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Foreign Economic Affairs Directorate

Economic Relations Report 2023

SWITZERLAND
LATIN AMERICA

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IMPRESSUM

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1 FOREWORD

The world is in turmoil. So are relations between a number of countries. When Russia started an unprovoked war of aggression against Ukraine it shook the foundations of the international order and, in particular, the security architecture of Europe.

Meanwhile, the rivalry between two important economies, the U.S. and China, continues to intensify and remains the first geopolitical challenge. Both developments threaten and undermine the multilateral system, which is the basis of a level-playing-field and economic progress for over three decades. As one of the main consequences this is diverting ressources and energy from much needed action towards challenges posed by climate change.

As countries continue to grapple with these developments, they are confronted with other challenges: Rising inflation and interest rates as well as high levels of public debt. Latin America and the Caribbean (LAC) are particularly affected by these economic shocks. The IMF expects the region's growth to slow down to about 1.7 percent in 2023. At the same time, threats such as climate change, poverty, or most recently the COVID-19-pandemic call for closer coordination and cooperation between countries.

Switzerland is and will remain an active partner of LAC. For decades, Switzerland and its economy have been closely intertwined with the region. However, these connections might increasingly be called into question. Certainly not by Latin America or Switzerland, but by the effects of an arising global formation of political and economic blocs, taking place between superpowers. "Friendshoring", "decoupling", or "strategic alliances" between "likeminded" – excluding others – seem to increasingly determine economic policies. For countries that pursue economic policies that promote openness and non-discrimination, the room for maneuver is narrowing. However, the tangible benefits of open markets are worth decades preserving since they have delivered for years and are the most reliable guarantee for long-term resilience of economies and societies.

Over the past year, Switzerland has worked intensively with existing as well as new partners. SECO is expanding and seeking to renew bilateral agreements to facilitate access to each other's markets for our companies, our manufacturers and our farmers. We regularly meet with partners in LAC to exchange about challenges and ways forward and further develop our relations.

There is success, as the numbers show clearly: our bilateral trade volume also increased by 16 percent last year, and Swiss direct investment also rose.

In the spirit of renewal, the annual Switzerland-Latin America – Economic Relations Report has received a thorough redesign. This is also an expression of the shared hope that Switzerland and LAC will continue to strengthen their relationship in challenging times. In this light, this year's focus chapter elaborates on LAC's infrastructure needs and how Switzerland and its enterprises can contribute to effective and sustainable solutions.

Difficult times call for strong bonds.

ERWIN BOLLINGER

AMBASSADOR,
HEAD BILATERAL ECONOMIC RELATIONS

DELEGATE OF THE
FEDERAL COUNCIL FOR TRADE
AGREEMENTS

Mexico City, Mexico
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2 ___ INTRODUCTION

LATIN AMERICA, SWITZERLAND AND THE WORLD

2022 is the year of multiple crises: rising interest rates, rising prices, war and serious supply chain distortions. Latin America has also been hit hard and the industrial policies of some countries are further damping the economic outlook. Despite these challenges, Switzerland continues to work with its Latin American partners to further foster economic relations.

When Russia started its war of aggression against Ukraine, it shook the post-cold war security architecture of Europe to its foundations. The military aggression by a nuclear power and permanent member of the security council against a neighboring state led to unspeakable human tragedies, massive destruction and an enormous flow of refugees. The economic impact of the Russian campaign can be felt not only in Europe but also across the globe. The world is closely interconnected.

Prices for fossil fuels and foodstuffs fluctuate, threatening stability and livelihoods, in particular in poorer countries. Moreover, these distortions are taking place at a moment in history, in which many states and societies are already vulnerable. The COVID-19 pandemic has already taken a heavy toll on economies and forced many states to massively increase their spending in order to ensure the survival of poor population. At the same time, inflation started to rise around the globe, and with it, especially fiscal room, key interest rates. 2022 was a year of multi-layer crises. The room for maneuver is limited for many countries, and with it the possibility of responding adequately to the economic effects of the latest crisis – the war in Ukraine.

LAC was also seriously affected by these developments, and since the pandemic the region has already been prone for turbulences. Here, the COVID-outbreak had not only resulted in numerous deaths, but in combination with the corresponding sanitary measures and the cooling of the global economy, economic life was massively affected in 2020, increasing private debt. The GDP of the LAC region decreased by 7.0 percent. In no other region did economic output decline as sharply. But in 2021, LAC managed to find back to the growth path, over-performing the world economy with a GDP-growth of 6.9 percent.[1] LAC benefited in particular from the fact that prices for numerous raw materials had risen sharply, while the low global interest rates continued to favor investments in emerging markets. Presumably, the rebound would have been even stronger if China's growth had not been impaired by repeated lockdowns.

