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Source: OHCHR

Foreword

Dear Reader,

After a decade of significant economic expansion, Latin America currently faces a challenging situation. In 2015, growth was slightly negative for the first time in six years and should remain that way this year. For many countries, recent economic difficulties are linked to the end of the super cycle for commodities, which account for more than 50% of Latin American exports. Since mid-2014, the decline in prices has been particularly sharp in the energy sector, affecting oil-exporting countries the most. The report's special chapter on Latin America's dependence on commodities sheds light on this issue. It examines the economic importance of commodities and analyzes the impact of falling prices by looking at the commodity terms of trade as well as at the impact on government revenues and fiscal balance.

Last year's economic developments differed significantly across the continent. While Pacific Alliance countries (Chile, Colombia, Mexico and Peru) achieved growth between 2.3% and 2.5%, Brazil, Ecuador and Venezuela faced a recession. Central America continued on a sustained path with performances between 2.3% (El Salvador) and 6% (Panama). Trade with Switzerland was also affected by the overall weaker dynamic. While Swiss exports declined by 4.8%, imports from Latin America and the Caribbean increased by 1.7%, mainly due to important gold purchases.

In 2015, relations with Latin America made further progress in the fiscal and trade areas. First, Switzerland signed with Brazil a Tax Information Exchange Agreement. Second, a double taxation agreement came into force with Argentina in line with the current international standard on the exchange of information. Third, the EFTA States and Mercosur held a first round of exploratory talks in view of possible free trade negotiations. Fourth, the EFTA States signed with Guatemala a Protocol of Accession to the EFTA-Central America Free Trade Agreement and with Ecuador a Declaration on Cooperation with the aim to launch negotiations for a free trade agreement during the second semester of 2016.

This year's edition of the Switzerland - Latin America Economic Relations Report includes information on two Joint Economic Commissions with Brazil and Mexico and on an infrastructure mission led by Switzerland Global Enterprise. During the latter, business representatives and officials from Colombia and Peru met with Swiss firms, first in Switzerland and then in their countries. As in previous years, the report provides an updated synthesis of the trade and investment relations between Switzerland and Latin America. Emphasis is put on the latest developments benefiting from the expertise of our network of Embassies and Swiss Business Hubs.

We thank you for your interest in Swiss-Latin American economic relations.



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 2015. Chapter 2 elaborates on Latin America's dependence on commodities by presenting the relative importance of commodities in total trade, commodity terms of trade and the impact on government revenues and fiscal balance. Chapter 3 focuses on Swiss-Latin American relations in 2015 with the evolution of trade and investment flows, bilateral agreements, Latin American integration, SECO's economic development cooperation focusing on District Cooling in Colombia, official bilateral visits and an infrastructure mission in Switzerland, Colombia and Peru.

1. Economic situation in Latin America

Economic growth in Latin America and the Caribbean reached a six-year low in 2015 with an estimated average of -0.3% (2014: 1.3%; 2013: 2.9%). Lower commodity prices negatively affected investment, business and consumer spending. The region's average performance was significantly dampened by recessions in Venezuela (2015: -10%; 2014: -4%), Brazil (-3.8%; 0.1%) and Ecuador (-0.6%; 3.8%). Pacific Alliance countries featured higher growth with Colombia (2.5%; 4.6%), Peru (2.4%; 2.4%), Mexico (2.5%; 2.3%) and Chile (2.3%; 1.9%) expanding at a relatively stable pace. Central American and Caribbean countries typically grew as well, with expansion ranging from 6% in Panama to 1% in Barbados. Compared with South America, growth in most of these countries is less reliant on commodity exports and is fueled by trade with the USA.¹

At a projected USD 915 billion, the value of Latin American and Caribbean **exports** dropped by an estimated 14% in 2015. This represents the largest decline since the financial crisis. The decrease was particularly pronounced in Venezuela (-49%), Colombia (-35%), Bolivia (-32%) and Ecuador (-28%). Mexico, which accounts for 42% of Latin American exports, featured a 4% decline in spite of the recovering US economy. In 2015, exports grew only for El Salvador (6%) and Guatemala (2%).² The decline in exports can mainly be attributed to the fall in energy, food and metals prices, which reverberated throughout the region's commodity-exporting countries.

Government gross debt in Latin America and the Caribbean increased in 2015 and stands at an average of 55% of GDP.³ It is projected to reach 56% this year. Differences in debt levels are significant. In Central and South America, Belize (2015: 77%; 2016: 100%), Guyana (70%; 70%), Brazil (70%; 75%) and Uruguay (64%; 65%) stand at the high end, while Guatemala (25%; 26%), Paraguay (23%; 24%), Peru (22%; 25%) and Chile (18%; 20%) display the lowest debt-to-GDP ratios. In the Caribbean, the debt level is above the continental average for most governments. In 2015, the ratio exceeded 100% of GDP for Antigua and Barbuda, Barbados and Jamaica. However, favorable external conditions, such as the strengthening of the US economy and lower prices for energy-importing countries, offer some governments room for fiscal adjustment.⁴

¹ IMF, *World Economic Outlook Database*, October 2015a.

IMF, *World Economic Outlook Database*, Update, January 2016, p. 6.

² IDB, *Latin American Trade Trend Estimates 2016*, pp. 1, 6.

³ IMF, *op. cit.*, 2015a. General government gross debt, percent of GDP, estimates.

⁴ IMF, *Regional Economic Outlook: Western Hemisphere*, October 2015b, p. 34.

Average **inflation** in the region rose to an estimated 11.2% in 2015. While Venezuela and Argentina stood above average, other countries' inflation ranged from 8.9% in Brazil to -1.2% in El Salvador. Still, price increases in major Latin American economies were above or near central banks' targets, which limits the potential for further monetary easing. Inflation in Central American and Caribbean countries was significantly lower than the average for the region as a whole.⁵

Most of the region's **currencies** fell against the strengthening U.S. dollar (USD). LACI, an index compiled by Bloomberg and JP Morgan that tracks the value of Latin America's six main currencies⁶, fell by 23.1% against the USD in 2015. For non-dollarized economies, flexible exchange rates can act as an automatic stabilizer. For example, in commodity-exporting countries, a depreciating currency can cushion the effect of lower world-market prices on domestic revenues. The increase of the US Federal Reserve policy interest rate, currency depreciation along with above-target inflation put pressure on central banks to increase interest rates.⁷ Major Latin American economies, such as Argentina, Brazil, Chile, Colombia and Peru undertook **monetary-tightening measures** in 2015.

Estimates of the Latin American and Caribbean average **current account** deficit evolved from 3% of GDP in 2014 to 3.3% in 2015 and should fall back to 3% in 2016. In 2015, all South American countries featured a deficit. Chile (-0.7% of GDP), Argentina (-1.6%) and Paraguay (-1.95%) stood at the low end, and Guyana (-14.9%), Suriname (-9.4%) and Colombia at the high end (-6.2%). Venezuela displayed the most important drop (2015: -3%; 2014: 5.3%).⁸ Although there is a significant degree of heterogeneity across countries, the deterioration of the current account across the region reflects the slowdown in trade and the decrease of commodity prices.⁹

In 2014, **foreign direct investment** (FDI) flows to Latin America and the Caribbean¹⁰ decreased for the first time in the last five years to an estimated USD 159 billion. This represents a drop of 14.4% compared with the previous year. A fall in cross-border mergers and acquisitions as well as weaker mining investment led to slowing inflows across the region. Among the large FDI recipients, Mexico experienced a particularly strong decrease with FDI down by 48.9%, whereas Brazil's FDI inflows were quite stable at USD 62.5 billion (down by 2.3% against the previous year).¹¹

Economic performance in 2016 will continue to be strongly influenced by external factors, namely lower commodity prices and slower Chinese growth. External financing conditions are expected to tighten, as the US Federal Reserve is likely to further raise interest rates over the course of the year.¹² Average real GDP growth in the region is **forecast** to remain at -0.3% in 2016.¹³

⁵ IMF, *op. cit.*, 2015a. Inflation, average consumer prices.

⁶ <http://www.bloomberg.com/quote/LACI:IND>. The currencies included in this weighted index are the Argentine peso, Brazilian real, Chilean peso, Colombian peso, Mexican peso and the Peruvian sol.

⁷ The Economist Intelligence Unit, *Growth in an uncertain global environment: The outlook for Latin America*, 2015, p. 4.

⁸ IMF, *op. cit.*, 2015a.

⁹ OECD, *Latin American Economic Outlook 2016*, December 2015, p. 53.

¹⁰ Excluding offshore financial centers.

¹¹ UNCTAD, *Regional Fact Sheets 2015, Regional Trends: Latin America and the Caribbean*, June 2015. and UNCTAD, *Global Investment Trend Monitor*, n. 18, January 2015 .

¹² IMF, *op. cit.*, 2015b, p.18.

¹³ IMF, *op. cit.*, 2016, p. 6.

2. Latin America's dependence on commodities: Facts, developments and perspectives

Latin America is a vast territory well-endowed with natural resources. In 2014, 54.3% of its exports were commodities.¹⁴ This sector is key in most economies, attracts significant foreign direct investments and represents a prominent share of fiscal revenues. Most of Latin American countries highly benefited from the 2000s natural resources price increase. However, prices have been decreasing since mid-2011, carrying economic difficulties for commodity dependent countries.

This chapter analyzes the importance and the implications of Latin America's dependence on commodities. First, it addresses the characteristics and the evolution of world commodity markets, second, the degree of Latin America's dependence on commodities, and third, the effects of the current price drop on major Latin American economies.

2.1. The evolution of world commodity markets

Over the last decade, commodity markets featured strong price volatility. Commodity prices are determined in international markets and influence both government revenues and overall business activity. As a result, a good knowledge of the determinants of these prices is key to understand Latin America's growth potential and cycles. This section starts by presenting world commodities markets' defining characteristics and historical trends before analyzing their current evolution.

2.1.1. Commodity markets structure and historical trends

The current situation reflects the distinctiveness of the commodity markets' structure. Primary goods differ from classic manufactured goods along several dimensions. First, most primary goods are highly homogenous. Second, commodity supply and demand are typically inelastic in the short term. Produced and consumed quantities are slow to respond to supply and demand shocks, while prices adjust quickly to clear their respective market.¹⁵ On the supply side, there can be a significant time lag between the decision of increasing production and the production itself. In the agricultural sector, farmers need to extend their fields and plant new crops. In the metal and energy industries, producers have to explore potential sites and build production facilities. On the demand side, consumers' basic needs are reliant on specific primary goods (basic food, fuel) and changing consumption patterns can take time. Third, commodity prices are highly dependent on international conditions such as business cycles in major economies, weather and conflict in producing countries, price speculation, export and production policies and exchange rate fluctuations.¹⁶ As a result, this sector has an important potential for price volatility.

¹⁴ UNCTADSTAT, December 2015.

Latin American countries: includes all countries in the category "South America and Central America": Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Falkland Islands, Guatemala, Guyana, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Uruguay and Venezuela.

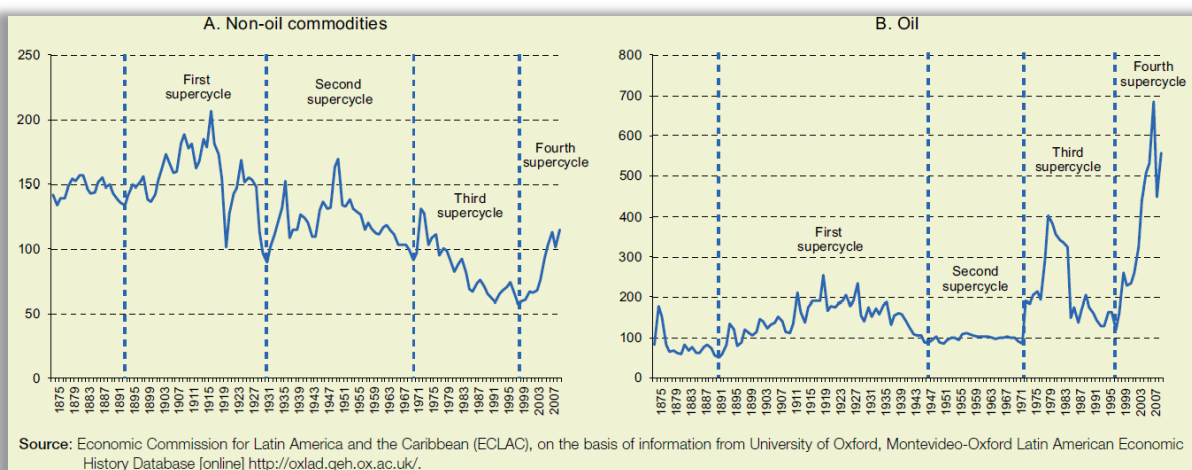
Commodity products: includes all items from the list "Primary commodities, precious stones and non-monetary gold". This list is used throughout the chapter when referring to commodity products.

¹⁵ Dwyer, A., Gardner, S. & Williams, T. "Global Commodity Markets – Price Volatility and Financialization", *Bulletin Reserve Bank of Australia*: June Quarter 2011, p. 51.

¹⁶ OECD, "Competition and Commodity Price Volatility", *OECD Background Note*, 2012.

Historically, price volatility has been a consistent feature of commodity markets. Figure 1 shows the evolution of real commodity prices from 1875 until 2010 and sorts its evolution in four “super-cycles”.¹⁷

Figure 1. Real Commodity Prices, 1875 – 2010
(Annual indices, 1970=100)



Concerning the non-oil commodities, we see that the first and third cycles feature a downward trend, while the second one is characterized by a relatively steady trend. There is also significant evidence of yearly price fluctuations during all cycles. Concerning the oil sector, the general trend is more flat over the first three cycles. While low during the second cycle, yearly variations are significant during the first and the third cycles. Concerning the fourth cycle, it is still uncertain how the situation will develop for both oil and non-oil commodities.

2.2.2. Current situation

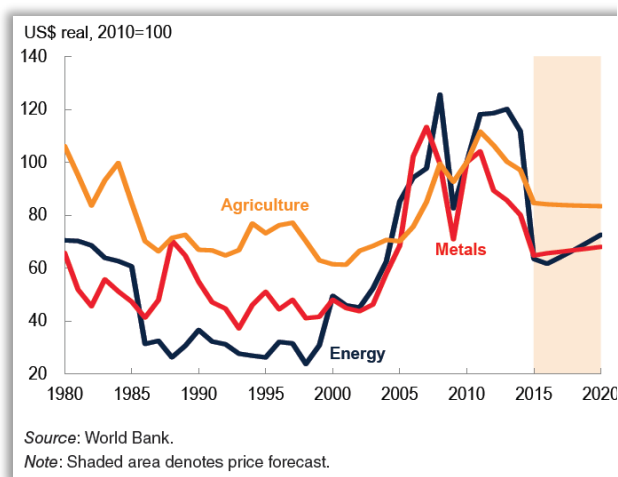
Over the past decade, commodity prices showed important fluctuations. After growing throughout the 2000s, prices fell at the time of the 2008 financial crisis and recovered swiftly during the 2009 - 2011 period. Since 2011, commodity prices have dropped sharply. The drop, unanticipated or underestimated by most experts, contrasts with the 2009 - 2011 swift recover. As shown in Figure 2 and Table 1, between 2011 and 2015, the World Bank estimated a nominal price decrease of 24.6% in agriculture, 37.2% in metals and 43.4% in energy.¹⁸ Among all commodities, crude oil prices shrunk the most, with a nominal reduction forecasted at 45.2% between 2011 and 2015. Furthermore, the decline in price has been particularly severe since mid-2014, especially in the energy sector. In real terms, prices decreased in similar proportions, as displayed in the right panel. However, it is worth noting that the real price level is currently higher than throughout the 1990s, especially in the energy sector.

¹⁷ ECLAC, *Latin America and the Caribbean in the World Economy*, 2012, p. 57.

¹⁸ Source Figure 2 and Table 1: World Bank, *Commodity Markets Outlook*, October 2015.

