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Content

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Source: OHCHR

Foreword

Dear Reader,

In August 2016, the world was looking to Latin America as the subcontinent was hosting its first Olympic Games in Rio de Janeiro. This big sports event was highly successful and earned praise from participants. The excellent atmosphere and the enthusiasm of the Brazilian hosts portrayed a positive image of Latin America around the globe. Unfortunately, advances in the economic arena did not follow at the same pace. Due in particular to slower external demand and low commodity prices, several countries faced a recession last year, resulting in overall **negative growth in the region**. On a positive note, as global demand is predicted to increase, the growth outlook for the current year reaches 1.6%, indicating that the recession has bottomed out.

Economic developments differed significantly across the continent. While three of the largest economies, Argentina, Brazil and Venezuela, registered negative growth rates, the countries of the Pacific Alliance (Chile, Colombia, Mexico and Peru) achieved moderate growth between 1.7% and 3.8%. The economic situation also affected Swiss trade with the region. Exports contracted by 5.1% while imports increased by 6.7% mainly due to a higher gold price.

Important efforts to further **deepen bilateral economic relations** were pursued last year. With Mercosur, the four EFTA States concluded exploratory talks on a Free Trade Agreement with a Joint Statement and negotiations are expected to be launched in June. With Mexico, EFTA initiated a modernization of the Free Trade Agreement and held three rounds of negotiations. With Ecuador, EFTA held a first round of free trade negotiations in Quito. In **tax matters**, Switzerland agreed with several Latin American countries to introduce the new global standard for the international automatic exchange of information in tax matters.

This year's report includes a special chapter on the contribution of **tourism** to growth and development in Latin America and the Caribbean. It also provides information on the **Joint Economic Commissions`** meetings held with Argentina, Brazil, Mexico and Peru, as well as on **visits of the President of the Swiss Confederation**, Federal Councilor Johann N. Schneider-Ammann, to Brazil, Colombia and Mexico. As in previous years, the report provides an updated **synthesis of the trade and investment relations** between Switzerland and Latin America. Drawing from the expertise of our network of Embassies and Swiss Business Hubs, particular attention is paid to the latest developments of our bilateral economic relations in the region.

I hope this report will provide interesting insights into Swiss-Latin American economic relations to you.

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

Introduction

In the first chapter, the report describes Latin America's economic situation in 2016. Chapter 2 elaborates on tourism in Latin America and the Caribbean, by presenting its contribution to growth and development in the region. Chapter 3 focuses on Swiss-Latin American relations in 2016 with the evolution of trade and investment flows, bilateral agreements, Latin American integration, SECO's economic development cooperation and its newly published country strategies for Colombia and Peru.

1. Economic situation in Latin America

Latin America and the Caribbean experienced two consecutive years of disappointing **economic performance**, with regional GDP stagnating in 2015 and contracting by 0.6% in 2016 mainly as a result of weak external demand and low commodity prices.[1] The decline of GDP in three major economies – Argentina (2016: -1.8%; 2015: 2.5%), Brazil (-3.3%; -3.9%) and Venezuela (-10.0%; -6.2%) which together represent around 53% of overall GDP[2,3] - explain to a large extent the aggregate figures. Two other South American countries registered negative growth in 2016: namely Ecuador (-2.3%, 0.3%) and Suriname (-7.0%, -0.3%). In contrast, Guyana (4.0%; 3.2%), Peru (3.7%; 3.3%) Bolivia (3.7%; 4.8%) and Paraguay (3.5%, 3.1%) performed well. In Central America and the Caribbean, the Dominican Republic (5.9%; 7.0%) and Panama (5.2%, 5.8%) displayed the highest expansions, while Trinidad and Tobago (-2.8%; -2.1%) was the only country exhibiting a negative rate.[4]

The pace of contraction in **exports** from Latin America and the Caribbean slowed down in 2016 (-6%, 2015: -15%), thanks mostly to the stabilization of commodity prices. The negative trend in exports, which started in 2014, results from weak demand by key trading partners such as the United States and China as well as low intra-regional sales. In South America, exports dropped by an estimated 8% in 2016 (2015: -23%). The contraction was particularly pronounced in Venezuela (-32%, -51%), Bolivia (-22%, -32%), Colombia (-21%, -35%) and Ecuador (-15%, -29%). Exports from Mexico contracted by 4% (2015: -4%) and by 21% (-22%) in the Caribbean.[5]

Government gross debt in Latin America and the Caribbean, amounting to 57% of GDP in 2016 and forecast to reach 59% this year, is following an upward trend. In South America, Chile (2017: 23.3%; 2016: 20.4%), Paraguay (25.6%; 25.5%), Peru (26.5%; 26.3%) and Venezuela (28.2%; 32.8%) have the lowest debt-to-GDP ratio, while Brazil (82.4%; 78.3%) and Uruguay (63.7%; 65.2%) register the highest ones. Differences between countries are also considerable in Central America – from Guatemala (24.5%; 24.1%) to Belize (95.5%; 94.8%). In the Caribbean, although declining in relative terms, the public debts of Jamaica and Barbados remained above 100% of GDP in 2016, at 118.9% and 104.8%, respectively.[6]

Average **inflation** rose to an estimated 5.8% in 2016. At an estimated rate of 475.8%,

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[1] IMF, *Regional Economic Outlook Update: Western Hemisphere*, October 2016a, p. 1.
[2] OECD, *Latin American Economic Outlook 2017*, October 2016, p. 42.
[3] *World Economic Outlook Database*, October 2016b. Gross domestic product, current price, US$.
[4] IMF, *World Economic Outlook Database*, October 2016b. Gross domestic product, constant price, percent change.
[5] IDB, *Latin America and the Caribbean: Trade trend estimates 2017*, December 2016, pp. 1-2, 7-8 and 12.
[6] IMF, *op. cit.*, 2016b. General government gross debt, percent of GDP.

Venezuela has continued on its path of hyperinflation (2015: 121.7%). Suriname (67.1%), Argentina (32.3%)[7], Haiti (13.3%), Uruguay (10.2%) and Brazil (9%) also featured high inflation rates in 2016. In Central America, the increase in prices ranged from 0.7% in Panama and Costa Rica to 6.2% in Nicaragua. The Caribbean witnessed negative values in several countries, such as St. Kitts and Nevis (-1.3%) and St. Lucia (-1.0%).[8]

Over the past years, with the fall in global commodity prices, national **currencies** in Latin America weakened significantly. According to the J.P. Morgan composite index for the region, currencies depreciated by 50% over two years to January 2016.[9] The depreciation had heterogeneous effects across countries. It is to be pointed out that economies with a regime of flexible exchange rates were better able to adjust to the global conditions (for instance, 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 favorable global financial environment and the currencies of some of the largest economies, among others Brazil and Colombia, appreciated. Mexico was a notable exception as the peso further depreciated.[10]

In 2016, the average **current account** deficit of Latin America and the Caribbean narrowed with respect to the previous year, and stood at around 2.3% of GDP (deficit of 3.6% in 2015).[11] Lower imports and a lagged response of exports to previous currency depreciation led to an improvement in the current account balance.[12] In 2016, three countries registered a current account surplus: Guyana (2.1%, 2015: -5.3%), Haiti (0.4%, -2.6%) and Paraguay (0.6%, -1.7%). Caribbean islands recorded the largest deficits with St. Vincent and the Grenadines (-23.0%, -26.2%), St. Kitts and Nevis (-17.2%, -12.3%) and Dominica (-13.1%, -9.3%). A growth in remittances and of tourists from the United States, as well as a decrease in fuel costs, contributed to the improvement of the current account for net energy importers in Central America and the Caribbean.[13]

Foreign direct investment (FDI) flows in the region declined by an estimated 10% in 2016, dropping to USD 140-160 billion. Lower investment was mainly been a consequence of weak domestic demand in manufacturing and services, and of low commodity prices in the extractive industry. Cross-border mergers and acquisitions increased nevertheless by 80% in the first quarter of 2016 particularly in Brazil, Chile and Colombia.[14]

A modest recovery is **expected** for 2017 as global demand will increase and domestic policy uncertainty will decline. Average real GDP growth in Latin America and the Caribbean is forecast to turn positive and reach 1.6%.[15]

[7] Massachusetts Institute of Technology (MIT), Billion Prices Project, http://bpp.mit.edu/, last access February 2, 2017. Year on year CPI growth as of December 1st, 2016.
[8] IMF, *op. cit.*, 2016b. Inflation, average consumer prices, percent change.
[9] IMF, *Regional Economic Outlook: Western Hemisphere*, 2016c, pp. vii, 67-68 and 76.
[10] IMF, *op. cit.*, October 2016a, p. 5.
[11] IMF, *op. cit*., 2016b. Current account balance, percent of GDP.
[12] IMF, *op. cit.*, 2016a, p. 5.
[13] OECD, *op. cit.*, 2016, p. 51.
[14] UNCTAD, *Global Investment Trends Monitor*, n. 24, October 2016, pp. 19-20.
[15] IMF, *op. cit.*, 2016a, p. 5.

2. Tourism in Latin America and the Caribbean: a driving force for growth and development

A rich colonial, cultural and natural heritage has lent countless treasures to Latin America and the Caribbean. With the Galápagos Islands in Ecuador, the pyramids in Mexico and Central America, Machu Picchu in Peru and the Caribbean sea – to name but a few marvelous destinations –, the region has stunning touristic assets. The significance of tourism for Latin America and the Caribbean is analyzed under various aspects in this chapter.

2.1. Importance of tourism in Latin America and the Caribbean

From the Atacama Desert to the fabled silver city of Zacatecas in Mexico, touristic sites in Latin America and the Caribbean are numerous. In 2015, tourism-related expenditures in Latin America and the Caribbean were respectively assessed at US$ 250 billion and US$ 41 billion.[16] By acquiring goods and services in the host country, vacationers and business people contribute a considerable share of sales and revenues. The **multiple aspects** of the tourism industry are evaluated in terms of both direct and total impacts on the economy by the World Travel & Tourism Council (WTTC).[17] The **direct contribution to GDP** is calculated by subtracting from tourists' spending the purchases (including imported goods) made by the tourism industry to related sectors.[18] The **total contribution of tourism to GDP** is a broader concept, which includes also investment spending (e.g. construction of hotels), government spending supporting tourism activities, domestic purchases of goods and services by direct

[16] World Travel & Tourism Council (WTTC), "Travel & Tourism: Economic Impact 2016 Latin America", 2016a and WTTC, "Travel & Tourism: Economic Impact 2016 Caribbean", 2016b. Numbers cover non-resident spending and domestic expenditures (including government individual spending, see footnote 19). The present chapter considers the terminology of the WTTC, which does not include Caribbean countries in the statistics of Latin America but makes two distinct categories; Latin America and the Caribbean.

[17] *Ibid.*

[18] WTTC, *op. cit.*, 2016a, p. 2 and Oxford Economics and WTTC, "Methodology, WTTC / Oxford Economics 2016, Travel & Tourism economic impact research", 2016, p. 4. WTTC also takes into consideration "government 'individual' spending – spending by government on Travel & Tourism services directly linked to visitors, such as cultural (e.g. museums) or recreation (e.g. national parks)" in the direct impact of tourism.

actors of tourism (e.g. expenses of hotels for food) as well as expenditures by workers in the tourism industry.[19]

Table 1. **Regional rankings: Relative contribution, 2015**

	Travel & Tourism's Direct Contribution to GDP	2015 % share
1	South East Asia	5.0
2	North Africa	4.9
3	Caribbean	4.7
4	European Union	3.7
5	Oceania	3.3
6	**Latin America**	3.3
7	Middle East	3.0
8	North America	2.9
9	Sub Saharan Africa	2.7
10	Other Europe	2.6
11	North East Asia	2.4
12	South Asia	2.3

	Travel & Tourism's Total Contribution to GDP	2015 % share
1	Caribbean	14.8
2	South East Asia	12.4
3	Oceania	12.1
4	North Africa	10.8
5	European Union	9.9
6	**Latin America**	9.0
7	North America	8.4
8	Other Europe	8.0
9	Middle East	8.0
10	North East Asia	8.0
11	Sub Saharan Africa	6.9
12	South Asia	6.4

	Travel & Tourism Investment Contribution to Total Capital Investment	2015 % share
1	Caribbean	12.1
2	North Africa	7.7
3	South East Asia	7.3
4	Middle East	6.4
5	**Latin America**	5.9
6	South Asia	5.7
7	Sub Saharan Africa	5.7
8	Oceania	4.9
9	European Union	4.9
10	Other Europe	4.4
11	North America	4.0
12	North East Asia	3.1

	Travel & Tourism's Total Contribution to Employment	2015 % share
1	Caribbean	13.3
2	Oceania	13.1
3	European Union	11.4
4	North America	10.9
5	South East Asia	10.5
6	North Africa	10.4
7	North East Asia	8.3
8	**Latin America**	8.0
9	South Asia	8.0
10	Middle East	7.8
11	Sub Saharan Africa	6.5
12	Other Europe	6.1

Source: WTTC, op. cit., 2016a.

Table 1 presents regional rankings of the direct and total economic contributions of tourism. The Caribbean are **world leaders** in terms of total contribution to GDP, employment and capital investment. Latin America's **position** ranges between the fifth and eighth according to the indicator. There is a substantial difference in ranking between direct and total contribution to GDP, highlighting the very significant linkages between tourism and the economy. It is noteworthy that both **resident and non-resident** visitors are considered in the data.[20] In 2015, 72.2% of tourism contribution to GDP in the Caribbean derived from non-residents, against only 17.7% in Latin America.[21] Tourism in both regions depends on **vacationers** rather than business travelers, who represented only 10.3% of tourism-related expenditures in the Caribbean and 19.2% in Latin America in 2015.[22] Tourism also promotes **capital investment**

[19] *Id.* Government spending is here considered as "government 'collective' spending, which helps Travel & Tourism activity in many different ways as it is made on behalf of the 'community at large' – e.g. tourism marketing and promotion, aviation, administration, security services, resort area security services, resort area sanitation services, etc". Imported purchases are not included in investment spending, government spending and domestic expenditures by direct actors due to the concept of leakage.
[20] WTTC, *op. cit.*, 2016a, p. 2.
[21] *Ibid.,* p. 6. and WTTC*, op. cit.*, 2016b, p. 6.
[22] *Id*.

and **employment**. The sector contributes to 12.1% of total capital investment in the Caribbean, which is considerably higher than in any other regions. It supports 8% of total employment in Latin America (16.6 million jobs in 2015) and 13.3% in the Caribbean (2.3 million jobs).[23] In both regions, tourism features higher productivity than the overall economy.