→ 1: IMF (2022): World Economic Outlook Database, October 2022.

In the spring of 2022, things began to change. The war in Ukraine sent shockwaves through the world economy – also felt in Latin America. First and foremost, the prices of oil, food and fertilizers rose enormously. However, many countries found themselves hardly in a position to counteract this decisively. In order to dampen the effects of the pandemic and ensure the economic survival of the poorest population, they had already generously provided support, which severely restricted their fiscal policy leeway. Borrowing fresh money also became increasingly difficult. In March 2022, the U.S. Federal Reserve raised its key interest rate for the first time, thus giving the starting signal for the interest rate turnaround. Further increases followed.

Not all Latin American countries felt the effects in the same way. Argentina, for example, was able to renegotiate its debt in cooperation with the IMF right before the sharp increases in interest rates set in. With its productive agriculture, the country was even able to profit from the price increases to a certain extent. But, despite high revenues in agricultural exports, the country is struggling with very high inflation of 95 percent in 2022, which is causing many Argentinians to exchange their money for the more stable dollar.[2] The resulting need for foreign exchange control, in turn, makes it difficult for companies to purchase essential products from abroad.

While Argentina has shown high inflation for several years, most other Latin American countries did not face similar problems until 2022. However, global inflationary trends led to a sharp price increases here as well. For example in Colombia, inflation reached 9.7 percent, compared with 3.5 percent in the previous year.[3]

Despite the overall difficult economic environment, many Latin American economies were able to continue the recovery that began in 2021 after the pandemic, at least in the first half of 2022. Important for macroeconomic stabilization were the proceeds from commodity exports, the return of international tourists, and the facilitation of remittances by increased digitalization of transactions.[4] The healthy financial systems in most LAC countries also helped to buffer the global effects and supported economic activity. However, global winds are shifting. The IMF revised its forecasts for the region downward in October 2022: Instead of of 2.5 percent GDP-growth, the IMF estimates only 1.7 percent in 2023. Over the medium-term, the IMF expects LAC's growth to return to its long-term average of 2.5 percent – considerably below peer economies.[5] Until 2024 the economic output will probably remain below its pre-pandemic trend by almost five percent, largely because of losses in productivity. And serious risks are looming on the horizon: An additional tightening of global financial conditions, weaker global growth, and the global economic fragmentation could dampen economic growth.[6]

In particular, the tendency towards a formation of blocks around major powers is likely to have a strong negative long-term impact on many countries in LAC. While an industrial policy under concepts such as *friendshoring* may provide additional short-term investment in industrial capacity of selected countries, it will have hardly any positive effects in the long-term, with the notable exception of Mexico being strongly integrated in the North American market with the U.S. and Canada. While the Chinese hope the region will remain a raw material supplier and sales market, the U.S. decoupling also promises little for LAC. U.S. economic policy is envisioning a strengthening of the U.S. industrial base and therefore a reshoring of economic activities that promise high added value, while from this perspective, at best, labor-intensive and low-productivity work steps will remain in Latin America. The abandonment of international cooperation will also make it more arduous to address global structural challenges that affect LAC in particular: climate change and debt resolution.

Bilateral Economic Relations in Turbulent Times

Switzerland faces similar challenges, though not of the same amplitude. Due to its diversified economic structure, high value added and strong economic ties with countries on all continents, it has built up a proven resilience that helps to dampen the impact of negative economic effects. But the challenges are the same: rising interest rates, rising prices for commodities and especially for electricity and gas, and inflation.[7] 2022 was a difficult year for Switzerland. After Russia started its offensive against Ukraine, many displaced persons were welcomed in Switzerland[8]. In the face of unprovoked military aggression against a democratic state, Switzerland also imposed sanctions against Russia based on those taken by the European Union. These measures are likely to remain in place for some time. While the conflict continues, it is still unclear to what extent it will affect future economic relations. When and how will the conflict stop? Will huge amounts of capital soon be needed to support Ukraine's reconstruction, and where will the money come from? Will development aid for developing countries be cut back in favor of Ukraine? Will it reinforce the trend toward political bloc formation?