Figure 2. Commodity price indices, monthly (Jan. 2011 – Sep. 2015) and annual (1980 – 2020)

Commodity price indices, annual



Commodity price indices, monthly

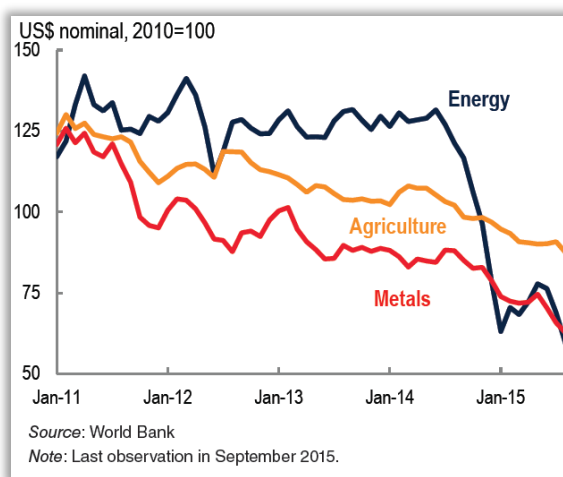


Table 1. Nominal price indices for selected commodities, actual and forecasts 2011 – 2016 (2010 = 100)

	Price Indices (2010=100)						Change (%)		Revision ²	
	2011	2012	2013	2014	2015F ¹	2016F ¹	2014-15	2015-16	2015F	2016F
Energy	129	128	127	118	67	66	-43.3	-1.7	-5.4	-11.0
Non-Energy³	120	110	102	97	83	84	-14.4	1.2	-2.2	-2.5
Metals	113	96	91	85	68	69	-19.2	1.1	-2.2	-3.7
Agriculture	122	114	106	103	89	91	-13.0	1.3	-2.3	-2.0
Food	123	124	116	107	91	92	-15.2	1.5	-3.2	-2.9
Grains	138	141	128	104	89	91	-14.5	2.0	-5.3	-4.9
Oils and meals	121	126	116	109	86	88	-21.5	2.3	-3.7	-3.5
Other food	111	107	104	108	100	100	-7.5	0.2	-0.5	-0.5
Beverages	116	93	83	102	93	92	-8.7	-0.8	-0.5	-0.2
Raw Materials	122	101	95	92	84	85	-9.0	2.0	-0.9	-1.0
Fertilizers	143	138	114	100	95	95	-5.0	-0.5	0.0	0.0
Precious Metals³	136	138	115	101	92	91	-9.2	-1.1	0.2	0.1
Memorandum items										
Crude oil (\$/bbl)	104	105	104	96	52	51	-45.5	-2.1	-5.0	-9.8
Gold (\$/toz)	1,569	1,670	1,411	1,266	1,175	1,156	-7.2	-1.6	0.0	0.2

Source: World Bank.
Notes: (1) "F" denotes forecast. (2) "Revision" denotes change to the forecast from the July report in percentage points. (3) The Non-Energy price index excludes precious metals.

Economic fundamentals appear to be the main cause behind the 2009 - early 2011 price boom and the current drop.

Global commodity demand is a key determinant of prices. Increasing demand and optimistic growth forecasts, especially concerning emerging economies, fueled the latest price boom. As of 2011, global commodity demand showed signs of fatigue and slowed down, creating downward pressure on prices.

Among global actors, China played a key role in this evolution. China is one of the most important commodity importer worldwide. In 2013, its import share of total global commodity import represented 64% of iron ore, 49% of oil seeds, 47% of nickel, 36% of copper and 30% of aluminum.¹⁹ Over the last decade, China featured high economic growth driven by energy- and mineral-intensive industries. However, China's growth has been slowing down over the past years. Its real GDP growth declined from 10.6% in 2010 to an average of 7.6% between 2012 and 2014.²⁰ In addition, China's changing economic structure is increasingly less demanding in industry-related commodities. This significantly reduced global commodity demand.

On the supply side, the evolution of the global production also contributed to the current price drop. Optimistic forecasts and growing demand throughout the 2000s and during the recovery period after the financial crisis triggered increases in commodity investments and production. However, by the time most of the new production reached the market, producers were facing a considerably lower demand. This resulted in oversupply and accentuated the decrease in prices.

Several other factors played a role in the recent price evolution. In developed countries, expansionary monetary policies following the 2008 financial crisis sustained commodity demand by injecting liquidity into the market.²¹ Moreover, the increasing use of commodity trade derivatives in the financial industry, especially after the 2008 crisis, is regularly evoked as an additional factor of price volatility.²²

2.2. Latin America's dependence on commodities

Although the commodity sector is a key driver of Latin America's economic growth, an over-reliance on this sector can bear negative effects. For many commodity-producing countries, natural resources are a significant but unstable income source for governments, companies and investors. Moreover, the high revenues arising from natural resources exploitation may reduce interest to stimulate economic diversity and productivity. In addition, substantial commodity exports can drive up a country's currency and hurt other exporting industries. A phenomenon known as the "Dutch disease". In order to better assess these risks, this section intends to measure the degree of Latin America's dependence on commodities.

Due to the complex structure of commodity markets, exactly quantifying the extent of commodity dependence is a challenging task. However, we can use key indicators in order to have an overall view of the situation at the country level.

We focus on three indicators that are based on commodity exports: the share of commodity exports in the country's Gross Domestic Product (GDP), the share of commodity exports in the country's total exports and the share of the three most important commodities in the country's total commodity exports. The sample includes 11 Latin American countries: Argentina, Bolivia,

¹⁹ UNCTAD, *Global Commodities Forum 2015 Report*, p. 17.

²⁰ IMF, *op. cit.*, 2015a.

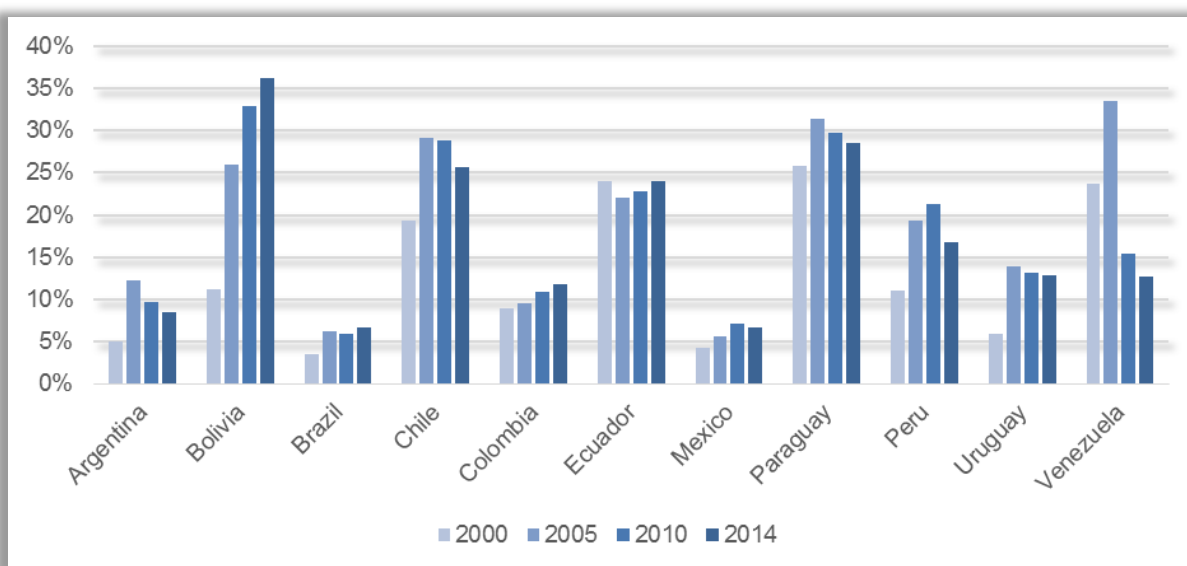
²¹ See UNCTAD, *Global Commodities Forum 2015 Report*, p.18, or Anzuini, Alessio, Marco J. Lombardi, and Patrizio Pagano. "The impact of monetary policy shocks on commodity prices." *Bank of Italy Temi di Discussione Working Paper* 851 (2012). The later source inquires the effect of US monetary policy on commodity prices using vector autoregressive (VAR) estimations. The results indicate that the effect of monetary policy shocks on commodity prices is statistically significant and weak.

²² See Haniotis, T. & Baffes, J. "Placing the 2006/08 Commodity Price Boom into Perspective." *World Bank Policy Research Working Papers*, August 2010: or Cheng, I.-H. & Xiong, W. "Financialization of Commodity Markets" *Annual Review of Financial Economics*. 6:419-41 (2014).

Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela. Exports and GDP are valued in nominal USD.

Figure 3 provides evidence on the importance of the commodity sector for overall economic activity. Although each country has different economic policies and tax structures, it is also a good indicator of the importance of the commodity sector for government revenues. The higher the ratio, the more dependent are country revenues on this sector.

Figure 3. Share of commodity exports in GDP, 2000 – 2014
(nominal USD)²³



Source: UNCTADstat, own presentation.

Between 2000 and 2014, the ratio has increased for all countries except Ecuador and Venezuela. Concerning Brazil, Colombia and Mexico, the ratio has been relatively stable over time. Bolivia features a significant increase, from 11% in 2000 to 36% in 2014. Due to their size, the share is lower for the three largest economies: Argentina, Brazil and Mexico. Overall, the ratio is fairly high, averaging 17% in 2014 for the countries listed above.

Since exports and GDP are measured in nominal USD, inflation and exchange rate fluctuations may have a significant impact on the share of exports in GDP.

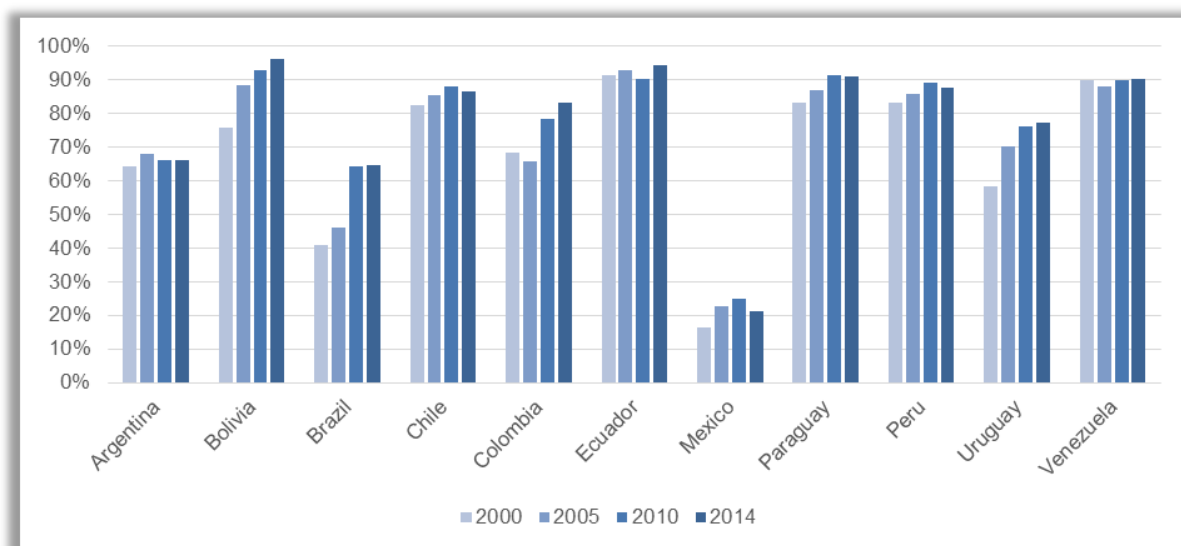
For example, Venezuela’s share has dropped from 24% in 2000 to 13% in 2014. This can be explained by two factors. First, Venezuela’s soaring inflation is strongly affecting the ratio by artificially inflating the nominal GDP with no major exchange rate devaluation. Venezuela’s average inflation rate reached 21% in 2012 and rose to 40.6% in 2013 and 62.2% in 2014. The IMF forecasts an inflation rate of 159% in 2015 and 204.1% in 2016.²⁴ Second, falling oil prices also created downward pressure on the ratio. In September 2015, prices of Venezuelan oil exports slightly exceeded USD 40/barrel, while they were close to USD 90/barrel a year earlier.

²³ Data source: UNCTADSTAT, December 2015. Commodity products are based on the category “Primary commodities, precious stones and non-monetary gold”.

²⁴ IMF, *op. cit.*, 2015a.

In order to have a more precise view of commodity dependence, Figure 4 displays the share of commodity exports in total exports. This ratio provides additional evidence on the degree of diversification of the economy. It is also a warning sign of potential “Dutch disease” issues. The higher the ratio, the more likely commodity exports are to affect domestic exchange rates and the less diverse the economy.

Figure 4. Share of commodity exports in total exports, 2000 – 2014
(nominal USD)²⁵



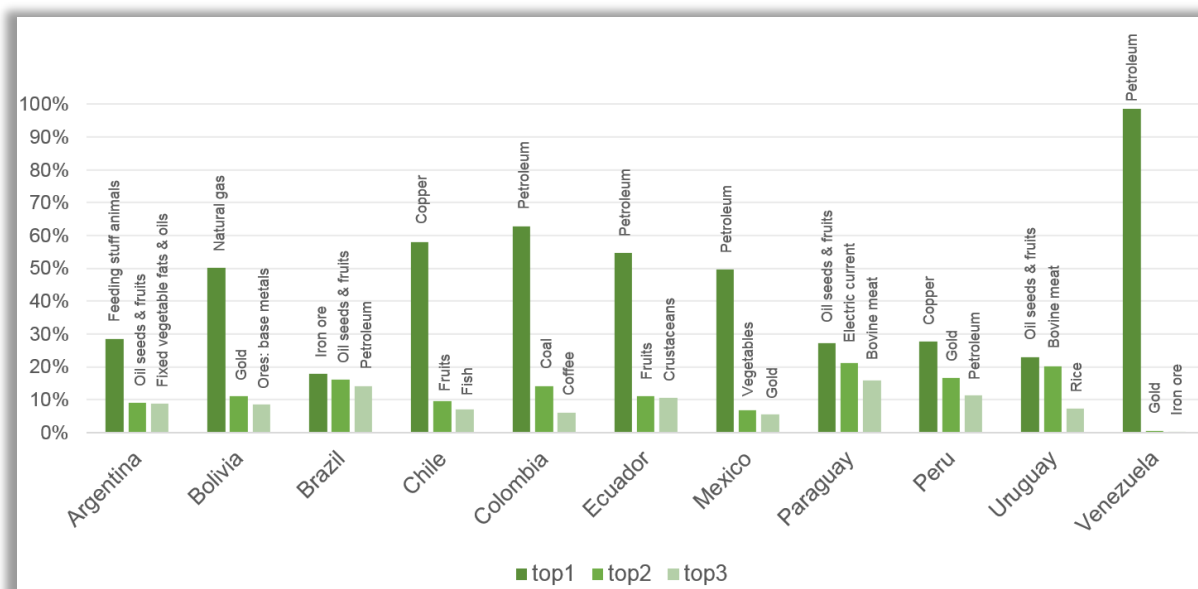
Source: UNCTADstat, own presentation.

In 2014, aside of Mexico, whose share reaches 21%, the commodity sector is by far the most important export sector of the featured countries. It has maintained or increased its position since 2000 in all countries. In 2014, the ratio exceeded 80% for Bolivia, Chile, Colombia, Ecuador, Paraguay, Peru and Venezuela. Brazil and Colombia feature the most significant increase between 2005 and 2014.

In the interest of gaining further insight on the export structure, Figure 5 shows the share of the top three exported commodities in total commodity export in 2014. This indicator provides additional evidence on the state of a country’s economic diversification and commodity dependence. It illustrates which sectors are dominant in each country and to which extent. The higher the share, the more dependent the country on price fluctuations and the more vulnerable it is in case of price decline.