Table 2. Latin America and the Caribbean: Travel & Tourism's Total Contribution to GDP and real growth

	Travel & Tourism's Total Contribution to GDP	2015 % share*	2016 % growth**
7	Antigua and Barbuda	57.1	3.5
10	Bahamas	46.9	2.6
12	St. Lucias	41.5	3.1
13	Barbados	39.5	-1.0
14	Dominica	39.0	-3.1
16	Belize	38.6	-1.1
20	Jamaica	29.3	2.4
22	St. Kitts and Nevis	28.1	1.9
26	Grenada	25.5	-0.6
29	St. Vincent and the Grenadines	23.2	2.1
41	Panama	18.3	0.6
46	Dominican Republic	16.3	5.9
51	Honduras	15.1	4.1
52	Mexico	15.1	4.3
63	Costa Rica	12.6	2.2
74	Argentina	10.7	2.5
75	El Salvador	10.6	2.2
85	Chile	10.2	2.8
86	Haiti	10.1	1.9
87	Cuba	10.1	2.4
88	Peru	10.1	2.4
	World	9.8	3.5
94	Nicaragua	9.6	2.4
102	Brazil	9.0	-1.4
104	Guatemala	8.9	-0.5
106	Uruguay	8.6	0.1
	Americas	8.6	2.5
108	Trinidad and Tobago	8.5	1.0
109	Venezuela	8.5	-4.7
111	Guyana	8.2	3.2
122	**Switzerland**	**7.6**	**2.4**
129	Bolivia	7.0	1.8
146	Colombia	6.1	1.4
157	Ecuador	5.1	2.7
159	Paraguay	5.1	2.8
181	Suriname	2.9	-0.6

South America and Mexico
Central America
Caribbean

Notes: Rankings of 2015% share of Travel & Tourism's Total Contribution to GDP. *Relative contribution. **Real growth.

Source: WTTC, statistics from different "Travel & Tourism: Economic Impact 2016", 2016, own presentation.

Latin America and the Caribbean display different patterns at the country level. As shown in *Table 2*, the total impact of tourism on GDP is very high for the Caribbean islands, tourism being by far the major economic activity. For most Central American countries, tourism contribution is important, ranging from 38.6% (Belize) to 8.9% (Guatemala). In South America, tourism is particularly significant for Argentina (10.7%), Chile (10.2%) and Peru (10.1%). In some states, such as Bolivia (7%) and Paraguay (5.1%), tourism is but a sector among others.

While the contribution of the tourism industry to GDP has been increasing worldwide, the WTTC forecasts a decrease of 0.9% for Latin America in 2016.[24] Tourism is particularly sensitive to economic conditions. As noted by the World Economic Forum (WEF), the sector "tends to follow the general business cycle in an exaggerated way, with growth stronger than average during periods of expansion and job losses more severe than average during recessions."[25] While in some states tourism is expected to perform well (e.g. Dominican Republic +5.9%, Mexico +4.3% and Honduras +4.1%), this is unlikely to be the case in countries facing a recession, such as Venezuela (-4.7%) and Brazil (-1.4%). Traveling plans are promptly affected when people need to save money, as travel expenses may easily be considered a luxury spending.

[23] WTTC, *op. cit.*, 2016a, p. 1 and WTTC, *op. cit.*, 2016b, p. 1. As for GDP, there is an important difference between direct and total contributions to employment. In Latin America, the direct contribution represents 2.9% of total employment and in the Caribbean 4.2%.
[24] WTTC and Oxford Economics, "Global travel & Tourism: Economic Impact Update August 2016", 2016, p. 12, direct GDP growth.
[25] WEF, *The Travel & Tourism Competitiveness Report 2013*, 2013, p. 64.

2.2. Impact of tourism on the economy

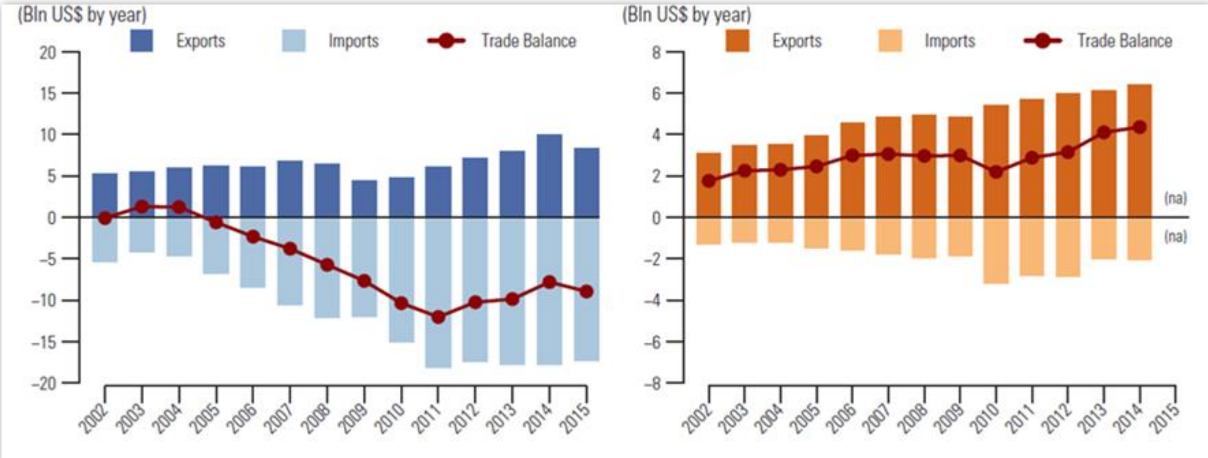
The precise effects of tourism on the economy are difficult to assess, as "*travel* is not a specific product".[26] Many actors are involved in the value chain, such as travel agents, tour operators, grocers, airport managers and owners of hotels and restaurants. Due to its global scope, tourism may influence external accounts, economic growth, employment and, even more broadly, the development of nations.

Contribution of tourism to external accounts

For several countries, tourism plays an important role on the balance of trade. The Extended Balance of Payments Services Classification (EBOPS) presents a *travel* category, which "covers primarily the goods and services acquired from an economy by travelers [non-resident people] during visits of less than one year to that economy".[27] Expenditures of seasonal and border workers as well as long-term (longer than a year) non-resident students and patients are also considered.[28] Spending of foreign tourists leads to an increase of **revenues** for the host country and brings **hard currency**. It is noteworthy that tourism "is the main source of foreign exchange for one third of developing countries and half of the least developed countries, where it accounts for up to 40 percent of GDP".[29] Tourism may promote economic development by "financing **imports of capital goods** that are necessary for the expansion of non-traditional sectors".[30]

Figure 1. **The Dominican Republic's Balance of Trade in goods and services**

Trade in goods, 2002-2015 Trade in services, 2002-2015



Source: UNSD, 2015 International Trade Statistics Yearbook, Volume I, Trade by Country, 2016, p. 156.

Many Caribbean islands register a **deficit in trade for goods** and a **surplus in services trade**. Travel is the main service export, it accounts for 85% of total trade for Bahamas, 64.2% for Antigua and Barbuda and 63.3% for Dominica.[31] As shown in *Figure 1*, the Dominican

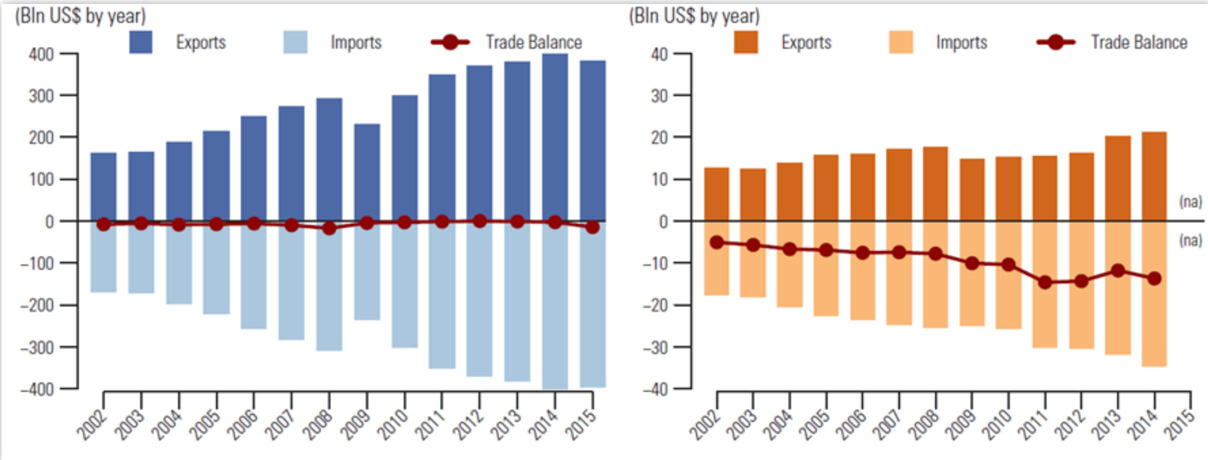
[26] UN, EC, IMF, OECD, UNCTAD and WTO, "Manual on Statistics of International trade in services", 2002, UNSD *Statistical papers*, series M (86), p. 38.
[27] *Ibid.*, p. 39.
[28] *Id.* and UNSD, "Case study 2: Travel services", 2005, p.7.
[29] UNCTAD, "The contribution of tourism to trade and development", 2010, p. 2.
[30] Lejarraja, I. and Walkenhorst, P., "Diversification by deepening linkages with tourism", 2007, p. 5.
[31] UNSD, *op. cit.*, 2016, percentage 2013 for Antigua and Barbuda, 2014 for Bahamas and 2012 for Dominica.

Republic has experienced a significant merchandise trade deficit over the last decade accompanied by a trade surplus in services owing to tourism. In 2014, tourism in the country represented 47.6% of services exports and 22.4% of services imports.[32] With 5.6 million tourists in 2015 (+9%),[33] the sector is expected to continue to grow and aims at 10 million tourists in 2020.

While a strong performance of tourism may lead to a services trade surplus in small economies highly dependent on tourism, this may not be the case for larger and more diversified countries. Mexico, for instance, is a net importer of services despite significant revenues from tourism. (*Figure 2*).

Figure 2. Mexico's Balance of Trade in goods and services

Trade in goods, 2002-2015 — Trade in services, 2002-2015



Source: UNSD, op. cit., 2016, p. 256.

As shown in *Table 3*, the net contribution of tourism to the balance of trade in services varies considerably across countries. Mexico generates more tourism revenues (US$ 17.5 billion in 2015) than expenditures by citizens travelling abroad (US$ 10.1 billion). While tourism-related spending represents 27.8% of total services imports, transportation corresponds to no less than 42.3%.[34] Panama benefits from tourism, although its first source of services export is transportation due to the Panama Canal.[35] In addition to Mexico and Panama, tourism revenues are greater than expenditures abroad in the Dominican Republic, Ecuador, Peru and only slightly in Chile. This illustrates the attractiveness of these countries for foreign tourists and to some extent the limited capacity of their residents to go on vacation abroad. In Brazil, expenditures by citizens abroad are far greater than tourism revenues, slightly higher in Argentina and almost equal in Colombia.

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[32] *Id.*
[33] PTP-CELAC, *Dominican Republic, CELAC: Promoting economic integration in Latin America and the Caribbean*, First 2016, p. 12.
[34] *Ibid.*, p. 257 and UN Comtrade Database, values 2014.
[35] FOCUSECONOMICS, Panama Economic Outlook, http://www.focus-economics.com/countries/panama, 2016.

Table 3. Balance of trade in services for selected Latin American countries

*In US$ billion / year**

Tourism Country	Tourism revenues	Tourism expenditures by citizens abroad	Balance of travel (tourism revenues - tourism expenditures by citizens abroad)	Balance of trade in services
Argentina	4.6	5.4	-0.8	-3.2
Brazil	5.8	17.4	-11.6	-37.2
Chile	2.3	2.1	0.2	-3.8
Colombia	4.2	4.3	-0.1	-3.6
Dominican Republic	6.1	0.5	5.6	4.6
Ecuador	1.5	0.6	0.9	-1.2
Mexico	17.5	10.1	7.4	-9.2
Panama	3.7	0.9	2.8	8.1
Peru	3.3	1.7	1.6	-1.7

**Argentina, Chile, Ecuador and Panama 2014/ Brazil, Colombia, Dominican Republic, Mexico and Peru 2015.*

Source: UN Comtrade Database, own presentation.

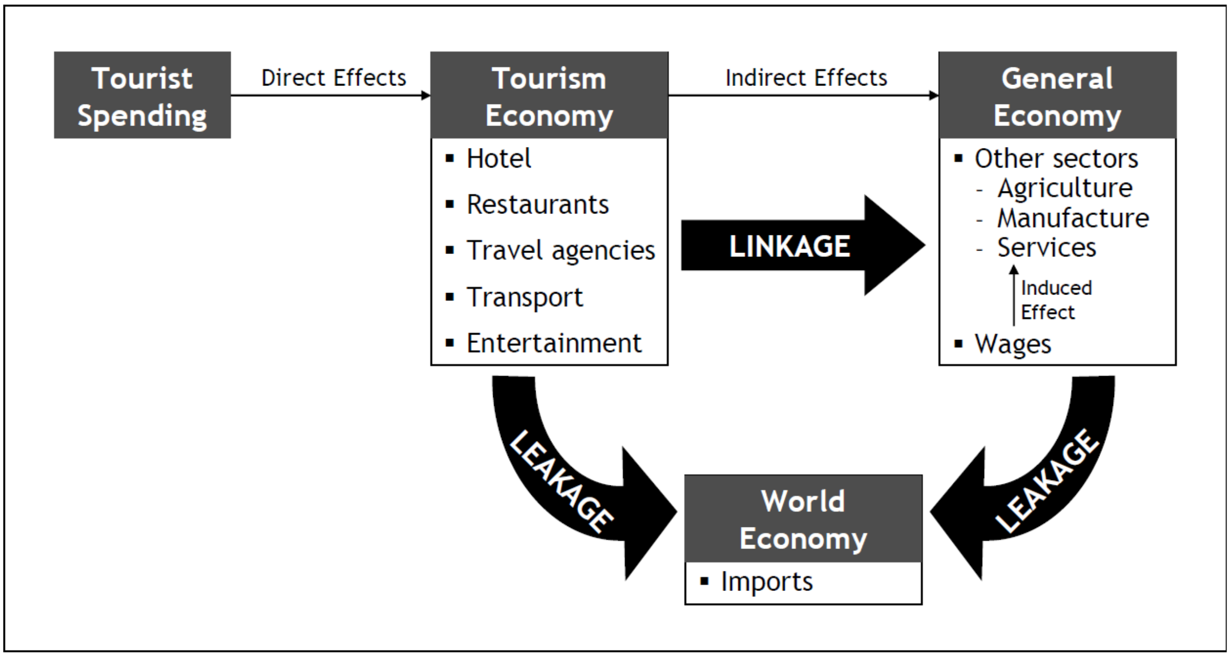
Trade in services does not reveal an import component of tourism revenues, the so-called **leakage** (*Figure 3*). While developing countries feature the highest leakage – 40-50% of gross tourism earnings in most cases –, it is lower for developed and more diversified developing countries (10-20%).[36] Investments by multinational hotel groups may have a high import content in terms of branding (design, equipment…) and part of profits are repatriated and royalties are paid abroad. Consequently, a share of the hard currency obtained from the tourists does not remain in the host economy. It needs to be pointed out that hard currency revenues are also reduced by tour operators retaining commissions in countries of departure and all-inclusive packages providing services from abroad. To respond to the needs of foreign visitors and to generate revenues, tourism must provide high-quality goods and services. The smaller the country and the lower its income level, the greater the need to rely on foreign investment (e.g. hotels) and imported equipment to set up an attractive and competitive tourism industry.

