ecuador	Trade agreement	21.10.1941
	BIT	11.09.1969
	DTA	Modifying protocol signed on 26.7.2017
Guyana	BIT	signed 13.12.2005; ratified by Switzerland on 17.07.2007; to be ratified by Guyana
Paraguay	Trade agreement	12.12.1969
	BIT	28.09.1992
Peru	Trade agreement	21.10.1941
	BIT	23.11.1993
	DTA	10.03.2014
	FTA (EFTA)	01.07.2011
Uruguay*	Trade agreement	21.10.1941
	BIT	22.04.1991
	DTA	28.12.2011
Venezuela	BIT	30.11.1994
	DTA	23.12.1997
	Framework agreement on cooperation	06.05.2009

Central and North America

Costa Rica*	BIT	19.11.2002
	DTA	initialled March 2006, adaptation under way
	FTA (EFTA)	29.08.2014
El Salvador	Trade agreement	15.07.1954
	BIT	16.09.1996
Guatemala	Trade agreement	11.04.1955
	BIT	03.05.2005
	FTA (EFTA)	Protocol of accession signed: 22.06.2015
Honduras	BIT	31.08.1998
Mexico*	Trade agreement	02.09.1950
	BIT	14.03.1996
	DTA	08.09.1994; modifying protocol: 23.12.2010
	FTA (EFTA)	01.07.2001
Nicaragua	BIT	02.05.2000
	DTA	declaration of intention: 12.04.1994
Panama	BIT	22.08.1985
	FTA (EFTA)	29.08.2014

Caribbean

Barbados	BIT	22.12.1995
Cuba	Trade agreement	14.04.1954
	BIT	07.11.1997
Haiti	Trade agreement	23.12.1936
Jamaica	BIT	21.11.1991
	DTA	27.12.1995
Dominican Republic	BIT	30.05.2006
Trinidad & Tobago	BIT	04.07.2012
	DTA	20.03.1974

*AEOI: Automatic Exchange of Information from 01.01.2018

BIT: Agreement on the Protection and Promotion of Investments
DTA: Double Taxation Agreement
FTA: Free Trade Agreement

Table A.10. Switzerland - Latin America: Chambers of Commerce, Swiss Business Hubs and swissnex

Chambers of Commerce in Switzerland	
Latin American Chamber of Commerce in Switzerland (Latcam) Kasernenstrasse 11 CH-8004 Zurich	
Tel.:	+41 44 240 33 00
President:	Richard Friedl
E-mail:	latcam@latcam.ch
Website:	www.latcam.ch
Swiss-Cuban Chamber of Commerce and Industry (SwissCubanCham) SwissCubanCham Hirschmattstrasse 25 6002 Luzern	
Tel.:	+41 41 227 04 07
President:	Andreas Winkler
E-mail:	info@swisscuban.org
Website:	www.swisscuban.org

Chambers of Commerce in Latin America		
Argentina	**Cámara de Comercio Suizo Argentina** Av. Leandro N. Alem 1074 Piso 10 C1001AAS Buenos Aires, Argentina	
	Tel.:	+54 11 4311 7187
	President:	Dr. Rodolfo Dietl
	General Manager:	Cecilia Dibárbora
	E-mail:	info@suiza.org.ar
	Website:	www.suiza.org.ar
Brazil	**Câmara de Comércio Suiço-Brasileira** Av. das Nações Unidas, 18.001 04795-900 São Paulo, Brazil	
	Tel.:	+55 11 5683 7447 / +41 44 586 37 41
	President:	Emanuel Baltis
	Executive Director:	Stefania Moeri Hertach
	E-mail:	swisscam@swisscam.com.br
	Website:	www.swisscam.com.br
Chile	**Cámara Chileno-Suiza de Comercio (CCHSC) A.G.** Antonio Bellet 77 – Of. 104 Providencia, Santiago de Chile	
	Tel.:	+56-2-2244 1901
	President:	Gonzalo Rojas
	General Manager:	(tbd)
	E-mail:	admin@camarachilenosuiza.cl
	Website:	www.swisschile.cl