²⁵ Data source: UNCTADSTAT, *op. cit.*, December 2015.

Figure 5. Share of top three commodity exports in total commodity exports, 2014
(nominal USD)²⁶



Source: UNCTADstat, own presentation.

The ratio varies across countries. Brazil commodities exports are the most balanced with iron ore (18%), oil seeds and oleaginous fruits (16%) and oil (14%). Argentina and Uruguay also have a relatively diverse commodity export base, although composed exclusively of agricultural products. Concerning the mining sector, the histogram illustrates the dependence of Chile on copper (58% of commodity exports) and of Peru on copper (28%) and gold (17%). Turning to the energy sector, natural gas represents half of Bolivian commodity exports. Concerning Mexico, Ecuador, Colombia and Venezuela, oil accounts for respectively 50%, 55%, 63% and 99% of commodity exports.

2.3. The impact of falling commodity prices

As many Latin American countries rely significantly on commodity exports for overall growth, the general drop in prices deteriorated the economic outlook. However, the impact was not uniform across countries. On the one hand, commodity importers benefited from low prices.²⁷ On the other hand, commodity prices did not drop homogeneously across sectors. For example, the price of beef remained higher in September 2015 than throughout 2011.²⁸

The following sections assess the impact of the latest commodity price bust on major Latin American economies. Results are based on the April 2015 International Monetary Fund (IMF) Regional Economic Outlook report.²⁹ We use two key indicators: the evolution of the commodity terms of trade and the impact of commodity price variation on governments' fiscal balance.

²⁶ Data source: Ibid. Product classification code:

Coal: [321], Coffee: [071], Copper: [682]+[283], Crustaceans: [036], Electric current: [351], Feeding stuff animals: [081], Fish: [034], Fixed vegetable fats & oils: [421]+[422], Fruits: [057]+[058]+[059], Gold: [971], Iron Ore: [281], Bovine meat: [011], Natural Gas: [343], Oil seeds & fruits: [222], Ores: base metal: [287], Petroleum: [333]+[334]+[335], Rice: [042], Vegetables: [054]+[056].

²⁷ IMF, *Regional Economic Outlook: Western Hemisphere*, April 2015, p. 43.

²⁸ IMF, *Commodity Market Monthly*, October 2015.

²⁹ IMF, *op. cit.*, Ch.3, April 2015.

2.3.1. Impact on commodity terms of trade

The commodity terms of trade (CTOT) measure the importance of commodity exports relative to commodity imports and are expressed as a percentage of GDP.³⁰ The CTOT capture the gains (losses) resulting from increasing (decreasing) export prices. A drop in export price reduces the export component of the CTOT and decreases the overall ratio, and vice versa for a drop in import prices (increase of the ratio). As a result, the CTOT is a useful tool to assess the economic impact of commodity market evolution. A deterioration of the CTOT is a source of concern for countries depending heavily on commodity exports. It indicates decreasing economic activity and government revenues. Not surprisingly, the development of most Latin American countries' CTOT is correlated with the evolution of prices described in Section 2.1.

Figure 6. Commodity Terms of Trade, 2003 – 2015

(Cumulative change in CTOT indices from average levels in 2002; percentage points of GDP)

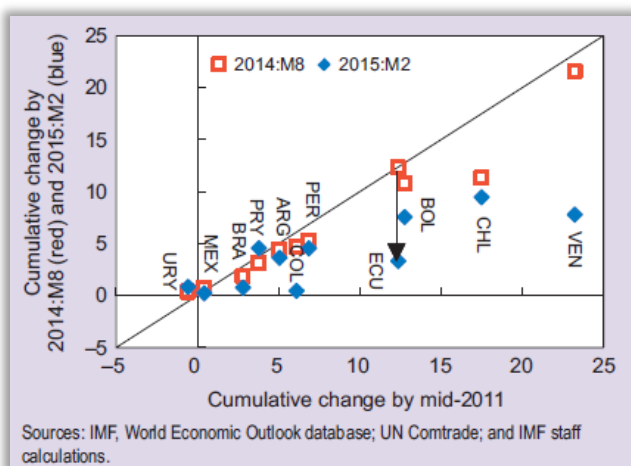


Figure 6 shows the timing and the extent of the CTOT variation of 11 Latin American countries since the 2002 pre-boom level.³¹ The variations are measured as a percentage of GDP. The horizontal axis shows the cumulative change in CTOT from 2002 to mid-2011. The vertical axis presents the cumulative change in CTOT from 2002 to August 2014 (red square) and to February 2015 (blue diamond). This distinction provides additional insights on the CTOT dynamics. As shown in Figure 2, the price drop accelerated around mid-2014, especially in the energy sector. Using the difference between the red square and the blue diamond, we can assess the evolution of

the CTOT between those two dates (as illustrated by the black arrow for Ecuador). If the observation falls on the 45-degree line, the CTOT did not change between mid-2011 and August 2014 (red square) or February 2015 (blue diamond). If the observation is below, the CTOT have deteriorated between the two dates (and vice versa).

³⁰ Ibid., p. 44. The report provides the following precisions on the CTOT index: “The CTOT is a chained price index. It is constructed by weighting changes in prices of individual commodities by their (net) export value, normalized by GDP”. “A given increase (drop) in CTOT can then be interpreted as an approximate gain (loss) in GDP terms. Compared to traditional terms-of-trade measures, this CTOT metric presents a number of advantages: it is not affected by noncommodity prices, its variation is exogenous at the country level, and, crucially, it does not weigh export and import prices equally but proportionally to their relative trade magnitudes.” “Our CTOT indices do not include precious metals, and thus do not account for changes in, for instance, gold and silver prices, which are important for some countries in the region (notably Bolivia, Peru, and, to a lesser extent, Colombia). The inclusion of these precious metals, however, would not affect significantly the relative magnitude of the correction in CTOT since mid-2011 shown in Figure 6 (gold and silver prices in February 2015 were, on average, 39 percent lower than in mid-2011, comparable to the 41 percent and 50 percent decline in the price of copper and oil, respectively).”

³¹ Argentina (ARG), Bolivia (BOL), Brazil (BRA), Chile (CHL), Colombia (COL), Ecuador (ECU), Mexico (MEX), Paraguay (PRY), Peru (PER), Uruguay (URY) and Venezuela (VEN).

Starting the analysis from the horizontal axis, we see that during the 2002 - mid-2011 period, the CTOT improved for all countries except Uruguay. For Ecuador, Bolivia, Chile and Venezuela, the CTOT rose by more than 10% of their respective GDP.

Turning to the vertical axis, we see that the CTOT have deteriorated for the majority of the sample countries since mid-2011. Reflecting commodity dependence and price movements, the evolution of the CTOT is heterogeneous across countries.

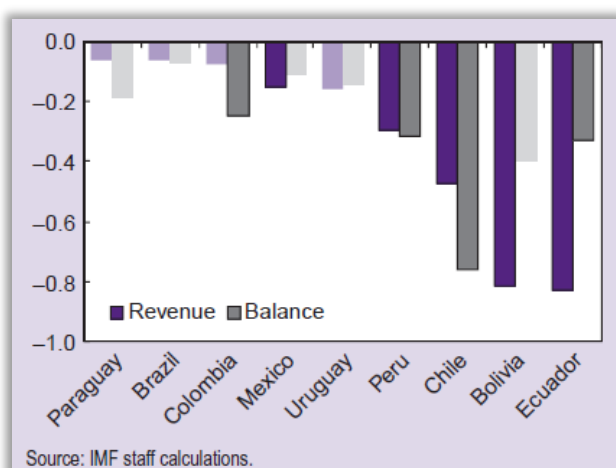
From mid-2011 to August 2014, the situation did not significantly change for Chile and changed only slightly for Argentina, Brazil, Mexico, Peru and Uruguay. The CTOT marginally increased for Mexico and Uruguay.

From August 2014 to February 2015, all countries featured a drop in CTOT except Paraguay and Uruguay. These two countries featured an increase leading to a CTOT level higher than mid-2011. An explanation is that both are important oil importers and meat exporters. Concerning the other economies, the decrease is significantly sharper for countries that are highly dependent on energy exports such as Bolivia, Colombia, Ecuador and Venezuela. The swift oil price drop was particularly damaging in Ecuador and Venezuela, which are particularly dependent on this industry. The case of Chile is also interesting. Since mid-2011, the important CTOT decrease matches the evolution of copper price and reflects Chile's high dependence on this resource.

Overall, the CTOT are a useful tool to assess the effect of commodity dependence and of changing market conditions. They illustrate the fact that the more a country depends on one resource, the more it is exposed to changing market conditions and the higher is the impact on its GDP.

2.3.2. Impact on government revenues and fiscal balance

Figure 7. Response of Fiscal Revenue and Overall Balance to a Negative CTOT Shock
(Peak response; percentage points of GDP)



The April 2015 IMF Regional Economic Outlook report also investigates the relationship between commodity prices and fiscal revenues. It uses country-specific vector autoregressive (VAR) models featuring quarterly data since the 1990s for nine Latin American countries.³² The VAR models provide evidence on the link between commodity prices and public finance. It is also an ingenious way to aggregate and illustrate country specificities. Indeed, the impact of commodity price shocks differs across countries. For example, each state has its own commodity sector structure (type, size, and ownership organization), tax

³² Argentina and Venezuela were removed from the sample due to data availability.

system, exchange rate regime and general policy framework. The report estimates the impact of a CTOT drop on both fiscal revenue and fiscal balance. Figure 7 displays the results.³³

Concerning the impact on fiscal revenue, the effect is particularly strong in Ecuador and Bolivia. A 1% drop in CTOT results in a fiscal revenue loss of about 0.8% of GDP. A 1% drop in CTOT would approximately be the result of a 13% decrease in natural gas price for Bolivia and of a 16% drop in oil price for Ecuador. The fiscal revenue loss is also important for Chile. A 1% drop in CTOT, which would be caused by a 12% reduction in the copper price, results roughly in a revenue loss of 0.5% of GDP. The impact is substantial for Peru and relatively lower for Uruguay, Mexico, Colombia, Brazil, and Paraguay, who rely less on commodities for fiscal revenues. In all, this is a good illustration of the consequences of the commodity dependence described in section 2.2.³⁴

The impact on fiscal balance provides additional insights. Again, the effect is the strongest for Bolivia, Chile, Ecuador and Peru. However, Chile has a considerably stronger response in terms of fiscal balance. The difference is likely due to the fact that Chile adopted counter-cyclical fiscal policies throughout the sample period.³⁵ It means that Chile typically saved during good years and spent during bad years to stimulate the economy. On the other hand, Bolivia and Ecuador spent relatively more during boom years and experienced additional difficulties when the situation deteriorated.

The response of fiscal variables to CTOT shocks is stronger for countries that are more dependent on commodities. As shown in section 2.2, commodity exports in Bolivia, Chile and Ecuador account for more than a quarter of GDP and depend mainly on one resource. Paraguay, which has the lowest fiscal revenue response, is also strongly dependent on commodity exports. However, it has a significantly more diversified export base. This attenuates the effect of commodity price fluctuations. In all, while the fiscal revenue response is a useful indicator of the effect of commodity price variation on government revenue, the fiscal balance response provides additional information regarding the underlying political economic structure.

2.4. Conclusion

Across time, Latin America's dependence on commodities brought both high revenues, economic growth and downturns to the continent. Since commodity markets are volatile and depend on international conditions, they are an unstable source of income. As shown in the last two sections, the more a country is dependent on natural resources, the more it is exposed to potential gains and losses. The case of Venezuela is an extreme example. As a result, it is key for policy makers to take market evolutions in perspective and adapt their policies accordingly. For example, adopting counter-cyclical fiscal policies, creating public funds to preserve commodity benefits and supporting economic diversity can transform the gains from boom periods into lasting growth.

³³ Note: Peak response of fiscal-revenue-to-GDP and fiscal-balance-to-GDP ratios to a negative one standard deviation shock to each country's CTOT gap. In most countries, the peak response is observed about one year after the shock. Solid bars denote that the response is statistically significant at the 5 percent confidence level.

³⁴ IMF, *op. cit.*, April 2015, p. 46.

³⁵ *Ibid.*, p. 47.

3. Bilateral Economic Relations

3.1. Trade

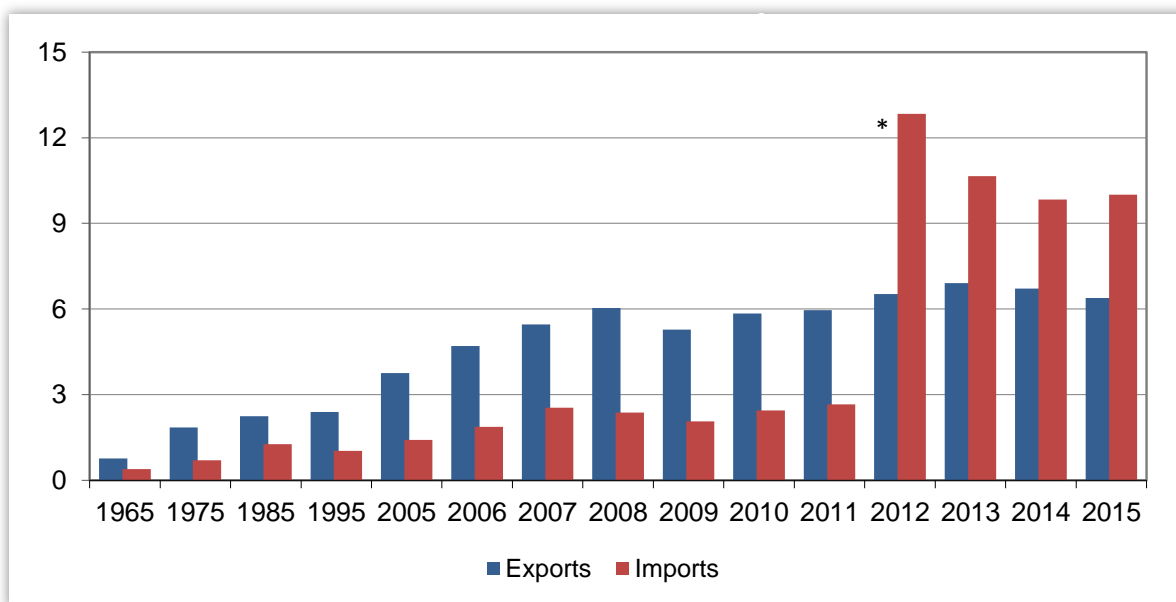
In 2015, trade between Switzerland and Latin America and the Caribbean decreased by 1% (*without gold: -4.7%*), yet still outperformed overall Swiss trade, which fell by 2.9% (*-4.6%*).³⁶ Trade with Latin America accounts for 3.1% (2.4%) of total Swiss trade.

Following the decision of the Swiss National Bank to abandon the ceiling of 1.2 Swiss francs per 1 euro on January 15th, 2015, the Swiss franc appreciated significantly against the euro and Swiss trade with its most important partner, the European Union (53% of total trade; *without gold: 62%*), contracted (-6%; *-6.2%*). Trade with Africa and the Middle East also faced a significant decrease (-6.1%; *-7.1%*) while trade with Asia grew (5.4%; *-2.3%*).

Swiss trade with Latin America and the Caribbean showed important regional differences. While trade with South America increased (3.7%; *-1.3%*), there was a sharp decrease with the Caribbean (-32.1%; *5.5%*) and with Central America (-6.8%; *0.8%*). South America accounts for 75% (63%) of Latin American trade with Switzerland gold being very significant for Swiss imports, Central America and Mexico for 23% (35%) and the Caribbean for 2% (2%).

Last year, Swiss exports to the region amounted to CHF 6.4bn (*CHF 6.3bn*) and imports to CHF 10bn (*CHF 2.7bn*).

Figure 8. Switzerland – Latin America: Merchandise Exports and Imports, 1965 – 2015
(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.