Contribution of tourism to growth, employment and development

Both foreign and national tourists' expenditures lead to **multiplier effects**, expressed by linkages between the tourism industry and the general economy.[37] As depicted in *Figure 3*, accommodation, restaurants, and many other activities benefit from tourist spending. In turn, the tourism industry purchases goods and services **in the economy**. Furthermore, as the sector is **labor-intensive**, it promotes employment[38] with an induced effect on the economy through workers' expenditures, contributing to **economic growth**. This effect is attenuated by the fact that, in the tourism industry, many positions are seasonal and low-paid.[39]

[36] UNCTAD, "Sustainable tourism: Contribution to economic growth and sustainable development", *Trade and Development Commission, 2013, p. 13.*
[37] UNCTAD, *op. cit.*, 2013, p. 13 and Vanriel, W. "Tourism's contribution to sustainable development: Strategies to develop effective linkages between tourism and other economic sectors", 2013.
[38] WEF, *op. cit.*, 2013, p. 66.
[39] Wilson, T. D., "The Impact of Tourism in Latin America", *Latin American Perspectives*, 2008, p. 8.

Figure 3. **Multiplier effects of tourism**



Source: Lejarraja, I., Walkenhorst, P., op. cit., 2007, p. 29.

The tourism sector should be well interconnected with the domestic economy in order to lead to a virtuous cycle. The stronger the linkages, the more tourism revenues will remain in the national economy.[40] In addition, supporting tourism-related firms may foster economic development. In that respect, the State Secretariat for Economic Affairs of Switzerland (SECO) is involved in specific projects with various partners across Latin America (*Box 1*). The tourism industry contributes to the **alleviation of poverty** and fosters better educational systems and standards of living.[41] Tourism leads to access to **better infrastructure and services** for locals. The development of transportation (e.g. airports, roads) and specific investments made by tourism-related companies (e.g. restauration) are beneficial for the entire economy.[42] The impact of tourism on economic growth should be particularly emphasized in **poor countries**. Beyond economic aspects, it is also very important that tourism grows in accordance with the environment and the society in order not to damage **natural and cultural resources** that attract visitors. There is, nowadays, a juxtaposition of environmental- and culture-friendly improvements (such as investments in national parks and monuments) and disrupters (air and water pollution, difficulties in waste treatment).[43]

[40] UNCTAD, *op. cit.*, 2013, p. 13.
[41] Zaei, M. E.and Zaei M. E., “The impacts of tourism industry on host community”, *European Journal of Tourism Hospitality and Research*, 2013, 1(2), pp. 18-19.
[42] WEF, *op. cit.*, 2013, p. 68.
[43] Wilson, T. D., *op. cit.*, 2008, p. 14.

Box 1. **Peru**

Cusco is home to some of Latin America's top tourist destinations, including Machu Picchu - a World Heritage Site since 1983. Tourism is a critical sector for Peru's economy and Cusco's in particular. In 2013 alone, tourism was responsible for 13% of jobs in services and generated 43,000 new jobs nationwide.

An IFC Advisory project financed by SECO's Economic Cooperation and Development helped streamline the processes that new businesses in the tourism sector – including hotels, tour operators, restaurants, and other enterprises - must follow to obtain a license and operate in Cusco. The measures reduced the business registration process by three years, making it easier for both local and foreign investors to operate in Cusco and advance investment projects.

Some major achievements of this project are:

- Strengthening the coordination between the different ministries and thus reducing duplicative processes.
- Supporting capacity building among public agencies by training 750 public servants in 37 workshops (46% of them are women).
- Eliminating 150 unnecessary business registration processes (duplicative forms, official letters to mayors, photos of buildings in progress, copies of worker IDs etc.).
- Dropping the cost of licenses by US$1,656 due to a decrease in license fees and income loss (computed as revenues that would have been reached if the business would have been opened earlier).
- Improving required procedures to open a business, facilitating setting up of companies and encouraging establishment of small and medium-sized enterprises.

By lowering administrative barriers, the project contributed to reduce the informal sector and consequently mitigate damages to the cultural heritage of Peru by informal tour operators.

While the tourism sector was a good entry point thanks to its economic importance, the project produced spillover effects for other sectors that now face less administrative hurdles, too.

By their nature, these measures benefit smaller and less organized businesses and thus promote employment and poverty reduction.

Sources: World Bank Group, "Peru: Easing Business Regulations in one of the World's Most Famous Tourist Destinations" (http://www.worldbank.org/en/results/2016/11/01/peru-easing-business-regulations-in-one-of-the-worlds-most-famous-tourist-destinations) *and Improving the Business Environment for Tourism in Peru*, Project Brief, 2016. Swiss Confederation and World Bank Group, *SECO-Funded Program in Latin America and the Caribbean (LAC): Semi-Annual Progress Report: July-December 2015 (with updates through February 2016)* and Banco de desarrollo de América Latina, *Mejora de clima de negocios turísticos en cusco*, informe final, 2016.

2.3. The road towards the future

In Latin America (*data for the Caribbean in brackets)*, the 2016-2026 annualized real growth for tourism is evaluated at 3.7% (*3.4%*), for employment at 2.3% (*2.0%*) and for capital investment at 3.8% (*3.6%*).[44] Annual non-resident tourism spending growth is expected to reach 5.3% (*3.6%*) and annual resident tourism spending growth 3.3% (*2.9%*).[45] These forecasts suggest a **higher long-term growth of the tourism sector** in Latin America than in the Caribbean and **a higher increase in non-resident tourism-related expenditures**.

44 WTTC, *op. cit.*, 2016a, p. 11.
45 *Ibid.*, p. 11 and WTTC, *op. cit.*, 2016b, p. 11.

Box 2. Mexico

In its Tourism Sectoral Plan 2013-18, Mexico sets five objectives to strengthen tourism:

1. Transform the tourism sector (by updating for instance the sector's legal framework) and strengthen **collaboration schemes** and joint responsibility to tap the tourism potential.
2. Strengthen the **comparative advantages** of the tourism offer.
3. Facilitate financing and **public-private investment** in projects with tourism potential.
4. Boost **tourism promotion** in order to contribute to **market diversification** and facilitate development and growth of the sector.
5. Promote **sustainable development** of tourism destinations and increase the social and economic benefits of the recipient communities.

Sources: Estados Unidos Mexicanos, Gobierno de la República, *Plan Nacional de Desarrollo 2013-2018: Programa Sectorial de Turismo* and OECD, *OECD Tourism trends and policies 2016*, 2016, p. 230.

In addition to promotion (see *Box 2*), tourism is driven by many factors such as the regional and international **economic situation and stability**. In this context, the growth of tourism in Latin America has been affected in the past few years by the recession in Brazil. **Trade liberalization** positively affects tourism, with liberalization of foreign investment leading to an increase in business travel and international hotels.[46] Air transport agreements as well as a decline in transport prices diminish travel costs for tourists.

Moreover, the **relationship between countries** influences the potential growth of the tourism sector. For instance, the progressive normalization of the relations between Cuba and the United States has already had a significant impact on U.S visits to the island with 161'000 tourists in 2015 (+77%) despite the fact that restrictions in terms of valid motives for travel are still in place.[47] A total of 3.5 million foreigners visited Cuba in 2015 (+17.4%).[48] An increase in travelers will lead to higher Cuban economic growth. It may also require specific policies from Cuban tourism sector to increase the hosting capacity.[49]

The availability of new modern tourism-related services (Airbnb, Uber)[50] may lead the market to grow.[51] Web-related companies may occupy **niche markets** and foster tourism.[52] In addition, small firms may benefit from technology easing contacts with tourists.[53] However, innovative companies are important potential **competitors** to existing traditional services providers, such as hotels and Bed&Breakfasts.[54] Moreover, security of consumers, regulation and taxation are matters of concern.[55] The sharing economy includes new dining and travel services, and many of these platforms are available in Latin America and in the Caribbean.[56] This raises the question of how technological innovations will shape the evolution of tourism. However, traditional assets of Latin America and the Caribbean such as its landscape and culture remain central for visitors' experience.

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[46] Jensen, C., Zhang, J. "Trade liberalization, tourism", in Encyclopedia of Tourism, (eds) J. Jafari, H. Xiao, Encyclopedia of Tourism, *Springer International Publishing Switzerland* and Cali, M. *et al.*, "The contribution of services to development and the role of trade liberalisation and regulation", *Overseas Development Institute*, Working Paper 298, 2008.

[47] Le Temps, https://www.letemps.ch/economie/2016/04/04/tourisme-cubain-un-goulet-etranglement, accessed on October 26th, 2016.

[48] *Id*.

[49] See for instance *id.*

[50] Airbnb is a peer-to-peer service platform, on which travelers have the possibility to rent accommodations directly from locals for a short period of time. Uber is a service which relates car-owners to individual looking for taxi-services at a competitive fare.

[51] OECD, *op. cit.*, 2016a, pp. 96-97.

[52] *Id*.

[53] Buckley, R. *et al.*, *op. cit.*, p. 2

[54] Guttentag, D., *op. cit.*, 2015, p. 1207.

[55] See OECD, *op. cit.*, 2016a.

[56] *Id.* and https://fr.vizeat.com/ and https://www.toursbylocals.com/ both accessed on October 27th, 2016.

3. Bilateral Economic Relations

3.1. Trade

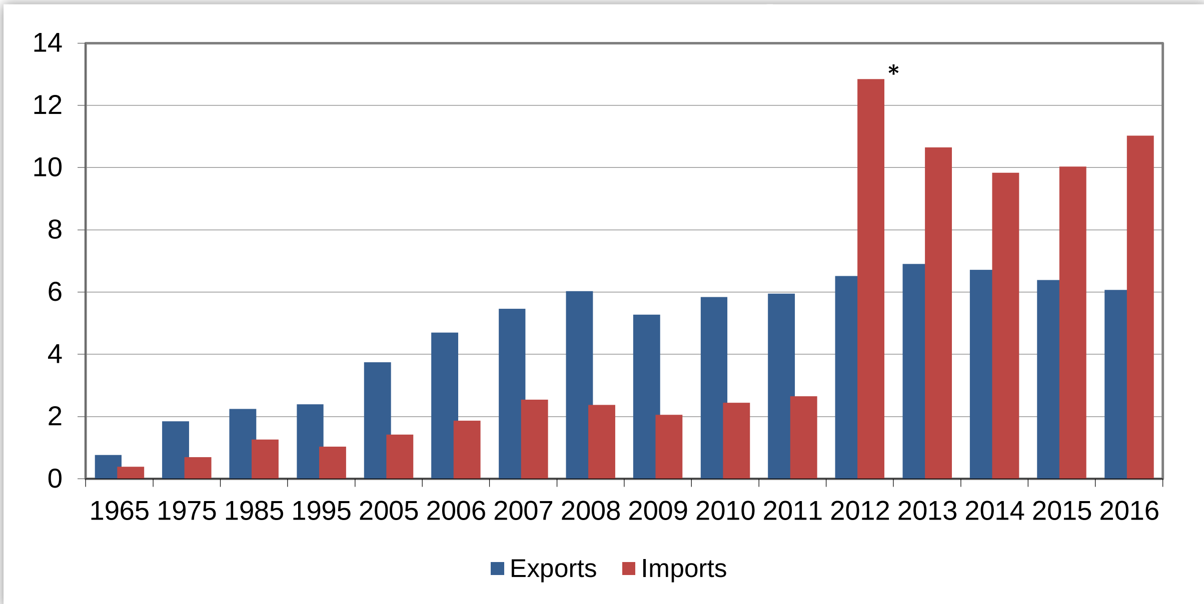
In 2016, trade between Switzerland and Latin America and the Caribbean (LAC) increased by 2.2% (*without gold: -10%*), resulting in a lower growth rate than overall Swiss trade, which grew by 7.6% (*4%*)[57]. Trade with LAC accounts for 3.0% (*2.2%*) of total Swiss trade.

Bilateral trade with Europe, Switzerland's most important partner, grew by 3.8% (*3.2%*) in 2016. This followed a contraction in 2015, a consequence of the decision by the Swiss National Bank to abandon the currency ceiling of 1.2 Swiss franc per 1 euro. Trade with Africa and the Middle East soared by 32.8% (*-1.3%),* strongly influenced by an important hike in gold imports from the Arab Emirates. Trade with North America grew by 19.6% (*16%*), with Asia by 5.9% (*2.3%*) and Oceania by 10% (*0%*).

Similar to previous years, Swiss trade with LAC showed important regional differences. While trade with South America (6.9%; *-8.3%*) and the Caribbean (52.6%; *-13.3%*) increased, it contracted with Central America and Mexico (-18.2%; *-12.8%*). South America accounts for 79% (*63%*) of Latin American trade with Switzerland, Central America and Mexico for 18% (*32%*) and the Caribbean for 3% (*5%*).

Last year, Swiss exports to the region amounted to CHF 6.1 billion (*CHF 6.1 billion*) and imports to CHF 11 billion (*CHF 2.2 billion*).

Figure 4. **Switzerland – Latin America and the Caribbean: Merchandise Exports and Imports, 1965 – 2016**
(billions of Swiss francs)



Source: Swiss Federal Customs Administration, Bern.
* Following a decision of the Federal Council, the Federal Customs Administration includes gold, silver and coins with retroactive effect from 2012 in the trade statistics.

[57] The Swiss Customs Administration publishes trade statistics under two headings: Business Cycle and General Total. The latter includes precious metals (incl. gold), precious stones and gems, works of art and antiques. In Latin America gold amounts to the vast part of the difference between Business Cycle and General Total. Figures 4-8 and data in chapter 3.1 rely on General Total. *Numbers in brackets present Business Cycle data.*

Traditionally, Switzerland registers a large trade deficit with LAC, which is mainly owed to gold amounting to 78% of total imports from the region (see Table A.8., p. 43 and Figure A.5., p. 43).