Colombia	**Cámara de Comercio Colombo-Suiza** Calle 98, No 15 – 17, Oficina 402 Bogotá, Colombia Tel.: +57 1 6018787 / 6017681 / 6017684 President: Oliver Buhl Executive Director: Silvia Gutierrez Díaz E-mail: direccion@colsuizacam.com colsuizacam@colsuizacam.com Website: www.colsuizacam.com
Cuba	**Swiss-Cuban Chamber of Commerce and Industry** Centro de Negocios Miramar Edo. Jerusalem. Of. 214 Ave. 3ra, Esq. 80 Miramar, Playa, La Habana Tel.: +53 7 204 9020 Fax.: +53 7 204 2029 President: Andreas Winkler E-mail: andreas.winkler@swisscuban.org info@swisscuban.org Website: www.swisscuban.org
Dominican Republic	**Cámara de Comercio y Turismo Dominico-Suiza** Plaza Universitaria, Local 22A, primer piso Av. Sarasota #19 Esq. Av. Enrique Jiménez de Moya Bella Vista, Zip 10108 Santo Domingo, República Dominicana Tel.: +1 809 475 1721 / +1 849 295 5040 Fax: +1 809 412 7828 President: Gaetan Bucher E-mail: g.tahan@camaradominicosuiza.org info@camaradominicosuiza.org Website: www.camaradominicosuiza.org
Guatemala	**Cámara de Comercio Suizo-Guatemalteca** Address: * Tel.: * Fax.: * President: Siegfried Brand E-mail: siegfriedbrand@netsolutions.com.gt Website: * (*) no information available yet
Mexico	**Asociación Empresarial Mexicano-Suiza, A.C.** Campos Eliseos 345, pisos 2, 3 y 11 Col. Chapultepec Polanco 11560 México, D.F. Tel.: +52 55 5279 5400 ext. 5040 President: Peter Pfenninger Secretary: Marleen Van Outrive E-mail: info@aems.mx Website www.aems.com.mx

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Paraguay	**Cámara de Comercio Paraguayo-Suiza** Avda. Aviadores del Chaco 2518 Asunción, Paraguay Tel.: +595 21 688 56 99 President: Romeo Ruoss Executive Director: Roger Simas E-mail: info@swisschampy.com Website http://swisschampy.com/
Peru	**Cámara de Comercio Suiza en el Perú** Av. Salaverry 3240, Piso 1 Lima 27, Peru Tel.: +51 1 264 35 16 President: Felipe Antonio Custer General Manager: Corinne Schirmer E-mail: info@swisschamperu.org Website: www.swisschamperu.org
Uruguay	**Cámara de Comercio Suizo-Uruguaya** Pablo de María 1065 11200 Montevideo, Uruguay Tel.: +59 82 419 33 85 President: Graciela Reybaud Secretary: Helga Ringeltaube E-mail: info@swisschamuruguay.org.uy Website: www.swisschamuruguay.org.uy
Venezuela	**Cámara Venezolano-Suiza de Comercio e Industria** Torre Europa, Piso 6, Ofc. 6-A Av. Francisco de Miranda, Campo Alegre, Chacao Apartado postal 62.555 Caracas 1060, Venezuela Tel.: +58 212 953 51 55 President: Eduardo Carrasquero Executive Director: Fini Otero E-mail: info@camarasuiza.org Website: www.camarasuiza.org

Swiss Business Hubs and swissnex			
Brazil	**Swiss Business Hub Brazil** c/o Consulado Geral da Suíça Av. Paulista 1754, 4° andar Edificio Grande Avenida 01310-920 São Paulo Tel.: Director: E-mail: Website:	 +55 11 3372-8200 Philippe Praz philippe.praz@eda.admin.ch www.s-ge.ch	
Brazil	**swissnex** c/o Consulado Geral da Suíça Rua Cândido Mendes, 157, 12 andar Rio de Janeiro / RJ 20241-220 Tel.: CEO: E-mail: Website: **swissnex** c/o Consulado Geral da Suíça Av. Paulista 1754, 10° andar 01310-920 São Paulo SP Tel.: Project Manager & Head of São Paulo office E-mail: Website:	 +55 21 3806 2141 Gioia Deucher gioia@swissnexbrazil.org www.swissnexbrazil.org +55 11 96691 1020 Mayra Castro mayra@swissnexbrazil.org www.swissnexbrazil.org	
Mexico	**Swiss Business Hub Mexico** c/o Embajada de Suiza Paseo de las Palmas No. 405, Torre Optima I, piso 11 Col. Lomas de Chapultepec C.P. 11000 México D.F. Tel.: Director: E-mail: Website:	 +52 55 91 78 43 70 Ext. 30 Rubén Araiza Díaz ruben.araizadiaz@eda.admin.ch www.s-ge.com	