³⁶ 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 94% of the difference between Business Cycle and General Total. Figures 8-12 and data in chapter 3.1 rely on General Total. *Numbers in brackets present Business Cycle data.*

Switzerland registers a large trade deficit with Latin America, which turns into a surplus if gold is not included in the data (see Table A.8., p. 44 and Figure A.5., p. 44).

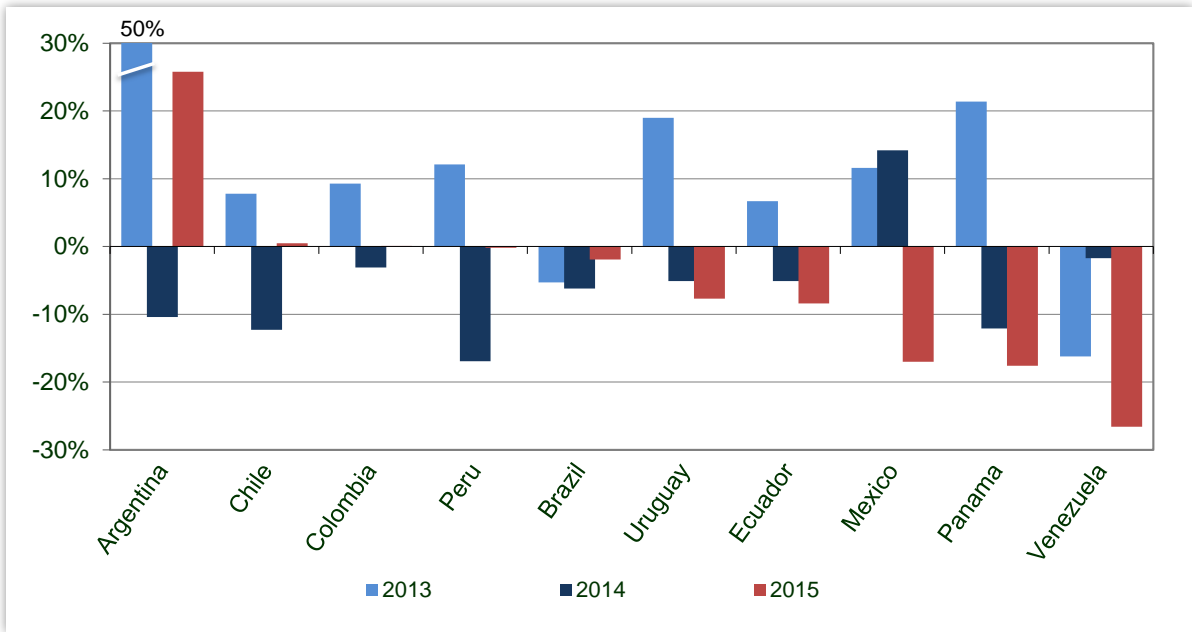
In absolute terms, **Swiss exports** to Latin America and the Caribbean have almost tripled over the last 20 years. However, last year’s sales to the region decreased (-4.8%; -4.7%). In comparison, exports diminished to the European Union (-5.8%; -4.4%) and to Africa and the Middle East (-3.8%; 1.3%), while they increased to Asia (5.7%; 2.5%) and the United States (2.4%; 6%).

Brazil, Mexico and Argentina are the most important destinations for Swiss exports, accounting for two thirds of merchandise sold in the region. Last year, the most significant growth rate with a major partner was achieved with Argentina (26%), due to significantly increased exports of pharmaceutical products and machinery.

Swiss exports to most other countries eased. With Bolivia (-48%) and Venezuela (-27%) sales dropped significantly. In Bolivia demand for Swiss products declined across the board, with a particularly sharp drop for machinery (-77%). In Venezuela fewer sales of pharmaceutical products (-26%) were mainly responsible for lower exports. Also with Panama (-18%; strong decline for watches) and Mexico (-17%; strong decline for pharmaceuticals) Swiss exports registered a significant decline.

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

Figure 9. Switzerland – Latin America: Exports Variations by Major Partner 2013 – 2015 (annual percentage change)



Source: Swiss Federal Customs Administration, Bern.

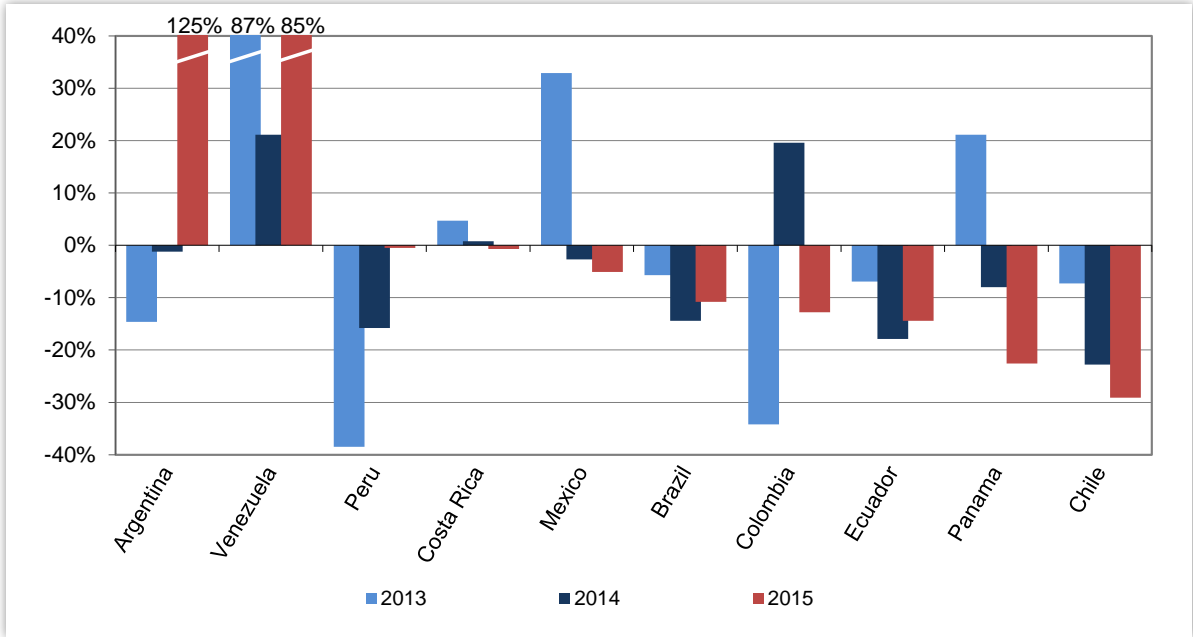
In 2015, **Swiss imports** from Latin America and the Caribbean increased (1.8%; -4.9%), while overall Swiss imports declined (-3.8%; -6.9%). In comparison imports from Asia (4.6%; -3%) and the United States (0.4%; 6.5%) grew also, while they dropped from the European Union (-6.1%; -7.7%) and from Africa and the Middle East (-9.4%; -32%).

The bulk of Swiss imports from Latin America comes from Peru, Mexico, Brazil and Argentina. Peru makes up the largest part (26%; 3%), followed by Mexico (17%; 40%), Brazil (14%; 28%) and Argentina (12%; 2%). In the case of Peru and Argentina, imports consist mainly of gold, which accounts for 72% of total imports from Latin America. The share of gold in total imports is all the more important with Suriname (100%), Venezuela (98%), Peru (96%), Argentina (94%) and Chile (86%). For further information, see Table A.8. on page 44.

In 2015, the most significant growth rates were registered with Argentina (125%), Venezuela (87%) and Paraguay (77%). Gold imports by Switzerland from the former two increased substantially, while overall imports from the latter grew from a very low basis.

Imports from Bolivia (-73%), Chile (-29%) and Panama (-23%) eased notably. With Bolivia the decline is due to an 86% drop in imports of precious metals. For absolute figures, shares and variations of Swiss imports see Table A.4. on page 40.

Figure 10. Switzerland – Latin America: Imports Variations by Major Partner 2013 – 2015 (annual percentage change)



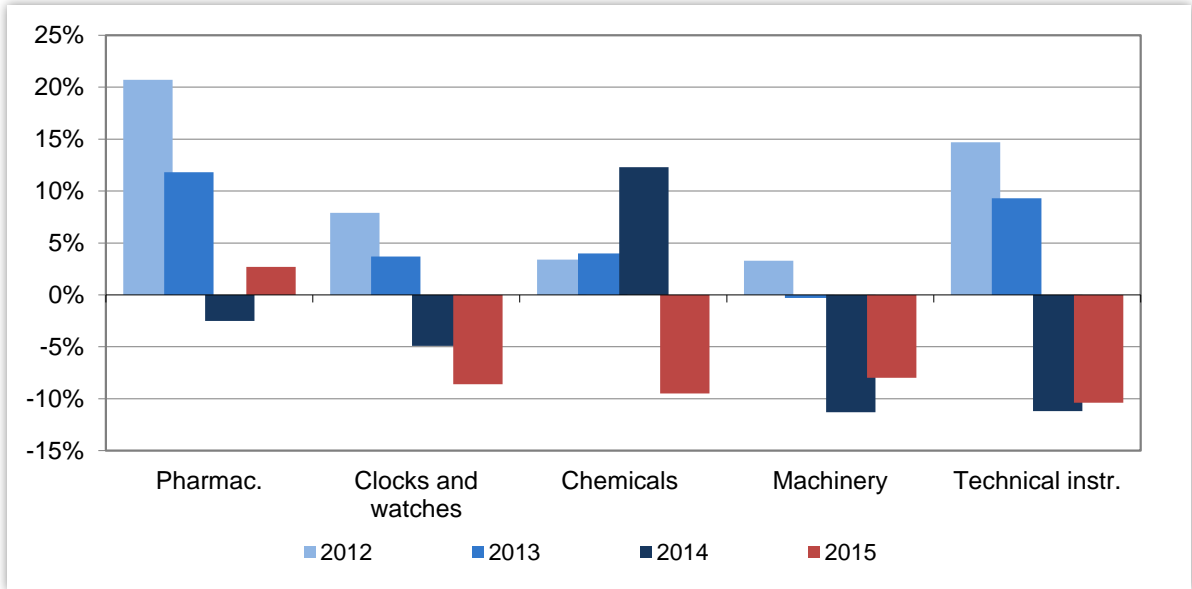
Source: Federal Customs Administration, Bern.

Switzerland's **main export products** to Latin America are pharmaceuticals (39%), chemicals (21%), machinery (16%), watches (7%) and technical instruments (5%). Although a majority of exports to a few countries, such as Argentina, Chile and Peru still consist of machinery and watches, the pharmaceutical industry's share has been growing all over the region and extending its leading position. Since 2000, pharmaceutical exports almost tripled, whereas machinery stagnated, losing its former leading position (for complete data, see Table A.5. on page 41).

As illustrated in Figure 11, only Swiss exports of pharmaceutical products increased in 2015, while they decreased by close to 10% for all other major categories.

Watch sales to Mexico (-5%) and Panama (-15%), which account for more than half of exports to the region declined. Sales grew in smaller markets such as Chile, Costa Rica, Guatemala and Uruguay. In Brazil, there is still a considerable unexploited potential for watches, given that sales are lower than in Mexico and Argentina.

Figure 11. Switzerland – Latin America: Exports Variations by Major Product Group 2012 – 2015 (annual percentage change)



Source: Swiss Federal Customs Administration, Bern.

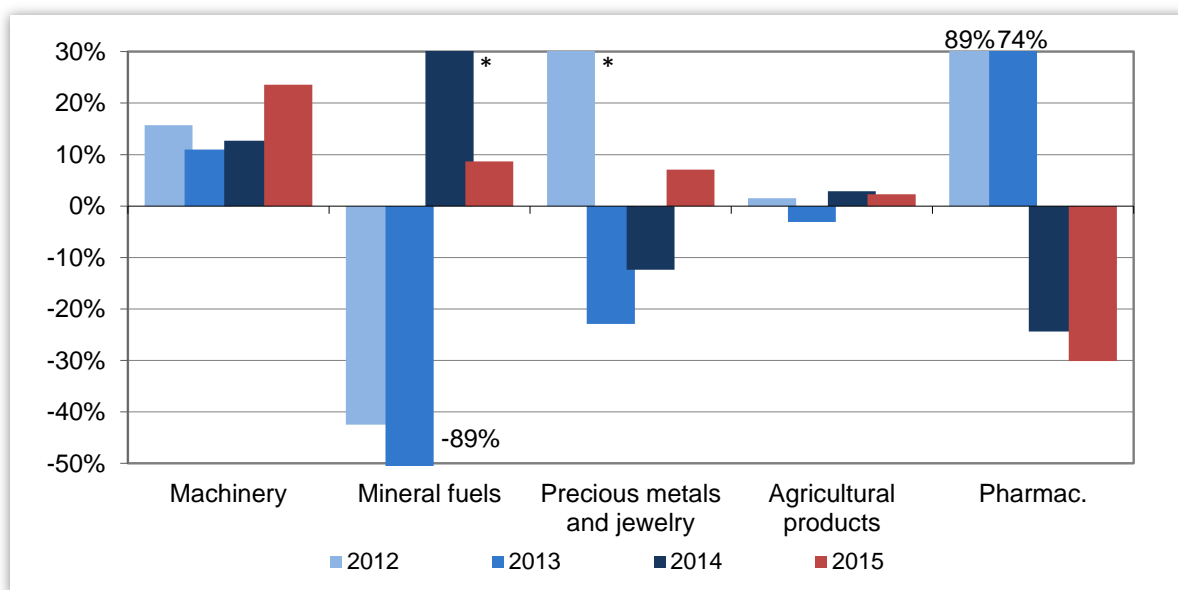
The bulk of Swiss imports from Latin America and the Caribbean consist of gold (72%). Other **major import products** are agricultural products (12%), pharmaceuticals (5%), and mineral fuels (3%).

Figure 12 displays variations by major product categories. Swiss imports from Latin America tend to be more volatile than Swiss exports. Transport material (+122%), machinery (+23%), mineral fuels (+9%) and precious metals (+7%) registered the strongest gains. For complete data, see Table A.6. on page 42.

Imports of transport material from Mexico, which accounts for 87% in that category, bounced back to a level last seen in 2012. Similarly, after strong growth during the previous four years, machinery imports could strengthen their momentum (+24%) due to a substantial increase from Mexico (+48%; share of total machinery imports: 72%). Mineral fuels grew by 9%, also reflecting a hike in imports from Mexico (+40%; share of total mineral fuels imports: 81%). Precious metals, which mainly consist of gold (94%), increased by 7% in value and 32% in volume.

Swiss agricultural imports increased by 2%, with Panama (+202%), Chile (+19%) and Peru (+11%) being the major drivers. Coffee, which accounts for two fifths of imported agricultural products, increased by 14% in value and 5% in volume, much like fruits accounting for 17% (+5%). Meat, amounting to 10% of agricultural imports, decreased by 8%.

Figure 12. Switzerland – Latin America: Imports Variations by Major Product Group 2012 – 2015 (annual percentage change)



Source: Swiss Federal Customs Administration, Bern.

* Annual percentage change for Mineral fuels in 2014 and Precious metals and jewelry in 2012 not meaningful due to very low base level in the previous year.

After a very strong growth in 2012 and 2013, pharmaceutical imports fell during the last two years by 24% and 30% respectively. Mexico accounts for 92% of Swiss pharmaceutical imports from the region.

3.2. Swiss Foreign Direct Investment

Following an all-time high in 2013, global Foreign Direct Investment (FDI) inflows to Latin America and the Caribbean declined significantly in 2014 (-16%), reaching USD 159bn. The economic slowdown in the region and the decline of commodity prices were the main reasons. On a global level, FDI to developing economies rose by 5%, with developing Asia experiencing an increase of 15%. In Latin America, Brazil remained the largest FDI recipient (62bn; -2%), followed by Mexico (23bn; -49%³⁷) and Chile (22bn; +14%).³⁸

In 2014, Latin America accounted for 3.3% of the overall Swiss FDI stock with a total of CHF 34.5bn.³⁹ Including FDI from offshore financial centers (OFC; CHF 158.3bn) the subcontinent's share represented 18.3% of the total Swiss FDI stock (CHF 192.8bn; 2013: CHF 174.6bn).