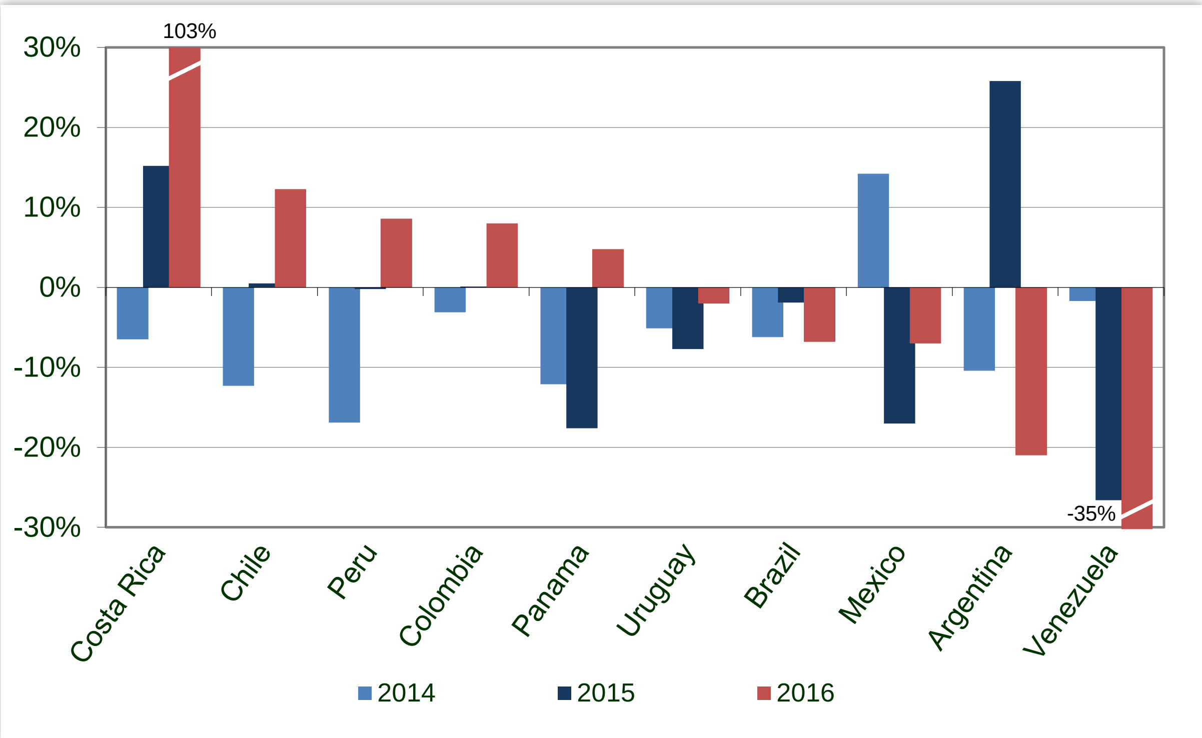
Swiss exports to LAC have almost tripled over the last 20 years. However, since 2013 growth has been negative. Last year's sales to the region decreased by 5.1% (*-5.0%*). By comparison, exports grew to Europe (17.6%; *3.2%*) and North America (20.7%; *13.3%),* while they diminished to Asia (-6.4%; *2.0%*), Africa and the Middle East (-18.5%; *-2.1%*), and Oceania (-2.1%; *0.3%*). In 2016, Swiss exports to LAC made up for 2% of overall Swiss exports.

Brazil, Mexico and Argentina are the most important destinations for Swiss exports, accounting for two thirds of merchandise sold in the region. In 2016, sales to those three countries dropped. Exports to Argentina (-21%) declined in several sectors, most significantly for machinery and pharmaceuticals. Lower exports to Brazil (-7%) resulted in particular from a reduction of sales in chemical products, watches and machinery. With Mexico (-7%) the decline is largely explained by a reduction of pharmaceutical exports.

The most significant growth rates were registered with Bolivia (125%), Costa Rica (103%) and Ecuador (35%). With Bolivia, the export of machinery increased considerably and amounted to CHF 17.4 million. In the case of Costa Rica and Ecuador, pharmaceutical products were mainly responsible for growing exports. With Chile (12%), Peru (8.6 %), Colombia (8%) and Panama (5%) Swiss exports grew moderately. A sharp decline was registered for sales to Venezuela (-35%).

For absolute figures, shares and variations of Swiss exports see Table A.3. on page 38.

Figure 5. **Switzerland – Latin America: Exports Variations by Major Partner 2014 – 2016** (annual percentage change)



Source: Swiss Federal Customs Administration, Bern.

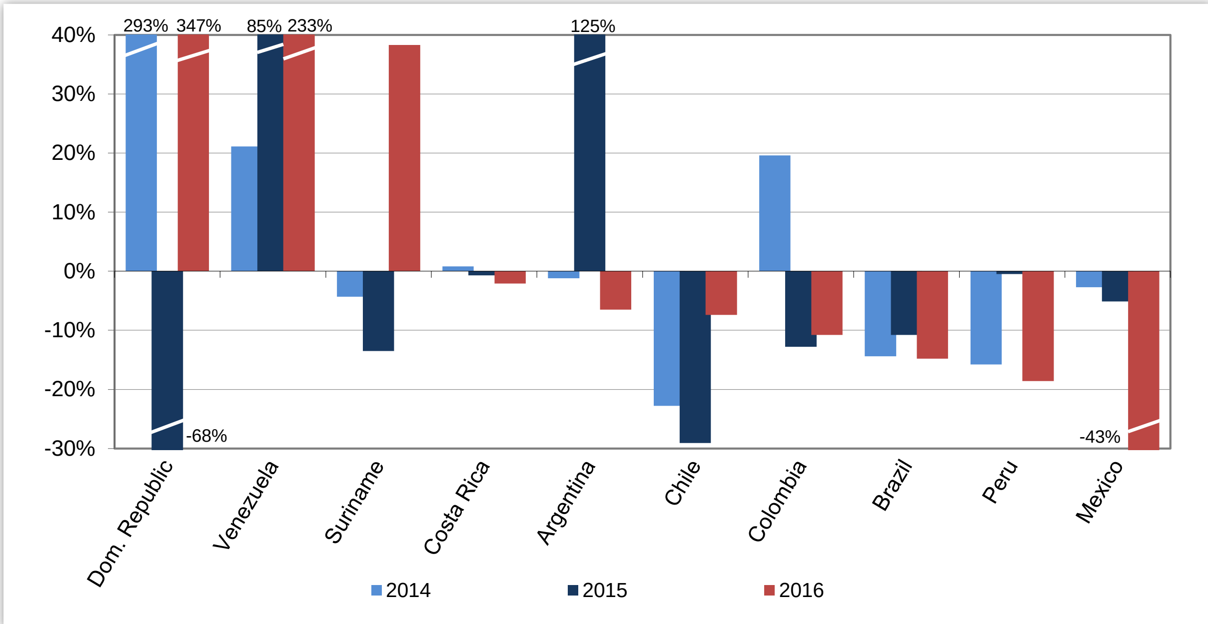
Swiss imports from LAC grew by 8.5% (*without gold: -20.8%*), amounting to 4.5% of total Swiss imports. The development of imports from other world regions varied: while imports from Europe declined (-6.7%; *3.4%),* Switzerland imported more goods from Asia (39.5%; *2.7%*), Africa and the Middle East (104.8%; *-1.3%*), as well as from North America (17.9%; *22.6%*) and Oceania (61%; *-2.1%*).

An important share of Swiss imports from Latin America consists of gold (2016: 78%). Of the major import partners, the only two countries for which the share of gold does not exceed 50% are Mexico (24%) and Brazil (50%). The share of gold in total imports is all the more important with Suriname (100%), Venezuela (100%), Peru (98%), Argentina (89%) and Chile (87%). For further information, see Table A.8., p. 43.

In 2016, positive growth rates for imports were registered with the Dominican Republic (347%), Venezuela (233%), and Suriname (38%). Increased gold imports explain the hike for all three countries.

Imports from Mexico (-43%), Peru (-19%) and Brazil (-15%) eased notably. With Peru the decline has been due to a drop in imports of gold, with Mexico not only to gold but also to pharmaceuticals and energy sources, and with Brazil the decline has been across the board. For absolute figures, shares and variations of Swiss imports see Table A.4., p. 39.

Figure 6. Switzerland – Latin America: Imports Variations by Major Partner 2014 – 2016 (annual percentage change)



Source: Federal Customs Administration, Bern.

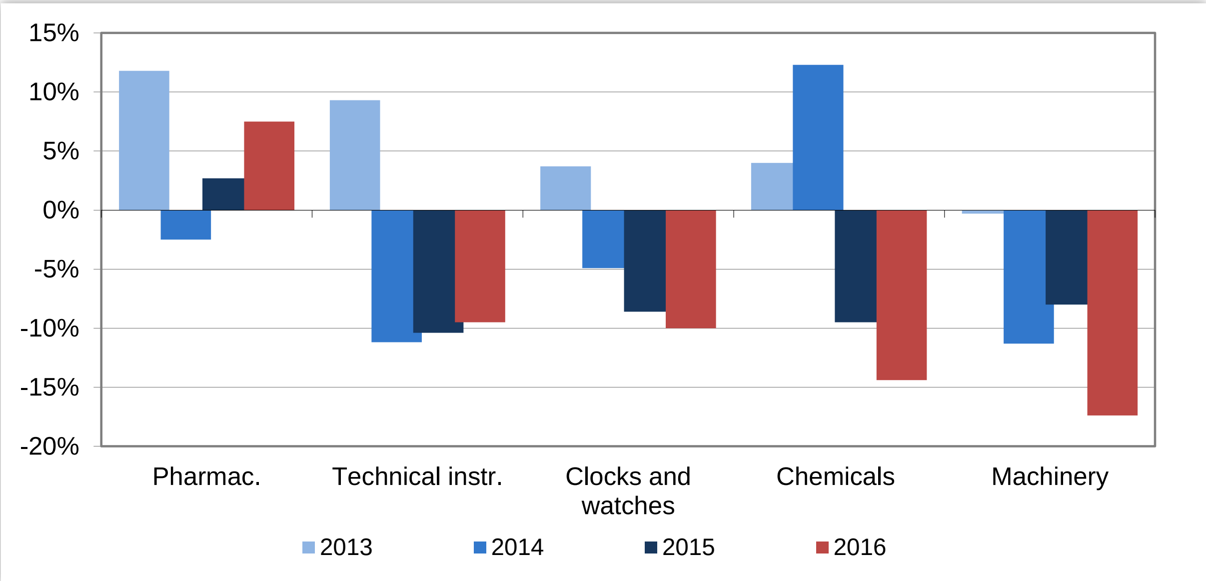
Switzerland's **main export products** to Latin America are pharmaceuticals (44%), chemicals (19%), machinery (14%), watches (7%) and technical instruments (5%). Although the largest exports to a few countries, such as Peru, Bolivia, and Guatemala, still consist of machinery and watches, the share of pharmaceuticals has been growing all over the region and extending its leading position. Since 2000, pharmaceutical exports tripled, whereas machinery diminished, losing its former leading position (for complete data, see Table A.5., p. 40).

Confirming the trend mentioned above, Figure 7 shows an increase of pharmaceutical exports to the region in 2016, while all other major categories faced a decrease.

In 2016, watch sales diminished by 10%, resulting in the third year-on-year decline in a row. While exports to Mexico - the largest market in LAC - declined only moderately (-4%), exports to other important markets such as Panama (-37%), Venezuela (-21%), Brazil (-20%) and Colombia (-13%) fell significantly. Exports to Argentina - the third market for Swiss watches in LAC - remained stagnant, whereas smaller markets such as Chile and Peru grew slightly. Sales to Costa Rica rose by 22%.

Similar to watches, the sector of machinery has also faced a decline over the last years. In 2016 Mexico, which accounts for more than one third of machinery exports to LAC, eased by 6%; more significantly, exports to the second export market for machinery, Brazil, fell by 32%. Sales to Bolivia, Guatemala and the Dominican Republic increased considerably, however, from a low basis.

Figure 7. **Switzerland – Latin America: Exports Variations by Major Product Group 2013 – 2016** (annual percentage change)



Source: Swiss Federal Customs Administration, Bern.

Apart from gold, **major import products** are agricultural products (10%), pharmaceuticals (2%), machinery (1%), and mineral fuels (1%).

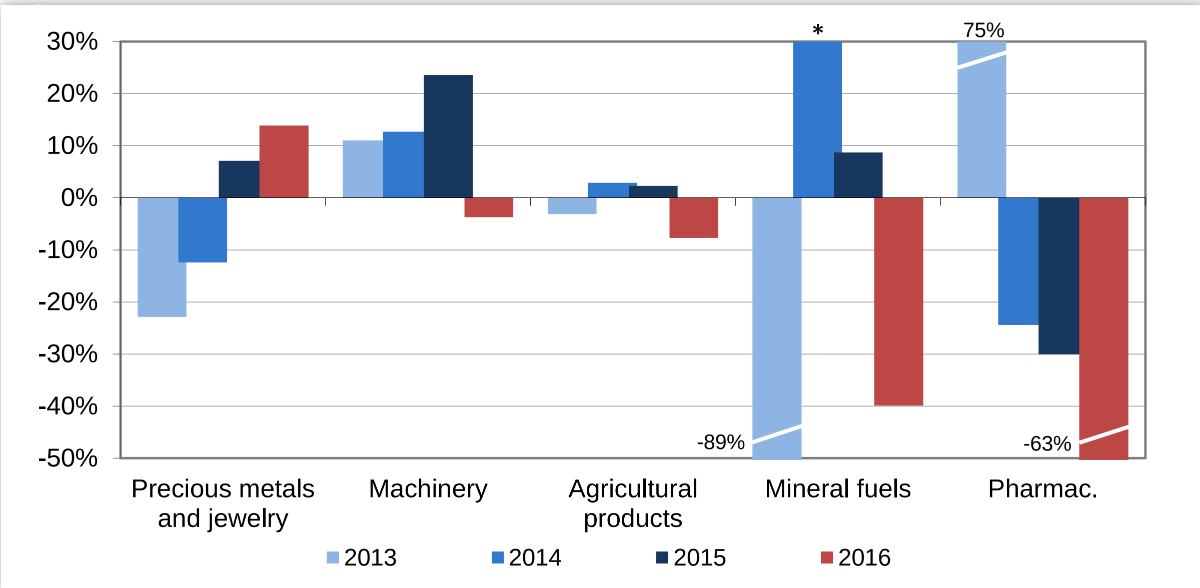
Swiss imports from Latin America tend to be more volatile than Swiss exports. Last year, only precious metals and jewelry exhibited an increase (14%), whereas imports of machinery (-4%), agricultural products (-8%), mineral fuels (-40%), and pharmaceuticals (-63%) dipped. For complete data, see Table A.6., p. 41.

In 2016, imports of machinery declined after three consecutive years of growth due to a reduction from Mexico by 5%. The latter accounts for two-thirds of machinery imports from LAC.

Swiss agricultural imports fell by 8%, mainly due to a decline of imports from Brazil (-15%) and Colombia (-14%). Coffee, which accounts for two fifths of imported agricultural products, contracted by 19% in value and 6% in volume. Import of fruits grew by 10%, while meat decreased by 11%, because of a 15% drop of Brazilian meat imports (more than half of total meat imports from LAC).

After strong growth in 2014, imports of mineral fuels fell by 40% in 2016. Mineral fuels are mainly imported from Mexico.

Figure 8. **Switzerland – Latin America: Imports Variations by Major Product Group 2013 – 2016** (annual percentage change)



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

Following strong growth in 2012 and 2013, pharmaceutical imports fell significantly during the last three years, with a drop of 63% in 2016. Mexico accounts for 92% of Swiss pharmaceutical imports from the region.

3.2. Swiss Foreign Direct Investment

After an all-time high in 2013, global Foreign Direct Investment (FDI) inflows to LAC decreased between 2014 and 2015 (-9.1%), reaching USD 179.1 billion. This drop reflects in particular the decline of investment in the mining sector, as well as the economic slowdown in the region. On a global level, FDI to developing economies rose by 5.3%, economies in transition, however, experienced a sharp contraction of 55%.