The future remains open and difficult times are ahead for the world and thus also for bilateral economic relations. Fortunately, bilateral economic relations between Switzerland and Latin America seem to have suffered little so far. On the contrary, trade between Switzerland and the region increased by 16 percent in value terms.

→ *2: IMF (2022): World Economic Outlook Database, October 2022.*
→ *3: IMF (2022): World Economic Outlook Database, October 2022.*
→ *4: IMF (2022): Regional Economic Outlook. Western Hemisphere. Navigating Tighter Global Financial Conditions.*
→ **5:** Ibid, p. 14.
→ **6:** Ibid.
→ **7:** With 2.8 percent inflation is low by international and also by European standards. But the figures are deceptive, because inflation in Switzerland is partly mitigated by the development ofthe Swiss franc exchange rate. Inflation is higher in real terms.
→ **8:** 79000 people until the end of February 2023, according to State Secretariat for Migration *(SEM (2023): statistics).*

As a small open economy based on the rule of law, Switzerland promotes international rules and standards to ensure a level-playing-field. It seeks to safeguard the broad-based, multilateral and reliable rules-based international system for cross-border economic relations that is also conducive to peaceful relations. Such a system creates and upholds legal certainty, predictability and stability for the domestic and international activities of Swiss businesses and the one of other countries. The cross-border economic relations thus enabled sustainable development because they drive economic specialization, increase productivity, promote innovation and generate added value.

However, the multilateral fora are currently challenged. Important powers are seeking to impose unilateral policies on their economic partners by resorting to their market power. Also, industrial and protectionist policies see a revival internationally, often based on a policy rationale related to "national security". The increasing rivalry between China and the U.S. is playing an important role here, as does the Russian aggression in the Ukraine, strengthening the links between the EU and the U.S. and driving the EU to adopt sometimes U.S. economic policy.

The key concepts related to these trends are numerous: *decoupling, friendshoring, allyshoring, reshoring* and *nearshoring* being some examples. Implicitly, economic partners may see themselves in a position where they are required to align with one of the superpowers in order to do business with them or to avoid pressure. The U.S. are also pursuing policies that seek to entice industrial production within their borders or in closely linked economies, reinforcing tendencies towards protectionism and the implementation of competition-distorting schemes. This policy is directly supported by the American taxpayer, also as foreign companies receive numerous incentives to relocate their production, and has had a cascade effect in the EU with the Green Deal Industrial Plan. Meanwhile, China is presenting itself as a partner. The Asian superpower has already become the most important trading partner for many countries. However, Beijing sees Latin America first as a source of supply for raw materials, second, a market. Chinese direct investment in the infrastructure sector must also be viewed quite critically in this context, as it seems to further foster rather than overcome the LAC's role in the global economy.

For Switzerland, these tendencies present a tremendous challenge. If multilateral rules – the very foundation of the rules-based system – are only applied selectively and to a limited extent, it will also affect Switzerland. As a strongly integrated economy, gaining and maintaining access to geographically diversified markets becomes a prerequisite to strengthen its economic independence and resilience. This is also relevant in relation to Latin America. The growth momentum towards emerging market economies, global demographic change and the increasing importance of an expanding middle class are changing the weight of the individual players in the global economy. A broad network of trade agreements can provide a framework for companies to diversify their business relations.

Built on long-lasting relations that date back several decades, Switzerland seeks to expand its economic relations with partners in Latin America in the foreseeable future. The progress made on the free trade agreement with MERCOSUR is a positive sign. Free trade agreements are already in place with other partner countries in the region, the most recent (with Ecuador) entering into force in 2020. In addition, other agreements such as the Free Trade Agreement with Chile and the Investment Protection Agreement with Mexico could be renewed and adapted to changing economic realities in the near future. The Federal Council focuses on the so-called *Jaguar* countries as explained in its Americas Strategy published in February 2022. These countries – Argentina, Brazil, Chile, Colombia, Mexico, and Peru – have an important economic potential and offer relatively favorable operating conditions for companies[9]. However, Switzerland is also observing developments and is interested to explore possible cooperation in the frame of its available resources with many other Latin American countries, particularly with regard to the current international challenges.