Whereas bilateral trade with Latin America is relatively modest compared to the rest of the world, Swiss investments have grown substantially over the years due to longstanding

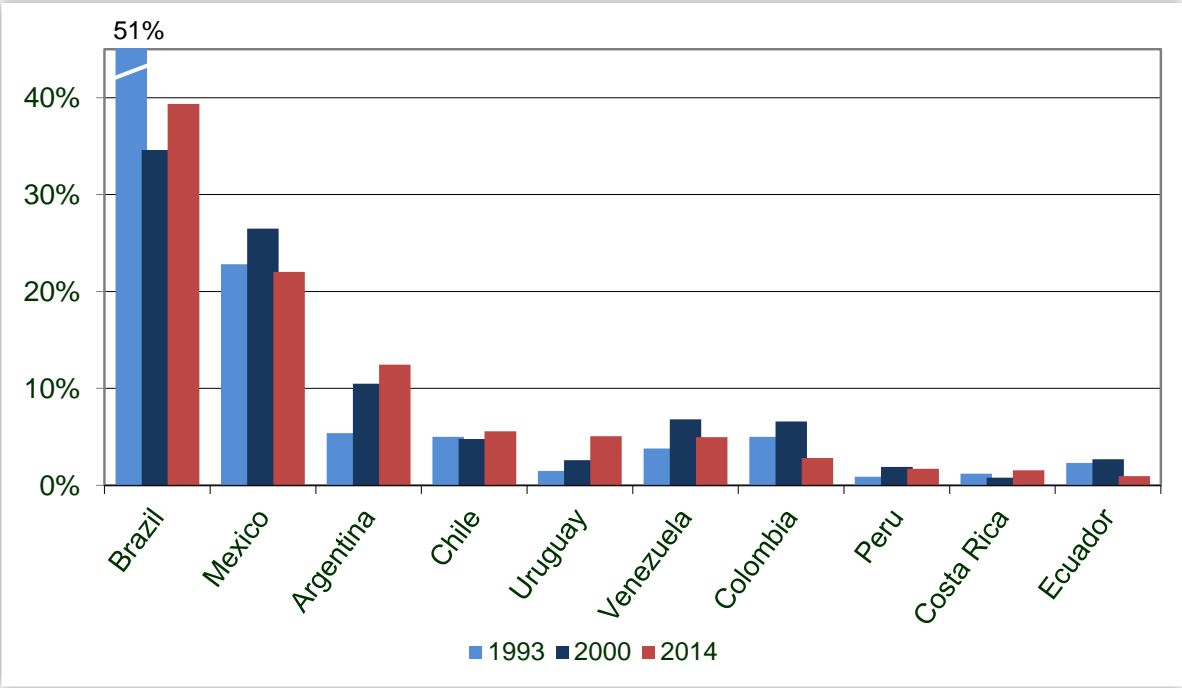
³⁷ The large decline of FDI inflows to Mexico can be partially explained by the USD 13bn acquisition of a beer maker by a European firm in 2013, thereby inflating FDI figures for 2013.

³⁸ Economic Commission for Latin America and the Caribbean (ECLAC), *Foreign Direct Investment in Latin America and the Caribbean*, 2015 (LC/G.2641-P), Santiago, Chile, 2015, pp. 9-10.

³⁹ Swiss National Bank, *Swiss direct investment abroad*. Retrieved from <https://data.snb.ch/de/topics/aube#!/cube/fdiausbla>

business and cultural bonds. During the last two and a half decades, Swiss FDI stock in Latin America increased strongly from CHF 13bn in 1990 to CHF 192.8bn in 2014.

Figure 13. Switzerland – Latin America: Foreign Direct Investment by Major Partner 1993 – 2014 (as a percentage of total Swiss FDI stock in Latin America)



Source: Swiss National Bank, Zurich.

Swiss FDI stock in Latin America (excluding OFCs) made a major leap 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 standards⁴⁰. For direct investment abroad, capital stocks are only reported in countries where there are subsidiaries that are directly owned by companies in Switzerland. As a consequence, in countries with predominantly indirectly-owned subsidiaries⁴¹, this resulted in lower capital stocks. Hence, the FDI stock from 2014 cannot be compared with that of the previous year.

In 2014, Brazil (CHF 13.6bn) was the most important destination of Swiss FDI in Latin America, amounting to 39% of total FDI stock without OFCs. Mexico ranked second with a share of 22% (CHF 7.6bn) and Argentina third with 12% (CHF 4.3bn). Figure 13 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 include subsidiaries abroad that are owned by Swiss-controlled groups and do no longer include the staff numbers of subsidiaries abroad that are

⁴⁰ 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).

⁴¹ In the case of *indirectly-owned subsidiaries*, Swiss Direct Investors are investing in those countries mainly via intermediate companies in other countries.

owned by Swiss-domiciled, but foreign-controlled groups. This has led to a significant revision of the numbers of persons employed abroad.⁴²

At the end of 2014, Swiss firms employed almost 180,000 people in Latin America. Mostly in Brazil (68,500), Mexico (31,700), Chile (18,900), Argentina (13,100), and Colombia (11,500). Swiss firms had also significant staff in Venezuela (6,800), Peru (6,100), Ecuador (5,600), Guatemala (2,700), Costa Rica (1,900), Bolivia (1,300), and Uruguay (1,300).

Box 1. Focus: Investment by Nestlé in Mexico

Founded 150 years ago, Nestlé operates in 197 countries and employs around 339,000 persons worldwide. Nestlé is one of the largest Swiss multinational corporations and a leading global firm in the food and beverage industry.

In Mexico, Nestlé started its operations 84 years ago. It employs more than 16'000 persons in 12 plants and at its headquarters. On December 9th, 2015, Nestlé inaugurated a new plant in Silao, (State of Guanajuato), in the presence of the President of Mexico Enrique Peña Nieto. The investment amounts to USD 220 million. The new factory will produce dry food for pets of the brand "Purina" and 40% of the production will be exported to Central America and the Caribbean. In Mexico, Nestlé's market share in the pet food industry reaches almost 20%, while its main competitor's – Mars – is 39.9%.

This investment is part of the USD 1 billion that Nestlé is planning to spend from 2014 to 2018 in Mexico. In 2016, Nestlé will inaugurate a new plant producing infant nutrition in Ocotlán, (State of Jalisco), for a total investment of USD 350 million.

Box 2. Focus: Investment by Adval Tech Group in Mexico

Adval Tech is a Swiss firm founded in 1924 that manufactures metal and plastic high-volume components, high-performance molds and productions systems, especially focused on the automotive industry. Listed on the Swiss stock exchange, the company employs more than 1,600 persons in Switzerland, Brazil, Germany, Hungary, Singapore, the United States, and very recently in Mexico.

Adval Tech inaugurated its first plant in Mexico in November 2015 in the State of Querétaro, for a total investment of USD 11 million. The plant will employ between 30 and 40 workers and may reach 170 persons during the next five years. The firm will initially focus on the production of components exclusively for Audi automobiles. It has built its first plant in the State of Querétaro because Audi has a plant nearby (Puebla); BMW will open a new plant in the area (San Luis Potosi) and other automotive companies are also established there.

3.3. Bilateral Economic Agreements and Joint Economic Commissions

Agreements on the Promotion and Reciprocal Protection of Investments (BITs)⁴³

With over 120 BITs, Switzerland has the world's third largest network of such agreements after Germany and China.

⁴² For Latin America, the number of staff abroad fell from 305,000 (2013) to 180,000 (2014).

⁴³ The aim of BITs and double taxation agreements is explained in Box 8, page 24 of the *Switzerland – Latin America Economic Relations Report 2014*.

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 authorities have indicated that their parliament will not adopt 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 recently signed a New Model BIT with Mexico, which foresees that a dispute should be resolved by an Ombudsman and a Joint Committee consisting of the host state, the investor's state and the investor.

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.

In March 2009, the Federal Council decided to adopt the OECD standard on administrative assistance in tax matters, in accordance with Art. 26 of the OECD Model Tax Convention. Subsequently, existing DTAs with Mexico and Colombia were revised to include the OECD's administrative assistance standard, which allows the exchange of information in individual cases where a specific and justified request has been made. The new provisions entered into force in 2010 with Mexico and 2012 with Colombia. Currently, the DTA with Ecuador is undergoing the same adaptation. The DTAs signed with Uruguay (October 2010) and Peru (September 2012) included the OECD standard from the outset. The new DTA with Argentina has been in force since November 27th, 2015.

On November 23rd, 2015 Brazil and Switzerland signed a Tax Information Exchange Agreement. The agreement governs the exchange of information upon request in tax matters. The agreement has yet to be approved by the Swiss and the Brazilian Parliaments.

The list of the economic agreements between Switzerland and Latin America is presented in the Appendix, Table A.9., page 45.



Signature of the Tax Information Exchange Agreement in Brasília by Ambassador Christoph Schelling, Head of the SIF Tax Division, and Jorge Antonio Deher Rachid, Secretary-General of the Receita Federal of Brazil

Source: State Secretariat for International Financial Matters, SIF.

Joint Economic Commissions

Switzerland has established about 20 economic commissions worldwide in order to strengthen bilateral 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, Chile⁴⁴, Mexico, Peru⁴⁵ and Venezuela. In 2015, meetings took place with Brazil and Mexico.

Swiss – Mexican Consultative Group on Trade and Economic Cooperation

The Swiss-Mexican Consultative Group on Trade and Economic Cooperation held its sixth meeting on August 28th, 2015 in Mexico City. It was chaired by Rosaura Castañeda Ramírez, Head of the International Negotiations Unit at the Ministry of Economy of Mexico. Eight other Mexican government agencies were represented. The Swiss delegation was led by Erwin Bollinger, Deputy Head of Bilateral Economic Relations at SECO. The Swiss Embassy and the Swiss Business Hub in Mexico also took part. The discussions covered cooperation between the two countries at the multilateral level, the ongoing economic integration processes in Latin America and the Asia-Pacific region and the planned update of the EFTA-Mexico Free Trade Agreement. Representatives of a number of Swiss companies had the opportunity to raise issues in the areas of pharmaceutical regulations, the fight against counterfeit products, customs procedures and taxation practices.

Swiss – Brazilian Joint Commission on Trade and Economic Relations

The seventh meeting of the Swiss-Brazilian Joint Commission on Trade and Economic Relations was held on November 27th, 2015 in Bern. The meeting was co-chaired by Ambassador Livia Leu, Delegate of the Federal Council for Trade Agreements and Head of Bilateral Economic Relations at SECO and Alexandre Parola, Minister, Director of the Economic Department at the Brazilian Ministry of External Relations. Representatives from the Swiss Federal Institute of Intellectual Property and the Federal Department of Foreign Affairs participated in the meeting. Discussions covered the economic situation in both countries, regional integration, bilateral tax issues, intellectual property, TPP⁴⁶ and TTIP⁴⁷, the WTO as well as matters related to EFTA-Mercosur relations. Swiss companies had the opportunity to raise specific trade and investment issues i.a. in the areas of pharmaceutical regulation, import procedures, counterfeit products and taxation.

3.4. Latin American Integration: Recent Developments

Inter-American Integration

Mercosur: On March 26th, 2016 the largest economic bloc in Latin America celebrated its 25th anniversary. In 2012, Venezuela joined the four founding states Argentina, Brazil, Paraguay and Uruguay. Bolivia signed the Protocol of Accession to Mercosur in 2012.

Pacific Alliance: In 2011, the Presidents of Chile, Colombia, Mexico and Peru signed the Declaration of Lima. They established the Pacific Alliance with the objective to move gradually toward the free movement of goods, services, persons and capital. Tariffs were immediately

⁴⁴ Official denomination of the commission: Bilateral Economic Dialogue.

⁴⁵ Official denomination of the commission: Bilateral Economic Meeting.

⁴⁶ TPP: Trans-Pacific Partnership

⁴⁷ TTIP: Transatlantic Trade and Investment Partnership

removed for 92% of trade, with the remainder to be fully liberalized by 2020. Achievements as of early 2016 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 Pacific Alliance has more than 216 million inhabitants and accounts for 35% of Latin America's GDP.

The establishment of FTA 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 42 observer countries, Switzerland has offered collaboration in the areas of innovation, vocational and professional education and training as well as intellectual property. A visit of experts of the Pacific Alliance to Switzerland is foreseen during 2016.

The **Community of Latin American and Caribbean States (CELAC)** is a regional bloc of 33 Latin American and Caribbean States⁴⁸ founded in 2011. It merged the Rio Group⁴⁹ 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 26th - 27th, 2016 the fourth summit of the Head of States took place in Ecuador. On this occasion, the Dominican Republic assumed the one-year pro-tempore presidency.

Latin American Integration Association LAIA⁵⁰: 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.

UNASUR⁵¹ 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. Uruguay currently holds the pro-tempore presidency.

Integration between Latin America and Europe

Latin America – European Union: The second EU-CELAC / 8th EU-LAC summit was held in Brussels on June 10th – 11th, 2015. These summits are the main fora for dialogue and cooperation between Europe, and Latin American and Caribbean states. A political declaration “A partnership for the next generation”, the “Brussels declaration” covering several strands of the relationship as well as an 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.

⁴⁸ CELAC includes all countries of the Americas except Canada and the United States.

⁴⁹ 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.

⁵⁰ 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.

⁵¹ Member states: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay, Venezuela.

Mercosur – European Union: The long-stalled negotiations for an Association Agreement were re-launched in 2010. Major difficulties remain in opening up EU's agricultural market and Mercosur's industry, services and government procurement. Differences in rules on investment and intellectual property persist. The parties concluded their ninth round of negotiations in October 2012 and are currently preparing to exchange market access offers.⁵²

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. In July 2014, Ecuador concluded negotiations to accede to the EU-Colombia-Peru Trade Agreement and the relevant internal approval procedures are presently under way.⁵³

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.⁵⁴

Latin America – EFTA⁵⁵

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. The fourth meeting of the EFTA-Mercosur Joint Committee took place on March 6th, 2015 in Brasília. The parties decided to engage into exploratory talks in view of eventual free-trade negotiations and met subsequently on June 8th - 9th, 2015 in Geneva.

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.

⁵² <http://ec.europa.eu/trade/policy/countries-and-regions/regions/mercosur/>, accessed on February 11th, 2016.
⁵³ <http://ec.europa.eu/trade/policy/countries-and-regions/regions/andean-community/>, accessed on February 11th, 2016.
⁵⁴ <http://ec.europa.eu/trade/policy/countries-and-regions/regions/central-america/>, accessed on February 11th, 2016.
⁵⁵ The members of the European Free Trade Association (EFTA) are: Iceland, Liechtenstein, Norway and Switzerland.

Ecuador – EFTA: EFTA states and Ecuador signed a Joint Declaration on Cooperation at the EFTA ministerial meeting on June 22nd, 2015. Negotiations for an FTA are expected to be launched during the second part of 2016.

During the past years, Switzerland and its EFTA partners have significantly extended their network of free trade agreements in Latin America. So far, they have concluded comprehensive FTAs with Chile, Colombia, Costa Rica, Guatemala, Mexico, Panama and Peru. In order to facilitate access to these markets for small- and medium-sized Swiss firms, SECO has issued several publications, including *Doing Business in Mexico*⁵⁶, *EFTA Chile Free Trade Agreement: Opportunities for Swiss Business*⁵⁷ and *EFTA-Colombia Free Trade Agreement: Opportunities for Swiss Business*⁵⁸.

Mexico – EFTA: In January 2016, Ministers from EFTA states and Mexico launched negotiations in Davos on a review 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 include international and new rules' developments in their FTAs since 2000, notably in regard of rules of origin, sanitary and phytosanitary measures, technical barriers to trade, trade remedies, intellectual property rights and competition, as well as in areas not yet covered by the Mexico-EFTA FTA, such as trade facilitation and sustainable development.