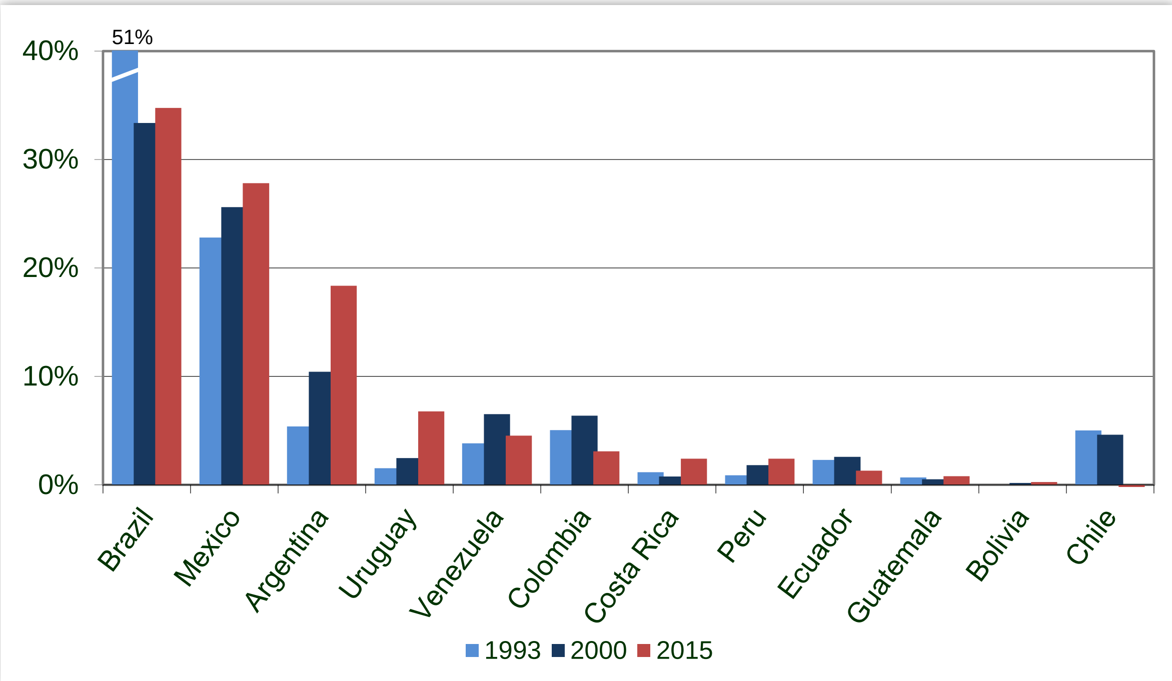
In Latin America, Brazil (USD 75.1 billion) saw a significant decline of FDI inflows (-23%), but remains by far the largest FDI recipient in the region and the fifth largest in the world. Second comes Mexico (USD 30.3 billion), followed by Chile (USD 20.5 billion), Colombia

(USD 12.1 billion), and Argentina (USD 11.7 billion). The latter has recorded the strongest growth at 130%.[58]

In 2015, Latin America accounted for 2.4% of the overall Swiss FDI stock with a total of CHF 26.7 billion.[59] Including FDI from offshore financial centers (OFC; CHF 123.6 billion) the subcontinent's share represented 13.4% of the total Swiss FDI stock.

During the last two and a half decades, the Swiss FDI stock in Latin America increased strongly from CHF 13 billion in 1990 to CHF 150 billion in 2015.

Figure 9. **Switzerland – Latin America: Foreign Direct Investment by Major Partner 1993 – 2015** (as a percentage of total Swiss FDI stock in Latin America)



Source: Swiss National Bank, Zurich.

The Swiss FDI stock in Latin America (excluding OFCs) made major leaps forward in 2009 (39%) and 2010 (31%). Growth slowed down in 2011 (9%) and 2012 (16%) and FDI stock experienced a decrease in 2013 (-5%). As of 2014, the Swiss National Bank introduced a new methodology based on OECD and IMF standards.[60] Direct investment refers only to capital stock of foreign subsidiaries directly owned by companies in Switzerland. As a consequence, in countries with predominantly indirectly-owned subsidiaries,[61] this resulted in lower capital stocks. Hence, the FDI stock of 2014 cannot be compared with that of the previous year.

[58] Economic Commission for Latin America and the Caribbean (ECLAC), *Foreign Direct Investment in Latin America and the Caribbean*, 2016 (LC/G.2680-P), Santiago, Chile, 2016, pp. 9; 20-22.
[59] Swiss National Bank, *Swiss direct investment abroad*. Retrieved from: https://data.snb.ch/de/topics/aube#!/doc/explanations_aube#top
[60] This refers to OECD's international standards on direct investment statistics (BMD4) and IMF standards on the balance of payments and international investment position (BPM6).
[61] In the case of *indirectly-owned subsidiaries,* Swiss Direct Investors are investing in those countries mainly via intermediate companies in other countries.

In 2015, Brazil (CHF 9.3 billion) was the most important destination of Swiss FDI in Latin America, amounting to 35% of total FDI stock without OFCs. Mexico ranked second with a share of 28% (CHF 7.4 billion) and Argentina third with 18% (CHF 4.9 billion). Figure 9 presents the main destination countries for Swiss FDI in Latin America.

The SNB also revised the methodology to assess the number of persons employed abroad by Swiss companies. The data only includes subsidiaries abroad that are owned by Swiss-controlled groups and do no longer include the staff numbers of subsidiaries abroad that are owned by Swiss-domiciled, but foreign-controlled groups. This has led to a significant revision of the numbers of persons employed abroad.[62]

At the end of 2015, Swiss firms employed more than 180,000 people in Latin America. Most of them in Brazil (68,100), Mexico (33,700), Chile (19,900), Argentina (12,900), and Colombia (11,400). Swiss firms had also significant staff in Peru (6,700), Venezuela (6,100), Ecuador (5,600), Guatemala (2,600), Costa Rica (2,000), Uruguay (1,200), and Bolivia (1,100).

Box 3. Focus: Investment by Roche in Brazil

Roche Group has been present in Brazil since 1931. Both the pharmaceutical and diagnostics divisions of the company are currently represented in the country.

The Brazilian branch of Roche Pharmaceutical has 1,300 employees and revolves around three sites, with a regional headquarter located in São Paulo, a logistics center in the state of Goiás and a production plant in Rio de Janeiro. In 2016 the company completed the first phase of a R$ 300 million (96 million US$)[63] modernization plan for its production facility, to be terminated by 2020. The project aims at increasing the existing production capacity - by 10% in 2017 - and the degree of efficiency in the process. The project also includes a new production line for a medicine aimed at Parkinson’s disease.

The long-run strategy consists in strengthening the position of the Rio de Janeiro production plant as a global export hub for part of the company’s product range. With a 20% predicted increase in export volume by 2018, the plant will not only continue serving the Latin American market with the firm’s established portfolio of drugs but will also become the main production center for some of its products, such as an antibiotic treatment against a wide range of bacterial infections.

Roche Diagnostics’ regional headquarters is located in São Paulo together with Roche Pharmaceutical, has a logistics center in the state of Santa Catarina and employs around 400 people. In 2016 Roche Diagnostics Brazil’s total sales increased by 17% to R$ 607 million (194 million US$).

[62] For Latin America, the number of staff abroad fell from 305,000 (2013) to 180,000 (2014).
[63] Exchange rate as of February 10th, 2017: 3.11 R$/US$ (FRED, Federal Reserve Bank of St. Louis)

Box 4. **Focus: Investment by Endress+Hauser in Colombia**

On January 1st, 2016, Endress+Hauser established its first Colombian sales center to respond efficiently and rapidly to the national market. In addition to the oil and gaz sector, the Swiss company is active in the production of goods, the provision of solutions and services in the food and beverage industry as well as in water management and purification. During 20 years Endress+Hauser had been indirectly present in the country through a representative partner. The recent strategic move by Endress+Hauser consisted in taking over 46 of its representative's employees dispatched between the headquarter of Bogota and regional offices in Cali, Barranquilla and Medellín. The Swiss company also absorbed the services and process automation divisions of its former representative partner in Colombia.

The objective for Endress+Hauser is to gain additional market presence for its devices and process solutions in a country of 50 million people.

Taking advantage of the free trade agreement between EFTA member states and Colombia, the volume of imports by Endress+Hauser has reached 4 million US$ in 2016.

3.3. Bilateral Economic Agreements and Joint Economic Commissions

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

With over 120 BITs, Switzerland has the world's third largest network of such agreements after Germany and China. BITs improve the legal security and the investment climate of a country and thus enhance its attractiveness as a location for international investments.

Switzerland has BITs with most Latin American countries, except the Bahamas, Belize, Bermuda, Brazil, Guyana, Grenada, Haiti and Suriname. The BIT with Guyana has been ratified by Switzerland and awaits the completion of domestic procedures in Guyana.

The Brazilian parliament has not adopted the 14 BITs signed with various countries worldwide during the 1990s, including Switzerland. Major reservations refer to the differentiated treatment of foreign and local investors. In addition to access to the domestic court system, foreign investors would be able to bring a claim to an international arbitration panel. Brazil objects that this would effectively discriminate domestic investors. Brazil has developed a New Model BIT, which foresees that a dispute shall be resolved by an Ombudsman and a Joint Committee consisting of the host state, the investor's state and the investor.

Taxation

a) Double Taxation Agreements

Presently, Switzerland has agreements on the avoidance of double taxation (DTAs) with Argentina, Chile, Colombia, Ecuador, Jamaica, Mexico, Peru, Trinidad and Tobago, Uruguay and Venezuela.

[64] The aim of BITs and double taxation agreements is explained in Box 8, page 24 of the *Switzerland – Latin America Economic Relations Report 2014.*

b) Tax information exchange agreement

On November 23rd, 2015 Brazil and Switzerland signed a Tax Information Exchange Agreement. The agreement, which governs the exchange of information upon request in tax matters, has been approved by the Swiss parliament. Approval from Brazil is pending.

c) Automatic exchange of information in tax matters

In the wake of the financial and debt crisis, combatting tax evasion worldwide has become an important issue, which is broadly pursued by the global community. In July 2014 the OECD Council adopted the new global standard for the **international automatic exchange of information in tax matters (AEOI)**. 100 countries committed themselves to introducing this new global standard. The Federal Assembly approved the statutory basis in December 2015. Switzerland will start collecting data on January 1st, 2017 and exchange it for the first time in 2018.

Switzerland currently plans to introduce AEOI with several countries in Latin America and the Caribbean including Argentina, the Bahamas, Brazil, Chile, Colombia, Costa Rica, Mexico, Panama and Uruguay.[65] The introduction of AEOI has to be approved by the Federal Assembly before it can become effective.

The list of the economic agreements between Switzerland and Latin America is presented in the Appendix, Table A.9., p. 44.

Joint Economic Commissions

Switzerland has established about 20 economic commissions worldwide in order to strengthen economic relations and discuss specific issues with partner countries. Talks also cover pluri- and multilateral questions and usually include representatives of the private sector.

In Latin America, Switzerland has instituted such commissions with Argentina, Brazil, Chile[66], Mexico, Peru[67] and Venezuela. In 2016, meetings took place with Argentina, Brazil, Mexico and Peru.

Swiss-Brazilian Joint Commission on Trade and Economic Relations

The eighth meeting of the Swiss-Brazilian Joint Commission on Trade and Economic Relations was held on September 5th, 2016, in Brasília. It was co-chaired by Alexandre Parola, Minister, Director of the Economic Department at the Brazilian Ministry of External Relations and Ambassador Livia Leu, Delegate of the Federal Council for Trade Agreements and Head of Bilateral Economic Relations at SECO. The Swiss Embassy and the Swiss Business Hub also took part. Official discussions covered the economic situation in both countries, regional integration, intellectual property, the WTO, bilateral tax issues, and in particular the upcoming EFTA-Mercosur negotiations. During a second part, Swiss companies had the opportunity to raise specific trade and investment issues *inter alia* in the areas of pharmaceutical regulation, import procedures, counterfeit products and taxation.

[65] AEOI is also planned with: Barbados, Antigua and Barbuda, Montserrat, Belize, Grenada, Turks and Caicos, Aruba, Curacao, St Vincent, British Virgin Islands, Cayman Islands, St Kitts and Nevis, St Lucia.
[66] Official denomination of the commission: Bilateral Economic Dialogue.
[67] Official denomination of the commission: Bilateral Economic Meeting.

Swiss-Argentine Joint Economic Committee

The second meeting of the Joint Economic Committee was held on September 8th, 2016, in Buenos Aires, under the co-chairmanship of Ambassador María Cristina Boldorini, Secretary of State for International Economic Relations of the Argentine Ministry of Foreign Affairs and Ambassador Livia Leu, Delegate of the Swiss Federal Council for Trade Agreements and Head of the Bilateral Economic Relations Division, State Secretariat for Economic Affairs. The Swiss Embassy was also present during the meeting. Discussions centered around the EFTA-Mercosur free trade negotiations, and included the economic situation in both countries, regional integration, the WTO, bilateral trade and investment, and intellectual property. The Swiss delegation raised also specific issues of Swiss companies in the area of intellectual property and customs.

Swiss-Peruvian Bilateral Economic Meeting

The second meeting of the Swiss-Peruvian Bilateral Economic Meeting took place on October 4th, 2016, in Lima. It was co-chaired by Augusto Morelli Salgado, Minister, Director of International Economic Negotiations, Ministry of Foreign Affairs and Philippe G. Nell, Minister, Head of the Americas Unit, State Secretariat for Economic Affairs. The Swiss Embassy in Peru, representatives of SECO’s Economic Cooperation and Development division, and the Swiss-Peruvian Chamber of Commerce took part in the meeting. Discussions covered the economic situation of each country, bilateral trade and investment, SECO’s bilateral economic cooperation programme in Peru, the recent developments in the WTO, the possible OECD accession of Peru, the Pacific Alliance and issues in the area of intellectual property and labeling standards concerning Swiss firms.

Swiss – Mexican Consultative Group on Trade and Economic Cooperation

The Swiss-Mexican Consultative Group on Trade and Economic Cooperation held its seventh meeting on September 20th, 2016, by video conference. It was chaired by Philippe G. Nell, Minister, Head of the Americas Unit at the Swiss State Secretariat for Economic Affairs. The Mexican Delegation was led by José Manuel Antonio Luna Calderón, Director General for Europe and Africa at the Ministry of Economy of Mexico. Louis-José Touron, Ambassador of Switzerland to Mexico, Fernando Israel Espinosa Olivera, Minister, Deputy Head of the Embassy of Mexico in Switzerland, representatives of other government agencies and of the Swiss private sector also attended the meeting. The discussions served to prepare the visit by President Johann N. Schneider-Ammann to Mexico in November 2016 and covered a vast range of other issues, notably cooperation within the WTO, the modernization of the Mexico-EFTA free trade agreement and the Swiss-Mexican investment protection agreement. A number of private-sector issues, such as taxation and regulatory practices and the protection of intellectual property, were also raised.

3.4. Latin American Integration: Recent Developments

Inter-American Integration

Mercosur: The new governments of Brazil and Argentina have put a strong emphasis on strengthening trade relations within Mercosur and with partners around the globe.

In December 2016 the four founding members of Mercosur suspended Venezuela. .

Pacific Alliance: The Pacific Alliance, established in 2011 between Chile, Colombia, Mexico, and Peru strives to move gradually toward the free movement of goods, services and people. Tariffs were immediately removed for 92% of trade, with the remainder to be fully liberalized by 2020. Current achievements include: abolition of visas setting up a platform for student and academic mobility, grouping of the stock exchange markets in a single one, and progress for the homologation of health and regulatory certifications.