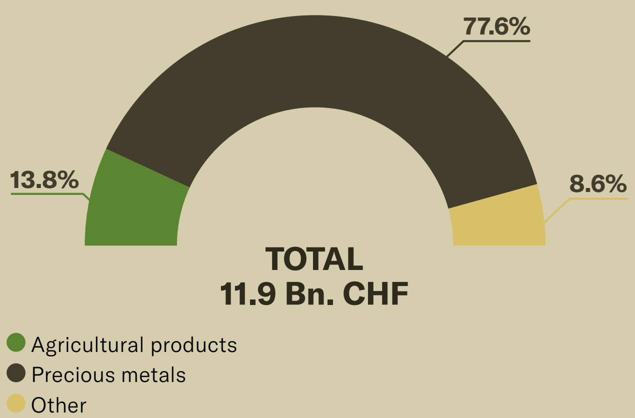
→ *9: EDA (2022): Switzerland Presents its Americas Strategy.*

3 ____ Bilateral Economic Relations

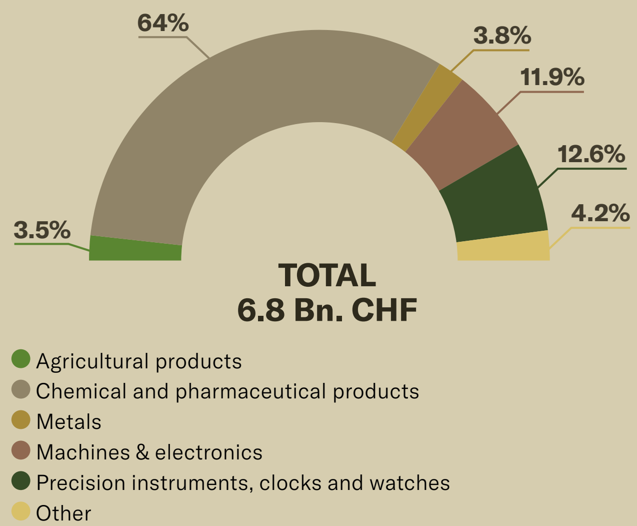
Latin America and the Caribbean (LAC)