Integration between the rest of the world and the Americas

Negotiations for the **Trans-Pacific Partnership (TPP)**, which includes twelve Pacific Countries⁵⁹, were concluded on October 5th, 2015. Colombia, Mexico and Peru are part of the wide-ranging Free Trade Agreement, which encompasses a market of 800 million people, 40% of global GDP and 30% of global trade.

3.5. Economic Development Cooperation of SECO: District Cooling in Colombia – Promoting Energy Efficiency

Globally, cities are responsible for about 75% of CO₂ emissions - with the largest contributors being transport and buildings. Cities therefore play a key role in fighting climate change. In Colombia, SECO is supporting the country's efforts to strengthen sustainable urban development in order to mitigate the impact of climate change and manage rapidly growing urbanization. Key areas of support include urban planning, sustainable construction and housing, natural resources management, as well as the promotion of renewable/non-conventional energies and energy efficiency. SECO's support in this field is aimed at contributing to the gradual emergence of greener and more sustainable cities over time, factoring in climate-change risks and vulnerabilities.

⁵⁶ 2002; 2nd edition 2009. This publication is available as PDF:

<http://www.seco.admin.ch/dokumentation/publikation/00008/00023/02431/index.html?lang=en>

⁵⁷ 2005; 2nd edition 2008. This publication is available as PDF:

<http://www.seco.admin.ch/dokumentation/publikation/00008/00023/01817/index.html?lang=en>

⁵⁸ 2011; This publication is available as PDF:

<http://www.seco.admin.ch/dokumentation/publikation/00008/04654/index.html?lang=en>

⁵⁹ Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States, Vietnam.

One way of reducing CO₂ emissions in Colombia's cities is to make the production of cooling cleaner and more efficient and this is exactly the starting point of SECO's Energy District Project in Colombia: studies showed that untapped potential for energy savings exists in the use of buildings, especially in air conditioning (A/C). The simple replacement of old individual A/C units by more efficient ones in hot climate can already reduce the A/C share in energy consumption from 31% to 25%. However, even better results can be achieved if individual A/C units are replaced by a central thermal plant providing air conditioning – an energy district. Energy district is a generic term for district heating and district cooling. An energy district is the opposite of individual heating and cooling in the sense that steam, hot water or chilled water is produced at a central plant and distributed through underground pipes to individual buildings for space heating, domestic hot water heating and air conditioning.

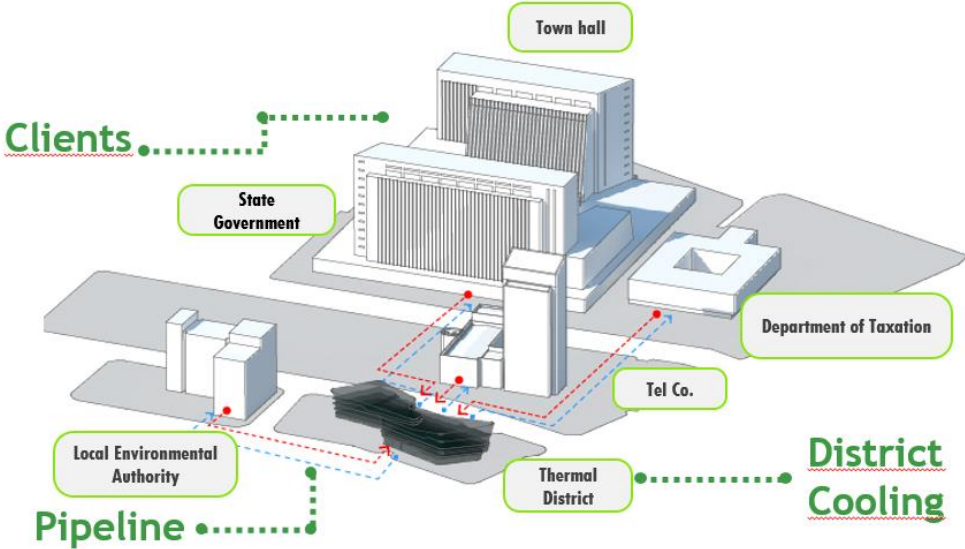
Energy districts allow important economies of scale and use different established technologies and locally available (renewable) resources (e.g. gas, water, earth). Switzerland has many years of experience with small and large energy districts, and SECO has already financed energy districts in other countries (Romania, Poland, Ukraine). However, no energy district has been built in Colombia yet.

Colombia has a particular interest in the promotion of energy districts, especially for district cooling, given that the elimination of old and inefficient A/C units would strongly contribute to the country effort in eradicating ozone-depleting substances (ODS) and lowering greenhouse gas (GHG) emissions. Those measures would also contribute to the fulfillment of the Colombian commitments taken in the framework of the Vienna Convention, Montreal Protocol, UN Convention on Climate Change and Kyoto Protocol.

To promote the development of district cooling in five main Colombian cities and unleash their energy saving potential, the Ministry of Environment and Sustainable Development (MADS) and "Empresas Públicas de Medellín" (EPM), the public utility of the Municipality of Medellín, presented a specific request for project support to SECO in 2013. Due to the project's innovative nature, a high replication potential, strong partners (EPM and MADS), and its important positive environmental impact, SECO decided to co-finance this project with two strategic lines:

On the one hand SECO supports the implementation of a pilot district cooling in Medellín, in the Alpujarra administrative centre. The new district cooling will completely eliminate the use of ODS and allow for a reduction of 25% of energy use and 30% of greenhouse gas emissions. This first major district cooling in Colombia shall serve as a model for the replication of future energy districts in Colombia and possibly in the region. SECO supports the project with capital investments and technical assistance for the construction of the district cooling. In order to further increase the positive environmental impact, support is provided for the implementation of energy efficiency measures in the buildings of the Alpujarra administrative center (e.g. optimisation of the central ventilation). By mid-2016 the district cooling La Alpujarra in Medellín shall be operating and during the remaining project period, the district cooling efficiency will be monitored and users' satisfaction surveyed. Training and dissemination of the learnings are an important part of the project. The lessons learnt from this pilot project will be compiled and diffused to other cities in Colombia.

Figure 14: Centralized system of production and distribution of cooling energy in Medellin



Source: Empresas Públicas de Medellín (EPM).

On the other hand SECO provides technical assistance for the development of technical, institutional, regulatory and financial mechanisms to promote similar energy districts (with focus on district cooling) in five main Colombian cities (Bogotá, Medellin, Cali, Barranquilla and Cartagena), as an environmentally secure and energy-efficient alternative for the individual thermal regulation of buildings. For this purpose, SECO is financing, among others, analytic studies, the drafting of applicable methodologies and initial support for the development of one energy district in each of the five cities.

Fostering Climate-Friendly Growth and Energy Efficiency

Through its economic development cooperation, SECO helps its partner countries to mitigate climate change and foster climate-friendly growth with modern technologies and approaches as well as new market and financing mechanisms. SECO provides support to public partners through investments and technical assistance, through bilateral projects, programs, funds or public-private partnerships. To increase energy efficiency and improve the reliability of basic infrastructures (especially electricity and district heating/cooling systems, public buildings such as hospitals and schools, local transport networks), SECO supports pioneering infrastructures with demonstration effect, which provide a social or ecological added value. SECO also helps energy-saving consumer goods and constructions to increase market shares by providing up-to-date independent data on energy consumption, promoting ambitious standards and energy labels. Special attention is paid to the introduction of framework conditions conducive to the production of renewable energy and to energy efficiency, covering for example regulations, tariffs and the improvement of the investment climate.

3.6. Bilateral Visits in 2015

Bern, May 8th, 2015: State Secretary M.-G. Ineichen-Fleisch met Diego Aulestia, Ecuadorian Minister of Foreign Trade. He expressed the strong interest of Ecuador to sign a Joint Declaration on Cooperation with EFTA states and to strengthen bilateral economic relations. Issues in the area of intellectual property and challenges for Swiss firms were also raised.

Bern, June 5th, 2015: Ambassador Livia Leu, Head of Bilateral Economic Relations at SECO, and Ambassador Didier Chambovey, Head of World Trade at SECO, hosted a delegation with one Minister and four Vice-Ministers from Central American states and representatives of SIECA⁶⁰ who visited Europe to gain knowledge on best practices in customs matters. Talks covered bilateral economic relations, the promotion of the EFTA – Central America Free Trade Agreement and the economic integration of Central America.

Quito, June 30th, 2015: In Ecuador, State Secretary Marie-Gabrielle Ineichen-Fleisch met with Diego Aulestia, Minister of Foreign Trade, and Emilio Velasco, Vice-Minister of Productivity. Discussions covered the perspective of launching free trade negotiations in 2016, balance-of-payments measures taken by Ecuador and company issues. A meeting with representatives of Swiss firms gave an insight into business activities and challenges.



The Swiss delegation, headed by State Secretary Marie-Gabrielle Ineichen-Fleisch, in a meeting with the Ecuadorian Ministry of Foreign Trade

Source: Ecuadorian Ministry of Foreign Trade.

Brasília, São Paulo, July 1st - 3rd, 2015: State Secretary Marie-Gabrielle Ineichen-Fleisch, visited Brazil and met Sergio Danese, Secretary General of Foreign Affairs, and Ambassador Carlos Márcio Bicalho Cozendey, Interim Under-Secretary General for Economic and Financial Affairs; their discussions covered potential free trade negotiations between EFTA States and Mercosur, the Tax Information Exchange Agreement and the New Model Investment Promotion and Protection Agreement.

With Anamélia Seyffarth, Executive Secretary of the Chamber of Foreign Trade, discussions focused on procedures for the registration of pharmaceutical products and intellectual property. Talks with representatives from the National Brazilian Confederation of Industry (CNI) revealed the significant interest of the Brazilian private sector for a Free Trade Agreement with Switzerland and its EFTA partners. In São Paulo, State Secretary Marie-Gabrielle Ineichen-Fleisch, participated in a roundtable on “Free-Trade, Competition and Innovation” organized by São Paulo’s State Industry Federation (FIESP) and met representatives of Swiss firms and members of the Swiss Chamber of Commerce.

⁶⁰ Member states of the Secretaría de Integración Económica Centroamericana (SIECA): Belize, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama.

Asunción, July 6th - 7th, 2015: Philippe G. Nell, Minister, Head of the Americas Unit at SECO, visited Paraguay. Rigoberto Gautio, Vice-Minister of Foreign Affairs, emphasized that the closure of the Swiss embassy in Paraguay was very much regretted by the Paraguayan authorities. Talks with the Director of the National Institute of Intellectual Property (DINAPI), Patricia Stanley, covered the fight against counterfeit watches and highlighted the interest of Paraguay in an exchange with the Swiss Federal Institute of Intellectual Property. With the President of the National Bank, discussions focused on monetary and fiscal policy as well as on regional integration. Furthermore, Philippe G. Nell met officials at the Ministry of Industry and Commerce and the Ministry of Planning as well as the Heads of mission of the World Bank and the Inter-American Development Bank.

Caracas, August 3rd - 8th, 2015: In Venezuela, Philippe G. Nell, Minister, Head of the Americas Unit at SECO, met with Nelson Merentes, President of the Central Bank, to discuss the economic situation of Venezuela. N. Merentes highlighted various challenges, in particular the need for diversification of the Venezuelan economy. Discussions with Rodolfo Torres, Finance Minister, covered the issue of obtaining foreign currencies for companies. Talks with Marianny Rosado Prieto, Vice-Minister of Commerce, focused on the possibility of boosting exports. At the meeting with Alejandro Fleming, Vice-Minister for North and South America, prospects for the next Joint Economic Commission between Switzerland and Venezuela were discussed.

Mexico City, August 28th, 2015: The Swiss-Mexican Consultative Group on Trade and Economic Cooperation held its sixth meeting. For more information, see section 3.3.

Kingston, October 29th - November 2nd, 2015: In Jamaica, Martin Gutjahr, Deputy Head of the Americas Unit at SECO, met with Anthony Hylton, Minister of Industry, Investment and Commerce, to review Swiss-CARICOM relations and the implementation of Jamaica's strategy to become a leading logistics hub in the Caribbean. With Marcia Thomas, Undersecretary of Foreign Trade, he discussed international trade issues. Lilyclaire Bellamy, Executive Director of the Jamaica Intellectual Property Office, highlighted the progress achieved since the entry into force of the agreement on geographical indications between Switzerland and Jamaica in September 2014.

Havana, November 4th - 6th, 2015: Ambassador Livia Leu, Head of Bilateral Economic Relations at SECO and Delegate of the Federal Council for Trade Agreements, opened the Swiss Pavilion at the 33rd Feria Internacional de La Habana on November 4th, 2015 in Cuba. Representatives of Swiss companies and members of the Swiss-Cuban Chamber of Commerce and Industry were also present. With Ileana Núñez Mordoche, Vice Minister for Foreign Trade and Investment, Ambassador Leu discussed ways to deepen bilateral economic ties. She also



The Swiss Ambassador to Cuba, Anne-Pascale Krauer Müller, and Ambassador Livia Leu, Head of Bilateral Economic Relations SECO, at the opening of the Swiss pavilion at the 33rd "Feria Internacional de La Habana"

Source: State Secretariat for Economic Affairs, SECO.

met Eduardo Rodríguez Dávila, Vice Minister of Transport, who highlighted the rising number of Swiss tourist arrivals in Cuba, and Arnaldo Alayón Bazo, Vice President of Cuba's Central Bank, who gave an overview of Cuba's financial and monetary policies. Meetings with the Ministry of Foreign Affairs, the Ministry of Tourism and the Cuban Chamber of Commerce were also on the agenda.

Bern, November 27th, 2015: The Swiss-Brazilian Joint Commission on Trade and Economic Relations held its seventh meeting. For more information, see section 3.3.

3.7. Switzerland Global Enterprise: Infrastructure mission in Switzerland, Colombia and Peru

The main task of Switzerland Global Enterprise (S-GE) is to inform, advise and guide Swiss SMEs in their international business activities. In 2015, S-GE organized infrastructure missions to Switzerland, Colombia and Peru. The initiative came from Swiss companies, some with an existing presence in Latin America, interested to showcase infrastructure works in Switzerland. The visit also allowed for an introduction to the inclusive political decision-making process in Switzerland that ensures public support for infrastructure projects.

The 40 participants from the Peruvian and Colombian public and private sectors visited the Gotthard Base Tunnel in Amsteg (UR), a rock-fall protection structure in Illgau (SZ) and the Galgenbucktunnel in Neuhausen (SH) to gain an impression of modern Swiss engineering. They also toured the construction site at the pump storage plant in Nant-de-Drance and the recently inaugurated cross-city rail link in Zurich.

Moreover, they took part in the fifth Sustainable Infrastructure Summit organized by Global Infrastructure Basel, which brought together high-level policy-makers from municipal governments, infrastructure-project developers, investors, academics as well as technology providers. Besides providing networking opportunities with diverse stakeholders, the summit addressed key challenges linked to infrastructure investment as a path towards sustainable development.

In a follow-up mission, Swiss company representatives traveled to Peru and Colombia in November. In Lima, the delegation held discussions with major construction and engineering companies. Meetings with governmental bodies involved in infrastructure works, such as the Ministry of Energy and Mining and the Ministry of Transport and Communications, provided an insight into the country's infrastructure plan. On the second leg of the mission in Colombia, the Swiss delegation met with government officials and private companies in Bogotá and discussed the Colombian capital's urban development at the Instituto de Desarrollo Urbano. They then travelled on to Colombia's Caribbean coast, where they participated at the National Infrastructure Congress in Cartagena.

Swiss companies expressed their satisfaction with this successful joint effort by the public and the private sectors to enhance collaboration on infrastructure development. In particular, the visit to Switzerland gave an excellent opportunity to further contacts with South American partners and to present cutting-edge Swiss technology.