The establishment of free-trade relations with all member countries is a prerequisite in order to join the Alliance. Currently, Costa Rica has commissioned studies and is undergoing an internal consultation process for a possible accession.

As one of the 49 observer countries, Switzerland has offered collaboration in the areas of innovation, vocational and professional education and training as well as customs management, and, in June 2016, participated at the XIth Summit of the Pacific Alliance in Puerto Varas, Chile.

The **Community of Latin American and Caribbean States (CELAC)** is a regional bloc of 33 Latin American and Caribbean States[68] founded in 2011. It merged the Rio Group[69] and CALC (Cumbres América Latina y Caribe). CELAC was established as an intergovernmental platform for political dialogue, grouping for the first time all states of Latin America and the Caribbean. On January 24th - 25th, 2017 the fifth summit of the Head of States took place in the Dominican Republic. On this occasion, El Salvador took over the one-year pro-tempore presidency.

Latin American Integration Association LAIA[70]**:** With the Montevideo Treaty, LAIA has replaced in 1980 the Latin American Free Trade Association, (ALALC), founded in 1960. LAIA works towards a common Latin American market through preferential tariffs and a network of regional treaties. LAIA covers more than 510 million inhabitants.

SICA[71], the Central American integration system, was founded in 1993 with the objective of fostering the integration of Central America to become a region of peace, freedom, democracy and development. SICA is headquartered in El Salvador. Currently Costa Rica is holding the pro-tempore presidency until June 2017.

UNASUR[72] was established in 2008 with the Treaty of the Union of South American Nations. The General Secretariat of the organization is in Ecuador and the Parliament in Bolivia. UNASUR aims at strengthening the political dialogue between Member states leading to inclusive social and economic development in the region. Venezuela currently holds the pro-tempore presidency.

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68 CELAC includes all countries of the Americas except Canada and the United States.

69 The Rio Group was originally established by six Latin American countries in 1986 as a political forum to facilitate the discussion of topics of common interest. The Group eventually expanded to 23 countries including all Latin American countries plus the Dominican Republic, Jamaica, Belize, Guyana, Haiti, and Cuba.

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.

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

Integration between Latin America and Europe

Latin America – European Union: The last EU-CELAC summit, bringing together more than 61 EU and Latin American and Caribbean leaders, was held in Brussels in June 2015. Two declarations and a revised EU-CELAC Action Plan were adopted. It was agreed to step up cooperation on three major issues: climate change, post-2015 development agenda and fight against drugs.

Ministers of Foreign Affairs from CELAC and the EU met in Santo Domingo on October 25th-26th, 2016, exchanging on common challenges and means for the implementation of the 2030 Agenda for sustainable development, in particular financing for development and climate change.

Mercosur – European Union: The negotiations for a bi-regional Association Agreement were re-launched in 2010. Challenges remain in opening up EU's agricultural market and Mercosur's industry, services and government procurement. On May 11th, 2016, the EU and Mercosur exchanged offers for the first time since the re-launch, followed by a negotiation round in October 2016. The next round is envisaged for March 2017.[73]

Andean Community (CAN) – European Union: In June 2007, the two parties launched negotiations for a comprehensive Trade Agreement. Differences among CAN members led the EU to negotiate only with Colombia and Peru. The agreement has been provisionally applied since respectively August 1st, 2013 and March 1st, 2013. On November 11th, 2016, the EU, together with Ecuador, Colombia and Peru, signed the Protocol of Accession of Ecuador to the Trade Agreement with Colombia and Peru. On January 1st, 2017, Ecuador joined the Trade Agreement which is implemented provisionally.[74]

Central America – European Union: An Association Agreement between the six Central American States and the EU was signed in June 2012. It relies on three pillars: political dialogue, cooperation and trade. By the end of December 2013 the trade pillar of the Agreement was implemented by all states.[75]

Latin America – EFTA[76]

Mercosur – EFTA: Mercosur and EFTA states signed a Joint Declaration on Cooperation in 2000. Within this framework, discussions were held on ways to further deepen economic relations. In view of establishing free trade relations, the parties engaged into exploratory talks in 2015 which were concluded with a Joint Statement at the WEF in Davos on January, 19th, 2017. The negotiations should be launched during the first half of 2017.

[73] http://ec.europa.eu/trade/policy/countries-and-regions/regions/mercosur/, accessed on February 27th, 2017.
[74] http://ec.europa.eu/trade/policy/countries-and-regions/regions/andean-community/, accessed on February 27th, 2017.
[75] http://ec.europa.eu/trade/policy/countries-and-regions/regions/central-america/, accessed on February 27th, 2017.
[76] The members of the European Free Trade Association (EFTA) are: Iceland, Liechtenstein, Norway and Switzerland.

Central America – EFTA: In November 2010, EFTA ministers decided to strengthen economic relations with Central America. After an exploratory meeting in Panama City in March 2011, FTA negotiations were launched with Panama, Costa Rica, Guatemala and Honduras. The agreement with Costa Rica and Panama entered into force in August 2014. With Guatemala, negotiations were concluded in October 2014 and a protocol of accession was signed on June 22nd, 2015. The agreement remains open to other Central American states.

EFTA's FTA network in Latin America
Source: www.efta.int; own presentation.

Ecuador – EFTA: The EFTA States and Ecuador signed a Joint Declaration on Cooperation at the EFTA ministerial meeting on June 22nd, 2015. The negotiations for a free trade agreement were officially launched on June 27th, 2016 in Bern. The first round was held in Quito from November 14th-17th, 2016 and the second round in Geneva from February 27th to March 3rd, 2017.

Mexico – EFTA: In January 2016, Ministers from the EFTA States and Mexico launched negotiations in Davos on a modernization of the EFTA-Mexico Free Trade Agreement (FTA). The Parties foresee to enhance market access for goods, services, investment and government procurement. They also aim to reflect international developments and the treaty practice of the Parties since the signing of the EFTA-Mexico FTA in 2000, notably with regard to rules of origin, sanitary and phytosanitary measures, technical barriers to trade, trade remedies, intellectual property rights and competition. Areas not yet covered by the Mexico-EFTA FTA, such as trade facilitation and sustainable development, are also discussed. So far, three rounds of negotiations have been held, the last one from January 17th-20th, 2017, in Switzerland.

Integration between the rest of the world and the Americas

Negotiations for the **Trans-Pacific Partnership (TPP),** which includes twelve Pacific Countries,[77] were concluded on October 5th, 2015. Chile, Mexico and Peru are part of the wide-ranging Free Trade Agreement. The withdrawal of the United States in January 2017 from the TPP has created uncertainty about its future.

[77] Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States, Vietnam.

3.5. Economic Development Cooperation: SECO's New Country Strategies for Colombia and Peru, 2017-2020

SECO's Economic Cooperation and Development division is responsible for the planning and implementation of economic cooperation and development activities with middle-income developing countries, with countries of Eastern Europe and Central Asia as well as the new Member States of the European Union. It coordinates Switzerland's relations with the World Bank Group, the regional development banks and the economic organizations of the United Nations. In line with the UN 2030 Agenda for Sustainable Development the Federal Council submitted the 2017–2020 Program on International Cooperation to the Swiss Parliament which adopted it. On that basis SECO developed **new Country Strategies** for the cooperation with its partners in Africa, Asia and Latin America, i.e. with Colombia and Peru.

Benefitting from continued economic growth in recent years, both Colombia and Peru were able to address poverty vigorously. However, growth has been heavily reliant on the extractive sector and socioeconomic disparities within the society persisted. Thus, in order to ensure that economic growth is not only maintained but is also sustainable and inclusive, the competitiveness of other sectors that provide higher job creation potential needs to be substantially enhanced. In an increasingly interconnected world, middle-income countries like Colombia and Peru are particularly vulnerable to global risks, such as climate change, economic and financial crises, or political instability. It is thus more important than ever to ensure a **well-diversified economy creating sustainable, inclusive economic growth that benefits all sections of the population**. This is where SECO applies its core competencies and comparative advantages in economic cooperation and development.

According to the development priorities of the partner governments, the country context as well as SECO's track record and core competencies, **individual cooperation strategies** have been defined for each partner country for the period 2017-2020.

Colombia

Efficient urban development is crucial for Colombia's development.
Source: SECO Cooperation

Switzerland aims at supporting Colombia in achieving sustainable peace and economic development that creates opportunities for all. In the frame of this cooperation, the overall objective of SECO's economic cooperation and development program in Colombia is to promote **inclusive and sustainable economic development that contributes to lasting peace**. SECO strives to achieve this goal by pursuing three thematic country objectives, with an indicative commitment budget for the four-year program of CHF 55 million: (I) take action on climate change by fostering integrated urban development and contribute to sustainable natural resource management, including by tackling global water challenges, (II) improve competitiveness of sectors with potential to create productive and decent employment, and (III) strengthen public institutions at national and subnational levels that provide efficient services for all.

Peru

The overall objective of SECO's economic cooperation and development program in Peru is to support **sustainable, regionally balanced growth and convergence toward international standards of good economic governance to create opportunities for all**. This goal is further specified into three thematic country objectives: (I) inclusive economic institutions and policies at national and subnational levels, (II) an internationally competitive and responsible private sector generating more and better jobs, and (III) sustainable, climate-resilient urbanization contributing to green growth. For this four-year cooperation CHF 70 million is foreseen as indicative commitment budget.

In working towards its cooperation objectives in Colombia and Peru, SECO furthermore focuses on two transversal topics: **gender equality and economic governance**. They make a highly relevant contribution to inclusive sustainable growth and are considered in all SECO activities.

In Peru SECO promotes sustainable and fair trade, e.g. with cocoa.
Source: SECO Cooperation

Building on lessons learnt and the encouraging results achieved in the past cycle 2013–2016, these new **Country Strategies set the frame** for SECO's continued activities in Colombia and Peru for the next four years. Based on the goals and priorities described therein, SECO will continue to support Colombia and Peru on their paths for **sustainable and inclusive growth.**

3.6. Bilateral Visits in 2016

Bogotá, August 2nd-3rd, 2016: Accompanied by a business delegation, the President of the Swiss Confederation Johann N. Schneider-Ammann traveled to Colombia for an official visit, where he met with President Juan Manuel Santos. Discussions focused on the peace process and economic cooperation. Together with Mónica de Greiff, Executive President of Bogotá's Chamber of Commerce, Mr. Schneider-Ammann opened *Colombia + Innovadora,* a conference on innovation, organized within the framework of a programme strengthening the use of intellectual property rights in Colombia. Mr. Schneider-Ammann also held talks with the Minister of Foreign Affairs María Ángela Holguín Cuéllar and the Trade Minister María Claudia Lacouture. The agenda included peace building, trade and investment, infrastructure projects as well as competitiveness and innovation. In a meeting with non-governmental organizations, Mr. Schneider-Ammann discussed human rights and corporate social responsibility in Colombia. He also met the Swiss community in Bogota.

The Swiss President Johann N. Schneider-Ammann in a meeting with the Colombian President Juan Manuel Santos

Source: Presidencia de la República.

Brasília, August 4th, 2016: President Johann N. Schneider-Ammann held talks with the Foreign Minister José Serra, the Minister of Industry, Foreign trade and Services Marco Pereira and the Minister of Science, Technology, Innovation and Communications Gilberto Kassab. Discussions covered the upcoming free trade negotiations between the EFTA States and Mercosur, prospects for the WTO, bilateral trade and investment including, with Minister Kassab, bilateral cooperation in the area of science, technology and innovation.

The Swiss President Johann N. Schneider-Ammann at the House of Switzerland Brazil during the Olympic Games in Rio

Source: swissnex Brazil.

Rio de Janeiro, August 5th-6th, 2016: President Johann N. Schneider-Ammann attended the official opening reception for the Olympic Games in Rio with President Michel Temer, and the opening ceremony at the Maracanã stadium. At the House of Switzerland Mr. Schneider-Ammann participated at several events and met Swiss athletes in the Olympic village.

Brasília, September 5th, 2016: The Swiss-Brazilian Joint Commission on Trade and Economic Relations held its eighth meeting. For more information, see section 3.3.

Buenos Aires, September 8th, 2016: The Swiss-Argentine Joint Economic Committee held its second meeting. For more information, see section 3.3.

Bern, September 20th, 2016: The Swiss-Mexican Consultative Group on Trade and Economic Cooperation held its seventh meeting. For more information, see section 3.3.

Santo Domingo, September 25th-28th, 2016: Philippe G. Nell, Minister, Head of the Americas Unit, State Secretariat for Economic Affairs, visited the Dominican Republic in the course of the celebration of 80 years of bilateral diplomatic relations, and a Swiss exposition presenting innovations in the realm of energy. The discussions with representatives from several ministries, covered bilateral economic relations, trade and investment, competitiveness and measures related to the increase thereof, as well as customs issues. In a meeting with the President of the Dominican-Swiss Chamber of Commerce and Tourism, investment opportunities for Swiss firms and perspectives in tourism were discussed.

Lima, October 3rd-5th, 2016: The Swiss-Peruvian Bilateral Economic Meeting held its second reunion. For more information, see section 3.3

Havana, October 27th-31st, 2016: Ambassador Eric Jakob, Head of the Promotion Activities Directorate at the State Secretariat of Economic Affairs, travelled to Cuba with a business delegation. He met with Ricardo Cabrisas Ruiz, Vice President of the Council of Ministers and Minister of Economy and Planning, as well as with other Cuban officials. Moreover, Ambassador Jakob participated in the third annual meeting of the Swiss-Cuban Business Committee in Havana and in the opening of the Swiss pavilion at the 34th *Feria Internacional de la Habana*, the biggest trade fair in the region. The delegation also visited the special economic zone of Mariel and a tobacco plantation in the province of Pinar del Río.

Mexico City, November 3rd-4th 2016: President Johann N. Schneider-Ammann visited Mexico with an important business delegation and met with President Peña del Nieto. Both Presidents expressed the willingness to reinforce bilateral relations in the economic realm by pursuing the modernization process of the EFTA-Mexico Free Trade Agreement. They witnessed the signing of various documents to strengthen cooperation between Mexico and Switzerland on civil aviation, education, medicinal products and the fight against counterfeiting. During his stay the President of the Swiss Confederation attended the founding ceremony of the Swiss-Mexican Chamber of Commerce and Industry with the Secretary of Economy, Ildefonso Guajardo Villarreal. At the *Colegio Suizo de México*, President Schneider-Ammann and the Secretary of Education, Aurelio Nuño Mayer, launched the *Alianza Suiza por la Educación Dual* (Swiss Alliance for Vocational Education and Training). Mr. Schneider-Ammann also met with the Secretary of Finance, José Antonio Meade Kuribreña, the mayor of Mexico City, Miguel Ángel Mancera, and participated in a reception for the Swiss community in Mexico.

Appendix
Tables and Figures

Table A.1. Switzerland – Latin America: Merchandise Exports and Imports by Trading Partner, 2015 – 2016
(Millions of Swiss francs and percentage)

	Exports				Imports				**Trade balance 2016**
	2015	2016	Var. (%)	Share in reg. exp. in %	2015	2016	Var. (%)	Share in reg. imp. in %	
SOUTH AMERICA AND MEXICO	**5'845.0**	**5'457.0**	**-6.6**	**90.0**	**9'869.0**	**10'307.5**	**4.4**	**93.5**	**-4'850.5**
Brazil	2'049.4	1'910.7	-6.8	31.5	1'430.1	1'219.1	-14.8	11.1	691.6
Mexico	1'445.9	1'344.9	-7.0	22.2	1'690.0	968.3	-42.7	8.8	376.7
Argentina	841.4	664.3	-21.0	11.0	1'209.2	1'130.9	-6.5	10.3	-466.5
Colombia	434.1	468.9	8.0	7.7	575.8	513.4	-10.8	4.7	-44.5
Chile	256.1	287.6	12.3	4.7	558.4	517.3	-7.4	4.7	-229.7
Uruguay	244.0	239.1	-2.0	3.9	97.7	71.3	-27.0	0.6	167.9
Venezuela	278.7	182.3	-34.6	3.0	857.1	2'855.9	233.2	25.9	-2'673.6
Peru	150.9	163.9	8.6	2.7	2'962.8	2'412.7	-18.6	21.9	-2'248.8
Ecuador	103.5	139.2	34.5	2.3	114.4	88.7	-22.5	0.8	50.6
Bolivia	14.8	33.3	124.9	0.5	16.1	9.4	-41.7	0.1	24.0
Paraguay	22.5	19.7	-12.6	0.3	14.3	18.0	25.8	0.2	1.7
Suriname	1.7	1.9	11.4	0.0	343.1	474.6	38.3	4.3	-472.8
Guyana	1.9	1.2	-38.2	0.0	0.1	28.1	31'133.3	0.3	-26.9
CENTRAL AMERICA	**371.9**	**465.6**	**25.2**	**7.7**	**289.3**	**326.2**	**12.8**	**3.0**	**139.4**
Panama	216.0	226.4	4.8	3.7	101.7	99.9	-1.7	0.9	126.5
Costa Rica	84.2	171.1	103.2	2.8	104.2	102.0	-2.1	0.9	69.1
Guatemala	28.1	32.7	16.5	0.5	46.9	45.0	-3.9	0.4	-12.3
Honduras	13.0	13.7	5.6	0.2	23.1	21.8	-5.6	0.2	-8.1
El Salvador	18.4	13.4	-27.0	0.2	1.9	1.9	0.0	0.0	11.5
Nicaragua	9.2	5.0	-45.8	0.1	11.2	54.4	384.1	0.5	-49.4
Belize	3.0	3.3	10.0	0.1	0.5	1.2	157.8	0.0	2.1

Source: Federal Customs Administration, Bern.

Table A.1. (cont.) **Switzerland – Latin America: Merchandise Exports and Imports by Trading Partner, 2015 – 2016**
(Millions of Swiss francs and percentage)

	Exports				Imports				Trade balance 2016
	2015	2016	Var. (%)	Share in reg. exp. in %	2015	2016	Var. (%)	Share in reg. imp. in %	
CARIBBEAN	**175.4**	**143.8**	**-18.1**	**2.4**	**175.4**	**391.7**	**123.3**	**3.6**	**-247.9**
Bahamas	84.6	37.5	-55.7	0.6	56.6	0.7	-98.8	0.0	36.8
Dominican Republic	24.4	28.3	15.9	0.5	76.9	344.0	347.3	3.1	-315.8
St. Vincent	10.2	19.2	88.5	0.3	0.9	4.2	390.7	0.0	14.9
Cuba	21.4	17.6	-17.7	0.3	31.2	34.2	9.4	0.3	-16.5
Jamaica	11.1	12.7	13.9	0.2	2.3	3.1	33.0	0.0	9.6
Trinidad & Tobago	6.6	11.5	73.5	0.2	1.6	0.6	-61.3	0.0	10.9
Barbados	5.9	5.9	0.0	0.1	1.1	0.8	-30.9	0.0	5.2
St. Lucia	3.5	3.5	0.0	0.1	0.1	0.0	-100.0	0.0	3.5
Haiti	3.0	2.7	-10.9	0.0	3.2	3.9	24.4	0.0	-1.2
Antigua	2.4	2.3	-3.8	0.0	0.1	0.1	0.0	0.0	2.2
St. Kitts and Nevis	2.0	1.6	-17.4	0.0	0.1	0.0	-100.0	0.0	1.6
Grenada	0.2	0.6	200.0	0.0	1.5	0.1	-95.2	0.0	0.6
Dominica	0.2	0.5	150.0	0.0	0.0	0.0	0.0	0.0	0.5
TOTAL LATIN AMERICA	**6'392.4**	**6'066.4**	**-5.1**	**100.0**	**10'333.6**	**11'025.4**	**6.7**	**100.0**	**-4'959.0**
COMPARATIVE NUMBERS				Share of total Swiss exp. in %				Share of total Swiss imp. in %	
Asia	90'013.5	83'997.5	-6.7	28.1	33'033.9	45'919.1	39.0	17.4	38'078.4
Asia: Emerging countries	41'376.9	33'228.1	-19.7	11.1	9'658.5	19'672.3	103.7	7.4	13'555.7
Africa	3'350.2	3'385.9	1.1	1.1	7'918.2	9'008.4	13.8	3.4	-5'622.5
TOTAL SWISS FOREIGN TRADE	**279'154.8**	**298'547.4**	**6.9**	**100.0**	**243'771.9**	**264'166.2**	**8.4**	**100.0**	**34'381.1**

Source: Federal Customs Administration, Bern.

Table A.2. Switzerland – Latin America: Merchandise Exports and Imports 1965 – 2016
(Millions of Swiss francs and percentage)

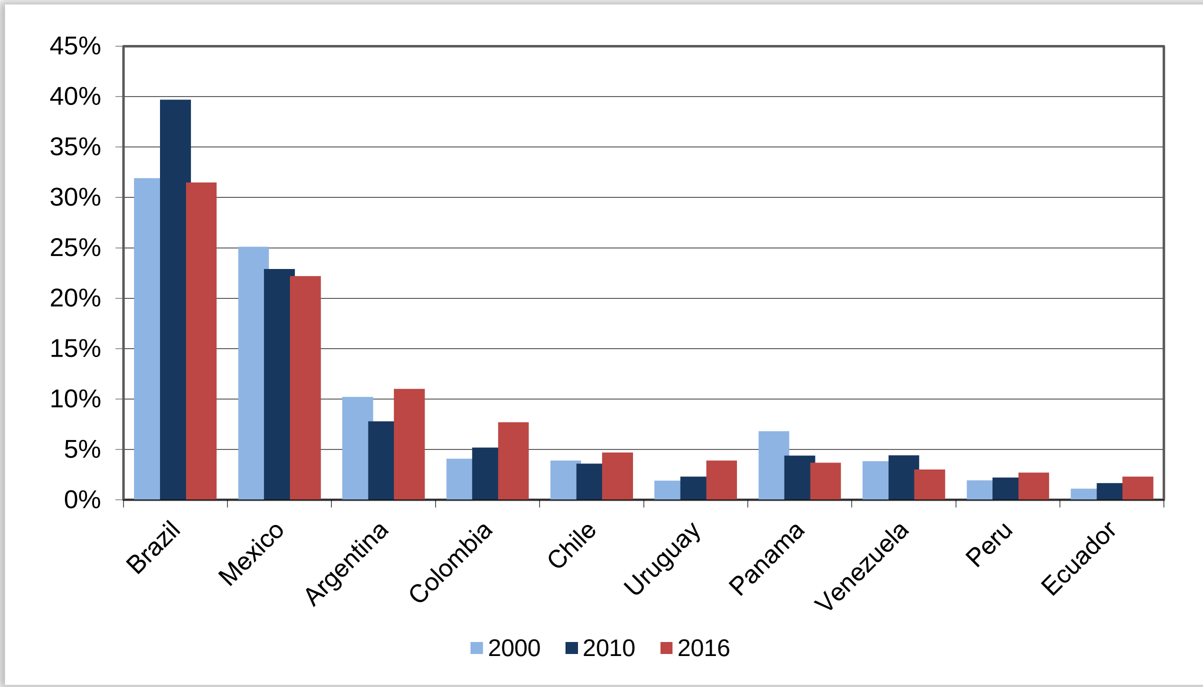
	Exports	Imports	Balance	Share of Latin America in total Swiss trade (%)	
				Exports	Imports
1965	762	385	377	5.9	2.4
1970	1'286	634	652	5.9	2.3
1975	1'847	696	1'151	5.5	2.1
1980	2'100	1'063	1'037	4.4	1.9
1985	2'242	1'260	982	3.3	1.8
1990	2'082	1'995	87	2.4	2.1
1991	2'346	1'893	453	2.7	2.0
1992	2'666	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	-3'752	2.1	3.6
2014	6'714	9'837	-3'123	2.4	3.9
2015	6'392	10'034	-3'642	2.3	4.1
2016	6'066	11'025	-4'959	2.0	4.2

Source: Swiss Federal Customs Administration, Bern.
* Following a decision of the Federal Council, the Federal Customs Administration includes gold, silver and coins with retroactive effect from 2012 in the trade statistics.

Table A.3. Switzerland – Latin America: Major Merchandise Export Markets 1990 – 2016
(Millions of Swiss francs and percentage)

	1990	2000	2010	2015	2016	Var. in % 2016/2015	Share in % 2016
Brazil	536	1'262	2317	2049	1911	-6.8	31.5
Mexico	458	992	1338	1446	1345	-7.0	22.2
Argentina	177	405	455	841	664	-21.0	11.0
Colombia	154	164	303	434	469	8.0	7.7
Chile	104	150	206	256	288	12.3	4.7
Uruguay	31	74	136	244	239	-2.0	3.9
Panama	135	270	259	216	226	4.8	3.7
Venezuela	117	147	255	279	182	-34.6	3.0
Peru	61	74	128	151	164	8.6	2.7
Ecuador	65	43	95	104	139	34.5	2.3
Others	244	379	346	372	439	17.9	7.2
Total	**2'082**	**3'960**	**5'838**	**6'392**	**6'066**	**-5.1**	**100.0**

Figure A.1. Switzerland – Latin America: Share of Merchandise Exports by Major Partner in Total Merchandise, 2000 – 2016
(Percentage of total Swiss exports to Latin America)

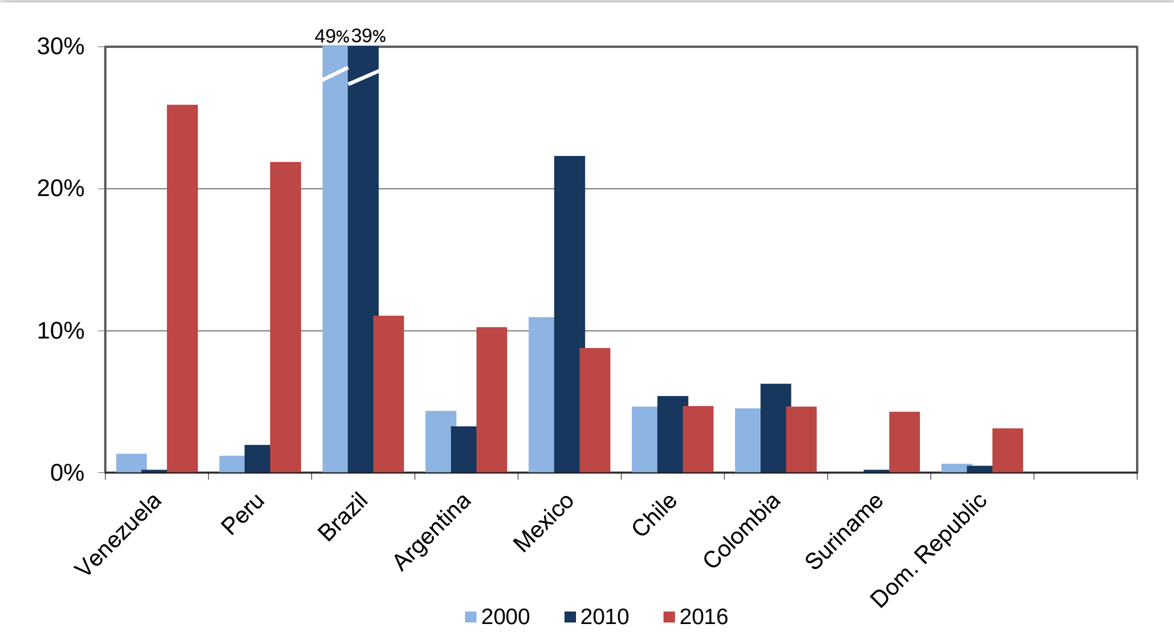


Source: Swiss Federal Customs Administration, Bern.

Table A.4. Switzerland – Latin America: Major Merchandise Import Markets 1990 – 2016
(Millions of Swiss francs and percentage)

	1990	2000	2010	2015	2016	Var. in % 2016/2015	Share in % 2016
Venezuela	28	23	4	857	2'856	233.2	25.9
Peru	29	21	43	2'963	2'413	-18.6	21.9
Brazil	345	856	849	1'430	1'219	-14.8	11.1
Argentina	118	76	72	1'209	1'131	-6.5	10.3
Mexico	54	191	491	1'690	968	-42.7	8.8
Chile	36	81	56	558	517	-7.4	4.7
Colombia	71	79	138	576	513	-10.8	4.7
Suriname	0	0	5	343	475	38.3	4.3
Dom. Republic	2	11	11	77	344	347.3	3.1
Costa Rica	48	60	62	104	102	-2.1	0.9
Others	1'265	344	271	526	487	-7.4	4.4
Total	**1'995**	**1'742**	**2'202**	**10'334**	**11'025**	**6.7**	**100.0**

Figure A.2. Switzerland – Latin America: Share of Merchandise Imports by Major Partner in Total Merchandise, 2000 – 2016
(Percentage of total Swiss imports from Latin America)



Source: Swiss Federal Customs Administration, Bern.