Appendix

Tables and Figures



Table A.1. Switzerland – Latin America: Merchandise Exports and Imports by Trading Partner, 2014 – 2015
(Millions of Swiss francs and percentage)

	Exports			Imports			Share in reg. imp. in %	Trade balance 2015
	2014	2015	Var. (%)	Share in reg. exp. in %	2014	2015		
SOUTH AMERICA AND MEXICO	6'147.0	5'842.4	-5.0	91.4	9'177.9	9'536.6	3.9	-3'694.2
Brazil	2'088.9	2'048.9	-1.9	32.1	1'601.3	1'428.9	-10.8	620.0
Mexico	1'741.3	1'446.0	-17.0	22.6	1'782.6	1'691.6	-5.1	-245.6
Argentina	669.0	841.3	25.8	13.2	537.1	1'209.6	125.2	-368.3
Colombia	432.5	432.9	0.1	6.8	660.0	575.7	-12.8	-142.8
Venezuela	379.1	278.2	-26.6	4.4	463.4	857.1	85.0	-578.9
Chile	254.9	256.1	0.5	4.0	787.7	558.5	-29.1	-302.4
Uruguay	264.3	243.9	-7.7	3.8	102.4	97.7	-4.6	146.2
Peru	151.0	150.7	-0.2	2.4	2'641.9	2'628.7	-0.5	-2'478.0
Ecuador	113.0	103.5	-8.4	1.6	133.6	114.4	-14.4	-10.9
Paraguay	22.4	22.5	0.4	0.4	8.1	14.3	76.5	8.2
Bolivia	28.6	14.8	-48.3	0.2	63.2	16.8	-73.4	-2.0
Guyana	0.7	1.9	171.4	0.0	0.1	0.1	0.0	1.8
Suriname	1.3	1.7	30.8	0.0	396.5	343.2	-13.4	-341.5
CENTRAL AMERICA	396.7	371.8	-6.3	5.8	312.6	289.0	-7.5	82.8
Panama	262.2	216.0	-17.6	3.4	131.3	101.6	-22.6	114.4
Costa Rica	73.1	84.2	15.2	1.3	104.8	104.1	-0.7	-19.9
Guatemala	26.8	28.1	4.9	0.4	44.5	46.8	5.2	-18.7
El Salvador	13.0	18.3	40.8	0.3	1.9	1.9	0.0	16.4
Honduras	8.6	13.0	51.2	0.2	20.1	23.0	14.4	-10.0
Nicaragua	5.9	9.2	55.9	0.1	9.6	11.2	16.7	-2.0
Belize	7.1	3.0	-57.7	0.0	0.4	0.4	0.0	2.6

Source: Federal Customs Administration, Bern.

Table A.1. (cont.) Switzerland – Latin America: Merchandise Exports and Imports by Trading Partner, 2014 – 2015
(Millions of Swiss francs and percentage)

	Exports			Imports			Trade balance 2015		
	2014	2015	Var. (%)	Share in reg. exp. in %	2014	2015		Var. (%)	Share in reg. imp. in %
CARIBBEAN	170.2	175.4	3.1	2.7	346.2	175.4	-49.3	1.8	0.0
Bahamas	80.3	84.6	5.4	1.3	66.8	56.6	-15.3	0.6	28.0
Dominican Republic	19.5	24.4	25.1	0.4	238.3	76.9	-67.7	0.8	-52.5
Cuba	17.8	21.4	20.2	0.3	31.2	31.2	0.0	0.3	-9.8
Jamaica	10.8	11.1	2.8	0.2	1.8	2.2	22.2	0.0	8.9
St. Vincent	14.5	10.2	-29.7	0.2	2.5	0.9	-64.0	0.0	9.3
Trinidad & Tobago	8.8	6.6	-25.0	0.1	0.8	1.6	100.0	0.0	5.0
Barbados	8.5	5.9	-30.6	0.1	1.2	1.1	-8.3	0.0	4.8
St. Lucia	3.3	3.5	6.1	0.1	0.0	0.1	100.0	0.0	3.4
Haiti	2.9	3.0	3.4	0.0	3.4	3.1	-8.8	0.0	-0.1
Antigua	2.0	2.4	20.0	0.0	0.2	0.1	-50.0	0.0	2.3
St. Kitts and Nevis	1.4	1.9	35.7	0.0	0.0	0.1	100.0	0.0	1.8
Grenada	0.2	0.2	0.0	0.0	0.0	1.5	100.0	0.0	-1.3
Dominica	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.2
TOTAL LATIN AMERICA	6'713.9	6'389.6	-4.8	100.0	9'836.7	10'001.0	1.7	100.0	-3'611.4
COMPARATIVE NUMBERS									
Asia	85'121.0	90'123.6	5.9	32.3	31'487.0	32'915.8	4.5	13.6	57'207.8
Asia: Emerging countries	40'288.4	41'355.9	2.6	14.8	8'884.1	9'672.8	8.9	4.0	31'683.1
Africa	3'966.9	3'349.8	-15.6	1.2	9'746.4	7'916.9	-18.8	3.3	-4'567.1
TOTAL SWISS FOREIGN TRADE	285'178.9	279'211.4	-2.1	100.0	252'504.9	242'549.5	-3.9	100.0	36'661.9

Source: Federal Customs Administration, Bern.

**Table A.2. Switzerland – Latin America: Merchandise Exports and Imports
1965 – 2015**
(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	6'390	10'001	-3'611	2.3	4.1

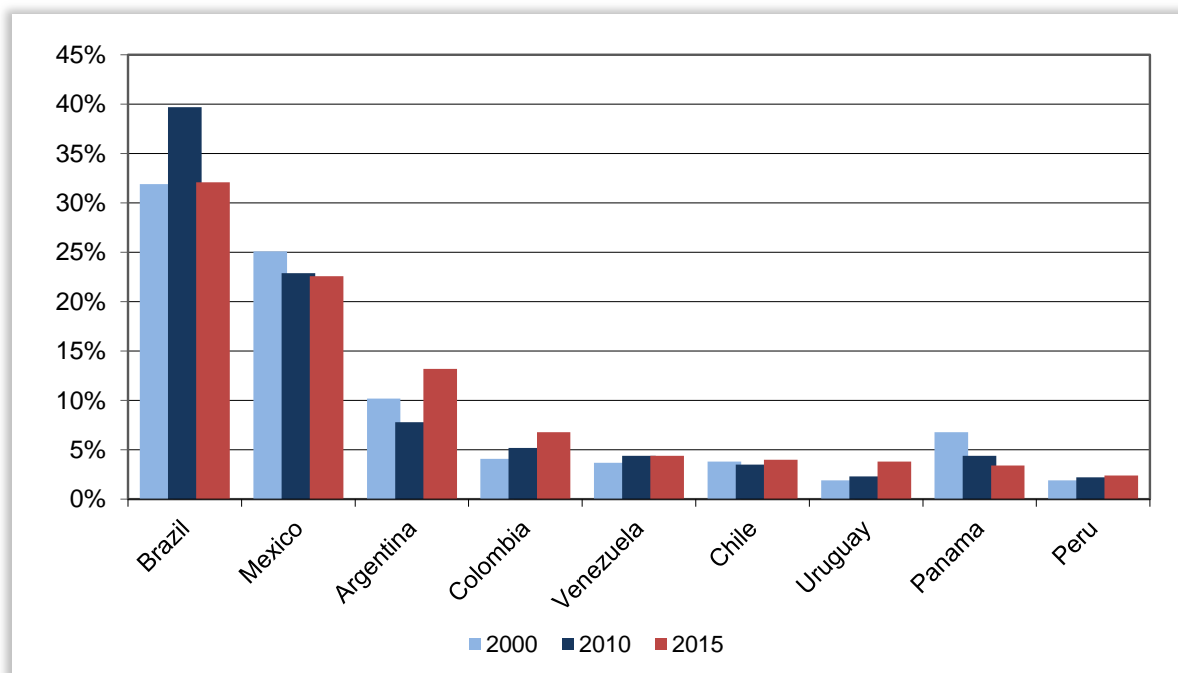
Source: Swiss Federal Customs Administration, Bern.

* 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 – 2015
(Millions of Swiss francs and percentage)

	1990	2000	2010	2014	2015	Var. in % 2015/2014	Share in % 2015
Brazil	536	1'262	2317	2089	2049	-1.9	32.1
Mexico	458	992	1338	1741	1446	-17.0	22.6
Argentina	177	405	455	669	841	25.8	13.2
Colombia	154	164	303	433	433	0.0	6.8
Venezuela	117	147	255	379	278	-26.6	4.4
Chile	104	150	206	255	256	0.5	4.0
Uruguay	31	74	136	264	244	-7.7	3.8
Panama	135	270	259	262	216	-17.6	3.4
Caribbean	133	160	177	170	175	3.1	2.7
Peru	61	74	128	151	151	0.0	2.4
Others	176	262	264	301	301	0.0	4.7
Total	2'082	3'960	5'838	6'714	6'390	-4.8	100.0

Figure A.1. Switzerland – Latin America: Share of Merchandise Exports by Major Partner in Total Merchandise, 2000 – 2015
(Percentage of total Swiss exports to Latin America)

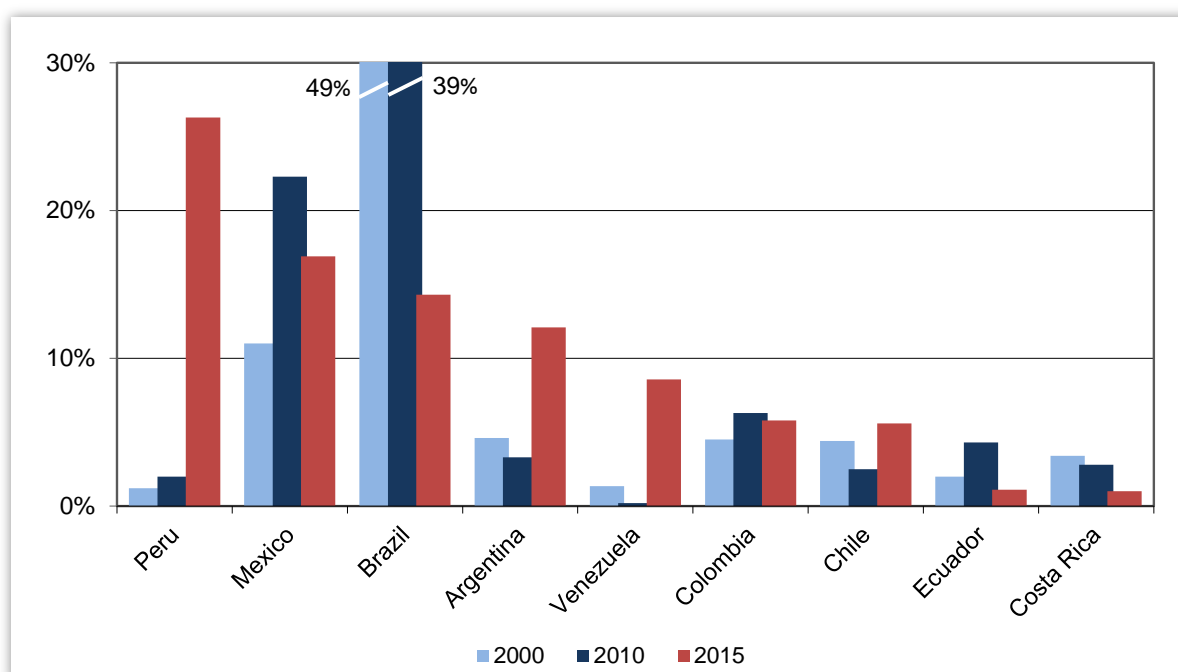


Source: Swiss Federal Customs Administration, Bern.

Table A.4. Switzerland – Latin America: Major Merchandise Import Markets 1990 – 2015
(Millions of Swiss francs and percentage)

	1990	2000	2010	2014	2015	Var. in % 2015 / 2014	Share in % 2015
Peru	29	21	43	2'642	2'629	-0.5	26.3
Mexico	54	191	491	1'783	1'692	-5.1	16.9
Brazil	345	856	849	1'601	1'429	-10.8	14.3
Argentina	118	76	72	537	1'210	125.2	12.1
Venezuela	28	23	4	463	857	85.0	8.6
Colombia	71	79	138	660	576	-12.8	5.8
Chile	36	81	56	788	559	-29.1	5.6
Caribbean	940	171	128	346	176	-49.2	1.8
Ecuador	12	35	95	134	114	-14.4	1.1
Costa Rica	48	60	62	105	104	-0.7	1.0
Others	314	149	156	778	657	-15.6	6.6
Total	1'995	1'742	2'202	9'837	10'001	1.7	100.0

Figure A.2. Switzerland – Latin America: Share of Merchandise Imports by Major Partner in Total Merchandise, 2000 – 2015
(Percentage of total Swiss imports from Latin America)

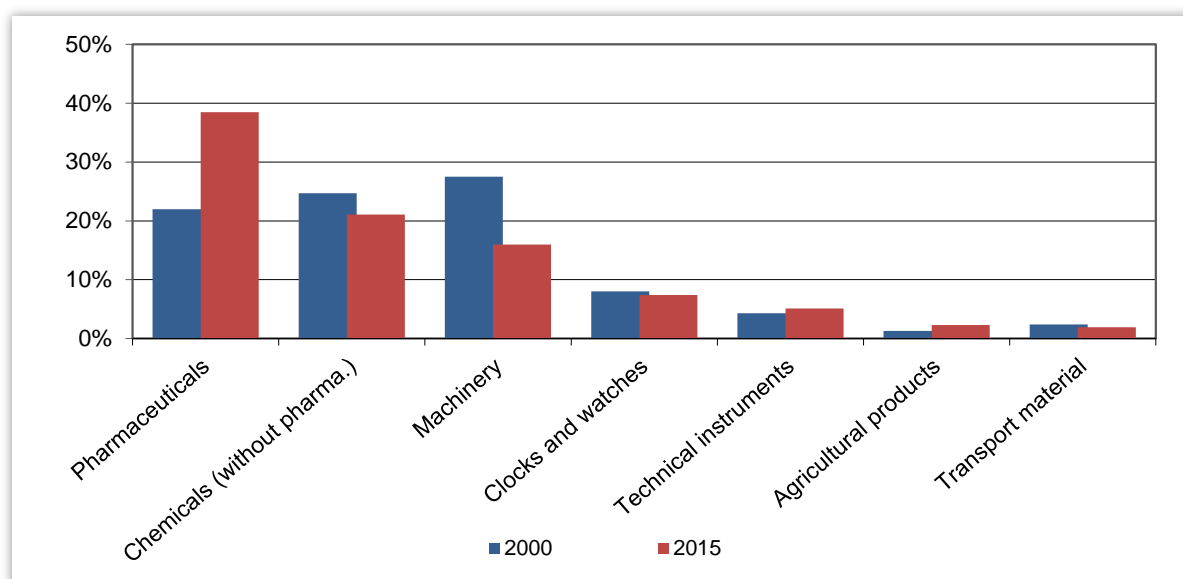


Source: Swiss Federal Customs Administration, Bern.