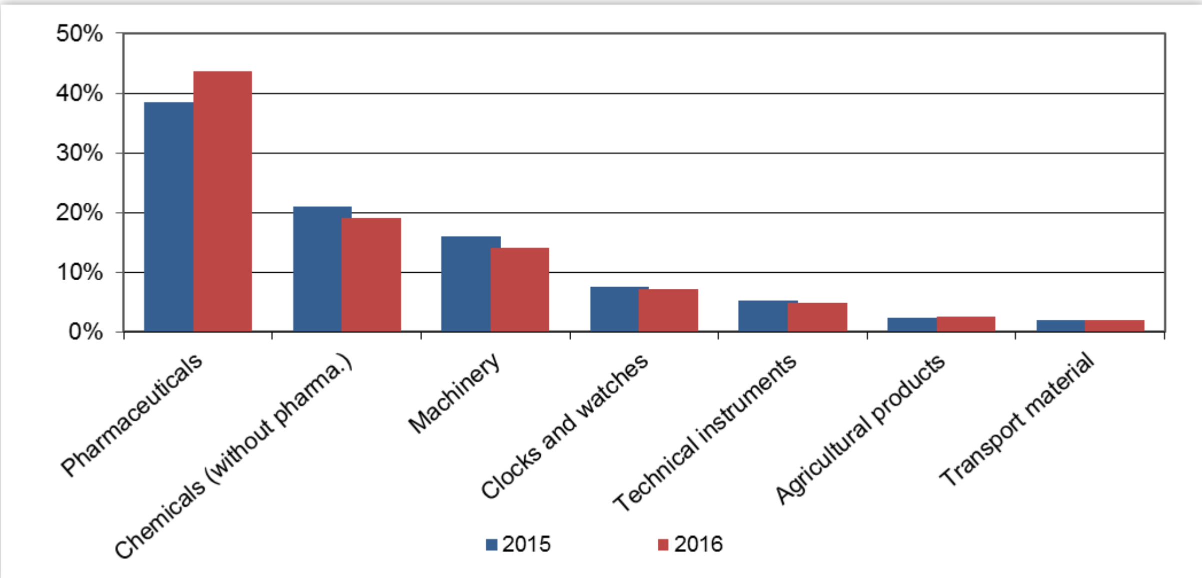
Table A.5. Switzerland – Latin America: Merchandise Exports by Product Group 2000 – 2016

(Millions of Swiss francs and percentage)

	Chapters of the Harmonized System	Value 2000	2015	2016	Var. in % 2016/2015	Share in % 2016
1-24	Agricultural products	52.0	146.6	159.2	8.6	2.6
25-26	Mineral products	0.7	4.0	1.7	-57.5	0.0
27	Mineral fuels	13.0	1.3	1.2	-7.7	0.0
28-38	Chemicals (without pharma.)	976.7	1'346.1	1'152.6	-14.4	19.0
30	Pharmaceuticals	872.2	2'458.0	2'642.1	7.5	43.6
39-40	Plastic, rubber	54.4	71.0	67.5	-4.9	1.1
41-43	Skins, leather and art.	3.0	2.9	2.5	-13.8	0.0
44-46	Wood	1.6	5.2	4.9	-5.8	0.1
47-49	Paper	25.6	31.9	16.6	-48.0	0.3
50-63	Textiles, clothing	34.0	16.1	15.6	-3.1	0.3
64-67	Shoes, umbrellas, ...	2.4	2.5	2.0	-20.0	0.0
68-70	Stone, glass, ceramic art.	31.6	26.8	25.9	-3.4	0.4
71	Precious metals and jewelry	98.3	50.7	61.8	21.9	1.0
72-83	Metals and art. thereof	101.8	126.0	117.3	-6.9	1.9
84-85	Machinery	1'089.4	1'026.4	848.0	-17.4	14.0
86-89	Transport material	95.2	120.9	118.9	-1.7	2.0
90+92	Technical instruments, ...	168.9	329.5	298.3	-9.5	4.9
91	Clocks and watches	318.0	476.2	428.5	-10.0	7.1
93	Weapons and ammunition	1.3	1.1	1.5	36.4	0.0
94	Furniture, ...	6.8	5.7	4.0	-29.8	0.1
95-97	Toys, sport articles, ...	13.3	21.9	10.7	-51.1	0.2
	Others	-	121.6	85.6	-29.6	1.4
Total Swiss exports: Latin America		**3'960.2**	**6'392.4**	**6'066.4**	**-5.1**	**100.0**
Total Swiss exports: World		136'014.9	279'211.4	298'547.4	6.9	---

Figure A.3. Switzerland – Latin America: Merchandise Exports by Major Product Group, 2015 – 2016

(Percentage of total Swiss exports to Latin America)



Source: Swiss Federal Customs Administration. Bern.

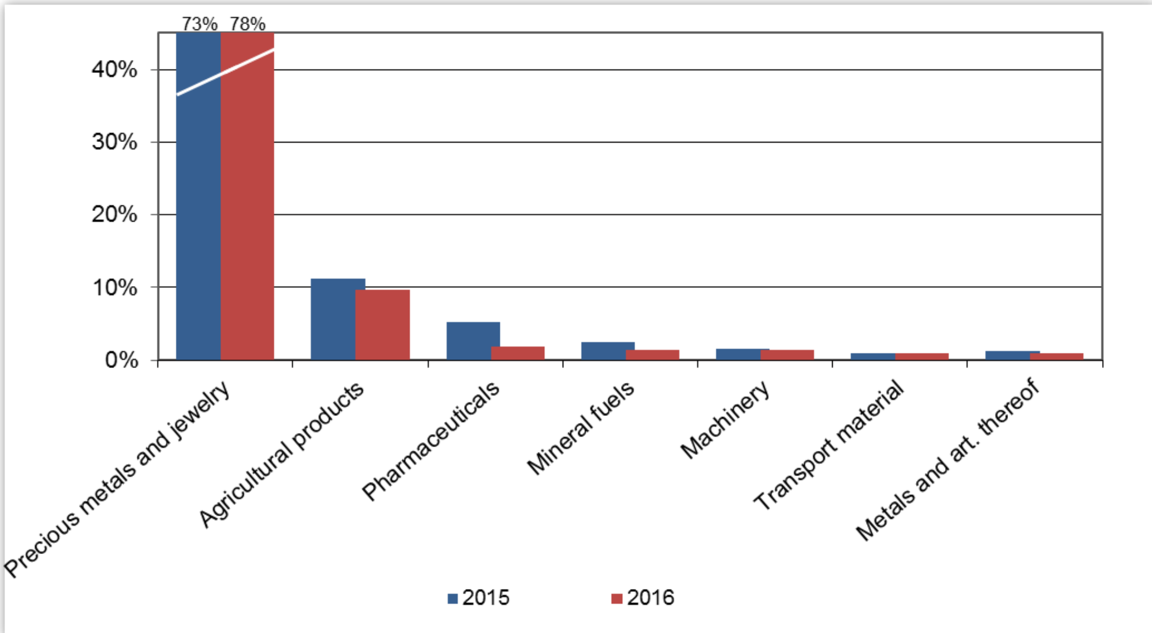
Table A.6. Switzerland – Latin America: Merchandise Imports by Product Group 2000 – 2016

(Millions of Swiss francs and percentage)

Chapters of the Harmonized System		Value 2000	2015	2016	Var. in % 2016/2015	Share in % 2016
1-24	Agricultural products	670.3	1'163.9	1'074.2	-7.7	9.7
25-26	Mineral products	2.5	1.2	0.7	-41.7	0.0
27	Mineral fuels	0.4	251.7	151.3	-39.9	1.4
28-38	Chemicals (without pharma.)	178.2	105.4	84.2	-20.1	0.8
30	Pharmaceuticals	11.6	543.9	199.8	-63.3	1.8
39-40	Plastic, rubber	6.3	13.9	14.9	7.2	0.1
41-43	Skins, leather and art.	4.5	5.4	5.6	3.7	0.1
44-46	Wood	1.5	6.5	4.8	-26.2	0.0
47-49	Paper	66.7	29.0	18.7	-35.5	0.2
50-63	Textiles, clothing	17.1	17.5	19.9	13.7	0.2
64-67	Shoes, umbrellas, ...	3.5	7.6	7.5	-1.3	0.1
68-70	Stone, glass, ceramic art.	3.5	5.4	5.9	9.3	0.1
71	Precious metals and jewelry	70.4	7'515.9	8'557.5	13.9	77.6
72-83	Metals and art. thereof	191.5	127.5	97.8	-23.3	0.9
84-85	Machinery	39.7	160.8	154.9	-3.7	1.4
86-89	Transport material	400.2	100.4	106.1	5.7	1.0
90+92	Technical instruments, ...	5.5	82.9	95.3	15.0	0.9
91	Clocks and watches	5.7	17.0	24.1	41.8	0.2
93	Weapons and ammunition	0.2	0.8	0.7	-12.5	0.0
94	Furniture, ...	1.6	1.7	2.3	35.3	0.0
95-97	Toys, sport articles, ...	61.6	10.0	16.6	66.0	0.2
	Others	-	165.2	382.6	131.6	3.5
Total Swiss imports: Latin America		**1'742.5**	**10'333.6**	**11'025.4**	**6.7**	**100.0**
Total Swiss imports: World		139'402.2	243'771.9	264'166.2	8.4	---

Figure A.4. Switzerland – Latin America: Merchandise Imports by Major Product Group, 2015 – 2016

(Percentage of total Swiss imports from Latin America)



Source: Swiss Federal Customs Administration, Bern.

Table A.7. Switzerland – Latin America: Foreign Direct Investment by Major Partner 1993 – 2015
(Total FDI stock at year's end in millions of Swiss francs excluding offshore centers)

	1993	2000	2014	2015
Brazil	4'214	5'707	13'105	9'265
Mexico	1'872	4'377	7'646	7'411
Argentina	443	1'782	4'318	4'891
Uruguay	126	421	1'753	1'806
Venezuela	315	1'116	1'742	1'208
Colombia	414	1'092	1'037	827
Costa Rica	96	130	612	647
Peru	72	310	590	644
Ecuador	189	441	335	349
Guatemala	58	88	216	214
Bolivia	n.a.	31	66	72
Chile*	413	790	2'079	-1493
Others	n.a.	815	886	812
Total	**8'211**	**17'099**	**34'384**	**26'653**

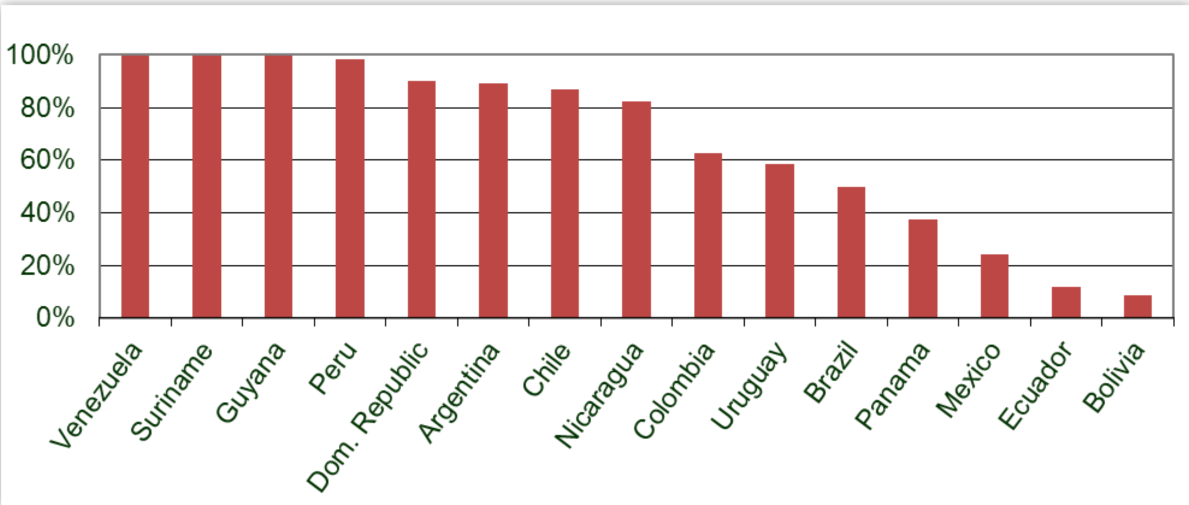
Source: Swiss National Bank, Zurich.
* The negative stock of Swiss direct investment in Chile is explained by the *directional principle* method used by the Swiss National Bank. This method, which adopts a net perspective, calculates Swiss direct investment abroad as the difference between assets and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

Table A.8. Switzerland – Latin America: Gold Imports by Major Partner in 2016
(Millions of Swiss francs)

	Gold Imports	Total Imports	Share of gold in total Imports (in %)
Venezuela	2'846	2'856	100%
Peru	2'376	2'413	98%
Argentina	1'011	1'131	89%
Brazil	606	1'219	50%
Suriname	474	475	100%
Chile	450	517	87%
Colombia	321	513	63%
Dominican Republic	311	344	90%
Mexico	236	968	24%
Nicaragua	45	54	82%
Uruguay	42	71	58%
Panama	37	100	37%
Guyana	28	28	100%
Ecuador	11	89	12%
Bolivia	1	9	8%

Source: Swiss Federal Customs Administration, Bern.

Figure A.5. Switzerland – Latin America: Share of Gold Imports by Major Partner 2016
(Percentage of total imports)



Source: Swiss Federal Customs Administration, Bern.

Table A.9. **Switzerland – Latin America: Major 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	declaration of intention: 06.07.1995; negotiations under way
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	22.12.1995
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

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:	Veronika Fischer
	E-mail:	vfischer@camarachilenosuiza.cl
	Website:	www.swisschile.cl

Colombia	**Cámara de Comercio Colombo-Suiza** Calle 98, No 15 – 17, Oficina 402 Bogotá, Colombia		
	Tel.: President: Executive Director:	+57 1 6018787 / 6017681 / 6017684 Oliver Buhl Silvia Gutierrez Díaz	
	E-mail: Website:	direccion@colsuizacam.com colsuizacam@colsuizacam.com 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.: Fax.: President: E-mail: Website:	+53 7 204 9020 +53 7 204 2029 Andreas Winkler andreas.winkler@swisscuban.org info@swisscuban.org www.swisscuban.org	
Dominican Republic	**Cámara de Comercio y Turismo Dominico-Suiza** Edificio Allison C./ Victor Garrido Puello#159. Apt. 2B Evaristo Morales, Zip 10147, Santo Domingo, República Dominicana		
	Tel.: Fax.: President: E-mail: Website:	+1-809-475-1721 +1 809 412 7828 Gaetan Bucher g.tahan@camaradominicosuiza.org www.camaradominicosuiza.org	
Mexico	**Asociación Empresarial Mexicano-Suiza, A.C.** Campos Eliseos 345, pisos 2, 3 y 11 Col. Chapultepec Polanco 11560 México, D.F.		
	Tel.: President: Secretary: E-mail: Website	+52 55 5279 5400 ext. 5040 Peter Pfenninger Marleen Van Outrive info@aems.mx www.aems.com.mx	
Paraguay	**Cámara de Comercio Paraguayo-Suiza** Avda. Aviadores del Chaco 2518 Asunción, Paraguay		
	Tel.: President: Executive Director: E-mail: Website	+595 21 688 56 99 Romeo Ruoss Roger Simas info@swisschampy.com http://swisschampy.com/	

Peru	**Cámara de Comercio Suiza en el Perú** Av. Salaverry 3240, Piso 4 Lima 27, Peru Tel.: +51 1 264 35 16 President: Leno Mulder 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: Gunther Rotzinger 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: vacant 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.: +55 11 3372-8200 Director: Philippe Praz E-mail: philippe.praz@eda.admin.ch Website: 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.: +55 21 3806 2141 CEO: Gioia Deucher E-mail: gioia@swissnexbrazil.org Website: www.swissnexbrazil.org

	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 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

Second Swiss-Peruvian Bilateral Economic Meeting on October 4th, 2016 in Lima

Front row: Hans-Ruedi Bortis, Swiss Ambassador in Peru; Augusto Morelli Salgado, Minister, Director of International Economic Negotiations, Ministry of Foreign Affairs of Peru; Philippe G. Nell, Minister, Head of Americas Unit, State Secretariat for Economic Affairs of Switzerland; Dr. Rubén Espinoza, General Director of Dirección de Medicamentos, Insumos y Drogas, Ministry of Health.

Source: Ministry of Economy and Finance of Peru.