Table A.5. Switzerland – Latin America: Merchandise Exports by Product Group 2000 – 2015
(Millions of Swiss francs and percentage)

Chapters of the Harmonized System	Value			Var. in % 2015 / 2014	Share in % 2015
	2000	2014	2015		
1-24 Agricultural products	52.0	148.1	146.5	-1.1	2.3
25-26 Mineral products	0.7	1.8	4.0	122.2	0.1
27 Mineral fuels	13.0	1.4	1.3	-7.1	0.0
28-38 Chemicals (without pharma.)	976.7	1'487.0	1'345.4	-9.5	21.1
30 Pharmaceuticals	872.2	2'394.0	2'457.9	2.7	38.5
39-40 Plastic, rubber	54.4	79.8	70.9	-11.2	1.1
41-43 Skins, leather and art.	3.0	3.1	2.9	-6.5	0.0
44-46 Wood	1.6	6.0	5.2	-13.3	0.1
47-49 Paper	25.6	33.4	31.8	-4.8	0.5
50-63 Textiles, clothing	34.0	19.3	16.1	-16.6	0.3
64-67 Shoes, umbrellas, ...	2.4	1.8	2.5	38.9	0.0
68-70 Stone, glass, ceramic art.	31.6	30.4	26.8	-11.8	0.4
71 Precious metals and jewelry	98.3	87.1	50.7	-41.8	0.8
72-83 Metals and art. thereof	101.8	135.4	126.0	-6.9	2.0
84-85 Machinery	1'089.4	1'114.6	1'025.1	-8.0	16.0
86-89 Transport material	95.2	145.9	120.9	-17.1	1.9
90+92 Technical instruments, ...	168.9	367.8	329.5	-10.4	5.2
91 Clocks and watches	318.0	520.6	475.8	-8.6	7.4
93 Weapons and ammunition	1.3	4.9	1.1	-77.6	0.0
94 Furniture, ...	6.8	4.4	5.7	29.5	0.1
95-97 Toys, sport articles, ...	13.3	15.4	21.9	42.2	0.3
Others	-	111.7	121.6	8.9	1.9
Total Swiss exports: Latin America	3'960.2	6'713.9	6'389.6	-4.8	100.0
Total Swiss exports: World	136'014.9	285'178.9	279'211.4	-2.1	--

Figure A.3. Switzerland – Latin America: Merchandise Exports by Major Product Group, 2000 – 2015
(Percentage of total Swiss exports to Latin America)

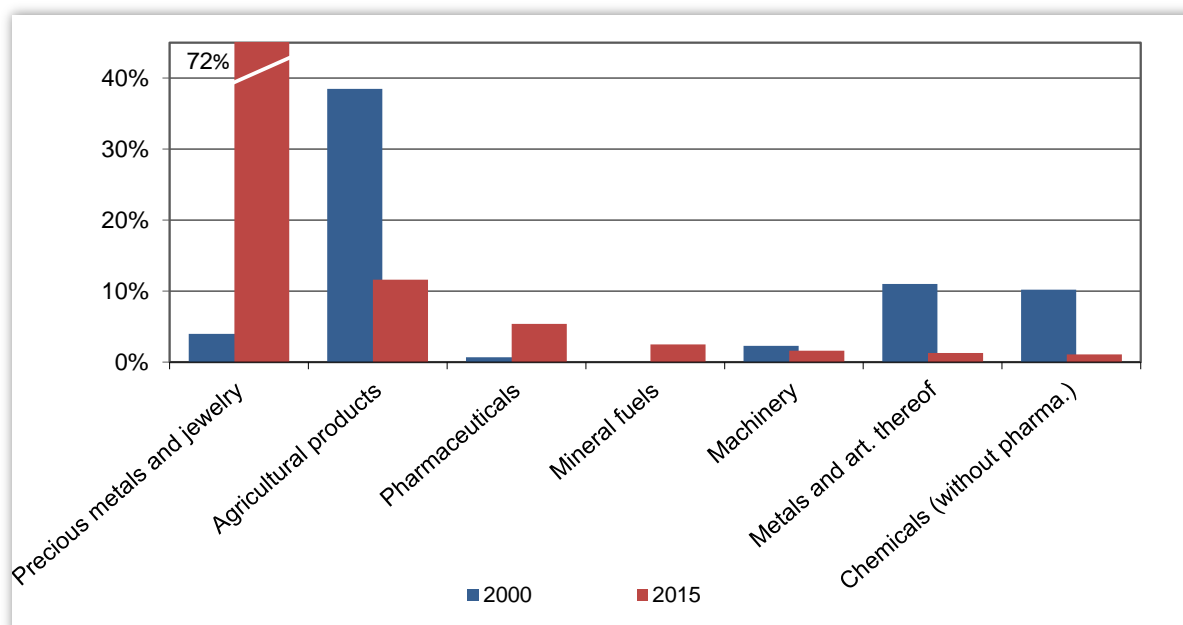


Source: Swiss Federal Customs Administration, Bern.

Table A.6. Switzerland – Latin America: Merchandise Imports by Product Group 2000 – 2015
(Millions of Swiss francs and percentage)

Chapters of the Harmonized System	Value			Var. in %	Share in %
	2000	2014	2015	2015 / 2014	2015
1-24 Agricultural products	670.3	1'137.0	1'163.5	2.3	11.6
25-26 Mineral products	2.5	1.2	1.2	0.0	0.0
27 Mineral fuels	0.4	232.0	252.1	8.7	2.5
28-38 Chemicals (without pharma.)	178.2	124.7	105.3	-15.6	1.1
30 Pharmaceuticals	11.6	778.2	543.9	-30.1	5.4
39-40 Plastic, rubber	6.3	16.0	13.9	-13.1	0.1
41-43 Skins, leather and art.	4.5	6.3	5.4	-14.3	0.1
44-46 Wood	1.5	6.5	6.5	0.0	0.1
47-49 Paper	66.7	25.9	29.0	12.0	0.3
50-63 Textiles, clothing	17.1	17.8	17.5	-1.7	0.2
64-67 Shoes, umbrellas, ...	3.5	8.1	7.6	-6.2	0.1
68-70 Stone, glass, ceramic art.	3.5	5.3	5.4	1.9	0.1
71 Precious metals and jewelry	70.4	6'706.3	7'179.3	7.1	71.8
72-83 Metals and art. thereof	191.5	157.1	128.8	-18.0	1.3
84-85 Machinery	39.7	130.3	161.1	23.6	1.6
86-89 Transport material	400.2	45.2	100.2	121.7	1.0
90+92 Technical instruments, ...	5.5	71.5	82.8	15.8	0.8
91 Clocks and watches	5.7	16.0	17.0	6.3	0.2
93 Weapons and ammunition	0.2	0.3	0.8	166.7	0.0
94 Furniture, ...	1.6	1.6	1.8	12.5	0.0
95-97 Toys, sport articles, ...	61.6	13.7	10.0	-27.0	0.1
Others	-	335.9	167.9	-50.0	1.7
Total Swiss imports: Latin America	1'742.5	9'836.9	10'001.0	1.7	100.0
Total Swiss imports: World	139'402.2	252'504.9	242'549.5	-3.9	---

Figure A.4. Switzerland – Latin America: Merchandise Imports by Major Product Group, 2000 – 2015
(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 – 2014**

(Total FDI stock at year's end in millions of Swiss francs excluding offshore centers)

	1993	2000	2013	2014*
Brazil	4'214	5'707	21'158	13'583
Mexico	1'872	4'377	13'005	7'596
Argentina	443	1'782	6'556	4'301
Chile	413	790	3'475	1'926
Uruguay	126	421	1'258	1'750
Venezuela	315	1'116	2'017	1'714
Colombia	414	1'092	1'331	977
Peru	72	310	1'004	590
Costa Rica	96	130	637	540
Ecuador	189	441	650	330
Guatemala	58	88	317	251
Bolivia	n.a.	31	65	66
Others	n.a.	n.a.	1'286	882
Total	8'211	16'284	52'759	34'506

Source: Swiss National Bank, Zurich.

* As of 2014, capital stocks are only reported in countries where there are subsidiaries that are directly owned by companies in Switzerland. Hence, FDI stocks from 2014 cannot be compared with those of the previous year.

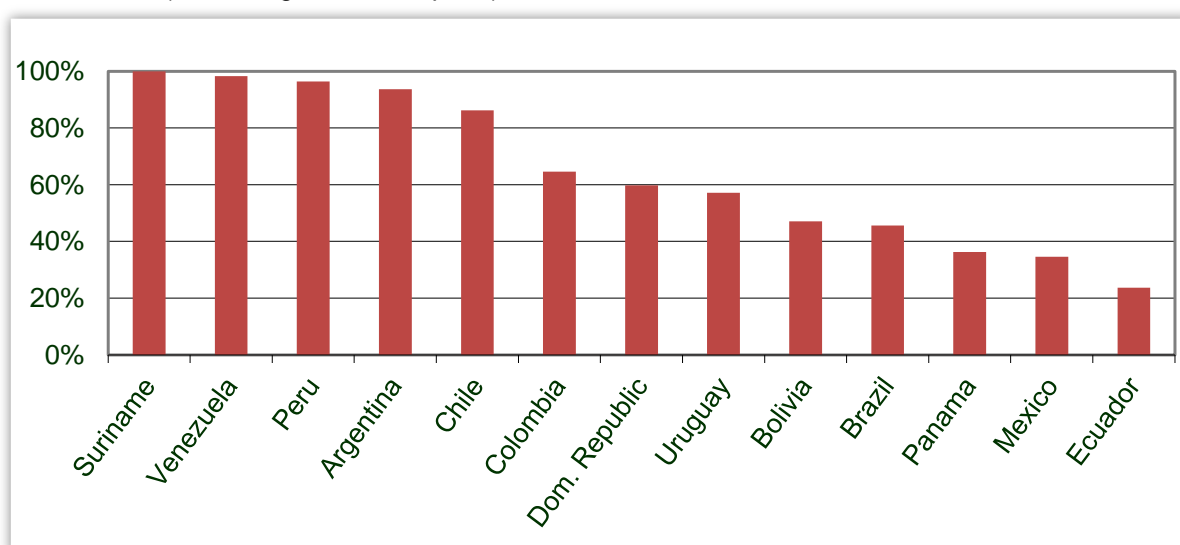
Table A.8. Switzerland – Latin America: Gold Imports by Major Partner in 2015
(Millions of Swiss francs)

	Gold Imports	Total Imports	Share of gold in total Imports (in %)
Peru	2'535	2'629	96%
Argentina	1'134	1'210	94%
Venezuela	842	857	98%
Brazil	652	1'429	46%
Mexico	585	1'692	35%
Chile	481	558	86%
Colombia	372	576	65%
Suriname	343	343	100%
Uruguay	56	98	57%
Dominican Republic	46	77	60%
Panama	37	102	36%
Ecuador	27	114	24%
Bolivia	8	17	47%
Others	67	299	-
Total	7'185	10'001	72%

Source: Swiss Federal Customs Administration, Bern.

In addition, Switzerland imported gold for **CHF 346 million from Curaçao**, which is not included in this report since it is a constituent country of the Kingdom of the Netherlands.

Figure A.5. Switzerland – Latin America: Share of Gold Imports by Major Partner 2015
(Percentage of total imports)



Source: Swiss Federal Customs Administration, Bern.

Table A.9. Switzerland – Latin America: Major Economic Agreements (entry into force)

South America		Central and North America	
Argentina	Trade agreement BIT DTA	26.11.1957 06.11.1992 27.11.2015	19.11.2002 initialled March 2006, adaptation under way 29.08.2014
Bolivia	BIT DTA	17.05.1991 declaration of intention: 02.04.1993	15.07.1954 16.09.1996
Brazil	Trade agreement BIT DTA	01.08.1936 (provisory) signed 11.11.1994; not adopted by the Brazilian parliament declaration of intention: 06.07.1995; negotiations under way	11.04.1955 03.05.2005 negotiations concluded: 15.10.2014 31.08.1998
Chile	Trade agreement BIT FTA (EFTA) DTA	31.01.1899 02.05.2002 01.12.2004 05.05.2010	02.09.1950 14.03.1996 08.09.1994; modifying protocol: 23.12.2010 01.07.2001
Colombia	Trade agreement BIT DTA FTA (EFTA)	02.10.1909 06.10.2009 11.09.2011 01.07.2011	02.05.2000 declaration of intention: 12.04.1994
Ecuador	Trade agreement BIT DTA	21.10.1941 11.09.1969 22.12.1995	22.08.1985 29.08.2014
Guyana	BIT	signed 13.12.2005; ratified by Switzerland on 17.07.2007; to be ratified by Guyana	
Paraguay	Trade agreement BIT	12.12.1969 28.09.1992	22.12.1995
Peru	Trade agreement BIT DTA FTA (EFTA)	21.10.1941 23.11.1993 10.03.2014 01.07.2011	14.04.1954 07.11.1997 23.12.1936 21.11.1991 27.12.1995
Uruguay	Trade agreement BIT DTA	21.10.1941 22.04.1991 28.12.2011	30.05.2006 04.07.2012 20.03.1974
Venezuela	BIT DTA Framework agreement on cooperation	30.11.1994 23.12.1997 06.05.2009	

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	
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 Sempacherstrasse 5 6003 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:	Alfredo Rodriguez
General Manager:	Cecilia Dibárbora
E-mail:	info@suiza.org.ar
Website:	www.suiza.org.ar
Brazil	Câmara de Comércio Suíço-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:	Stephan Buser
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	<p>Cámara de Comercio Colombo-Suiza Calle 98, No 15 – 17, Oficina 402 Bogotá, Colombia</p> <p>Tel.: +57 1 6018787 / 6017681 / 6017684 President: René M. La Barre Executive Director: Silvia Gutierrez Díaz</p> <p>E-mail: direccion@colsuizacam.com colsuizacam@colsuizacam.com</p> <p>Website: www.colsuizacam.com</p>
Cuba	<p>Swiss-Cuban Chamber of Commerce and Industry Centro de Negocios Miramar Edo. Jerusalem. Of. 214 Ave. 3ra, Esq. 80 Miramar, Playa, La Habana</p> <p>Tel.: +53 7 204 9020 Fax.: +53 7 204 2029 President: Andreas Winkler E-mail: andreas.winkler@swisscuban.org info@swisscuban.org</p> <p>Website: www.swisscuban.org</p>
Dominican Republic	<p>Cámara de Comercio y Turismo Dominico-Suiza Edificio Allison C./ Victor Garrido Puello#159. Apt. 2B Evaristo Morales, Zip 10147, Santo Domingo, República Dominicana</p> <p>Tel.: +1-809-475-1721 Fax.: +1 809 412 7828 President: Gaetan Bucher E-mail: g.tahan@camaradominicosuiza.org Website: www.camaradominicosuiza.org</p>
Mexico	<p>Asociación Empresarial Mexicano-Suiza, A.C. Campos Eliseos 345 Piso 3 Col. Chapultepec Polanco 11560 México, D.F.</p> <p>Tel.: +52 55 5279 5433 Fax.: +52 55 5280 7614 President: Peter Pfenninger Secretary: Pedro Ovin E-mail: info@aems.com.mx Website: www.aems.com.mx</p>
Peru	<p>Cámara de Comercio Suiza en el Perú Av. Salaverry 3240, Piso 4 Lima 27, Peru</p> <p>Tel.: +51 1 264 35 16 President: Leno Mulder General Manager: Corinne Schirmer E-mail: info@swisschamperu.org Website: www.swisschamperu.org</p>

Uruguay	<p>Cámara de Comercio Suizo-Uruguaya Pablo de María 1065 11200 Montevideo, Uruguay</p> <p>Tel.: +59 82 419 33 85 President: Gunther Rotzinger Secretary: Helga Ringeltaube E-mail: info@swisschamuruguay.org.uy Website: www.swisschamuruguay.org.uy</p>
Venezuela	<p>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</p> <p>Tel.: +58 212 953 51 55 President: Pierino Lardi Executive Director: Fini Otero E-mail: info@camarasuiza.org Website: www.camarasuiza.org</p>

Swiss Business Hubs and swissnex	
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Brazil	<p>swissnex c/o Consulado Geral da Suíça Rua Cândido Mendes, 157, 12 andar Rio de Janeiro / RJ 20241-220</p> <p>Tel.: +55 21 3806 2141 CEO: Gioia Deucher E-mail: gioia@swissnexbrazil.org Website: www.swissnexbrazil.org</p> <p>swissnex c/o Consulado Geral da Suíça Av. Paulista 1754, 4º andar 01310-920 São Paulo SP</p> <p>Tel.: +55 11 96691 1020 Project Manager & Head of São Paulo office: Mayra Castro E-mail: mayra@swissnexbrazil.org Website: www.swissnexbrazil.org</p>

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