AN OVERVIEW

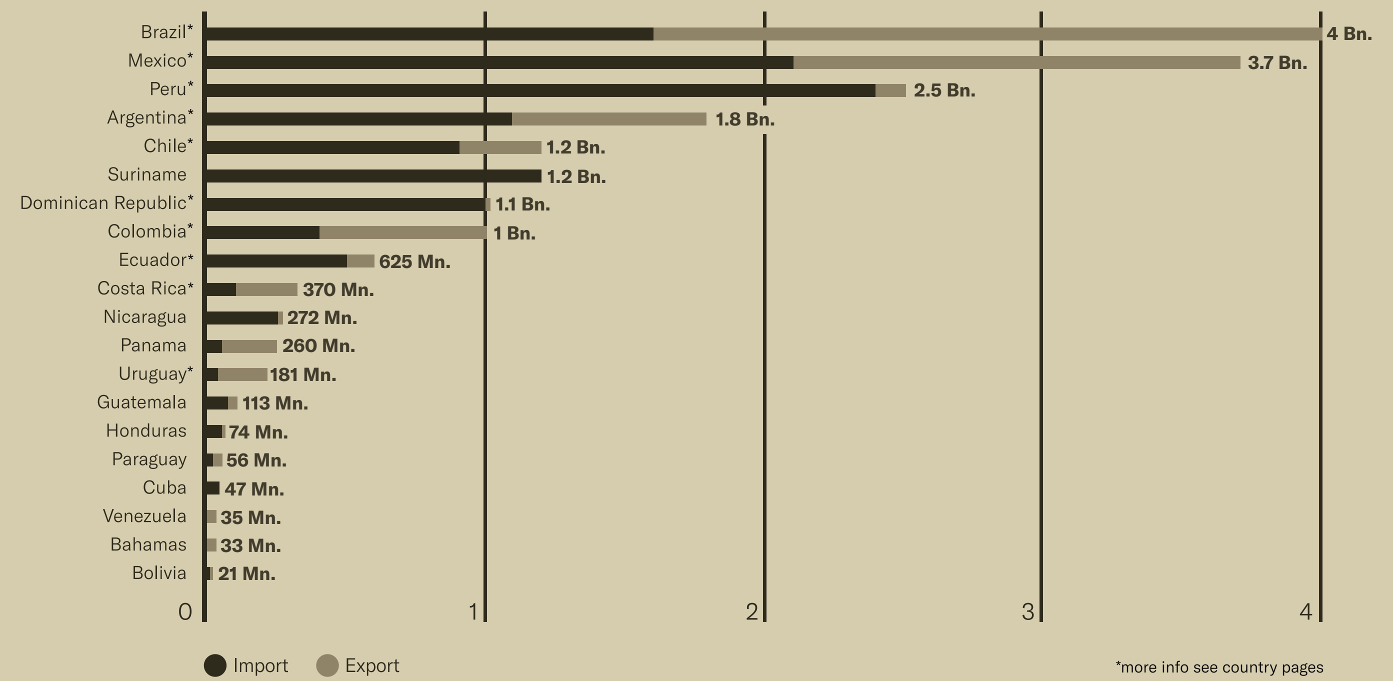
Swiss Imports from LAC



Swiss Exports to LAC

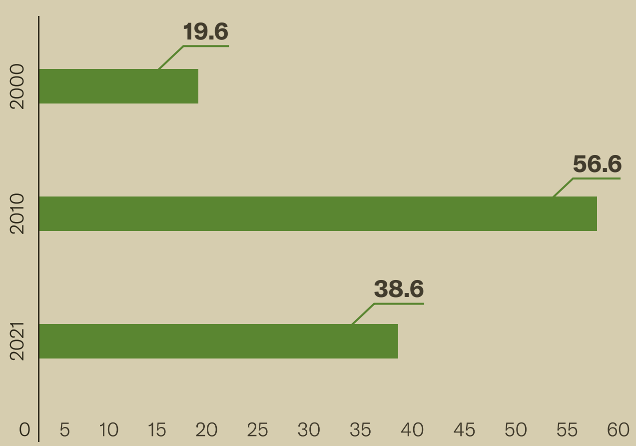


Bilateral Trade Volume Latin America and the Caribbean (in CHF)



*more info see country pages

Swiss FDI (billion CHF)



Employment by Swiss Companies

TOTAL 190 200

= 1 couple: 600–800 people

Source for trading figures: Swiss Impex (data for 2022 as reported on 7 February 2023) / *Source for Swiss FDI and employment by Swiss companies:* SNB (data for 2021)

Comment

Switzerland and the countries of Latin America and the Caribbean (LAC) have longstanding economic relations. However, the region is geographically speaking far away and hence not among the main trading partners of Switzerland. Traditionally, the Swiss economy has been strongly oriented towards the neighboring European states as well as North America. In recent decades, the economic importance of Asia has increased massively.

Trade volumes with Africa and LAC also increased, but not as much as those with Asia, implying a relative loss of importance of LAC. Therefore, in line with its foreign economic policy strategy to diversify economic relations, Switzerland is committed to invest in expanding trade and investment relations with LAC. This is underlined by a vast network of Swiss representations in the region and a growing number of Joint Economic Commissions and economic agreements (FTA, DTA, BIT)* with the countries of LAC.

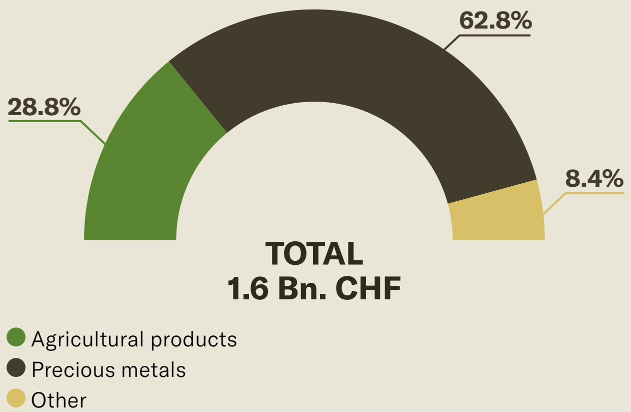
After a slump due to the COVID-pandemic, Switzerland's trade volume with the countries of LAC increased in 2022 by 16% to CHF 18.8 billion. Swiss exports rose by 12% to CHF 6.8 billion and imports by 18% to CHF 11.9 billion. As usual, imports are dominated by precious metals (79% – gold alone 76%) and exports by chemical and pharmaceutical products (64%). 59% of Swiss exports went to Brazil and Mexico. The bulk of (gold) imports to Switzerland has more diverse origins: Switzerland has imported gold worth more than CHF 1 billion from six countries in LAC in 2022. Regarding foreign direct investment, the stock of Swiss FDI reached CHF 38.6 billion and Swiss companies employed a total of 190 200 people in LAC at the end of 2021.

The following country pages will present more details on bilateral economic relations with key partners in LAC. They cover relations with 10 countries, all having an Embassy in Switzerland and important trade volumes. The sequence is also based on trade volume.

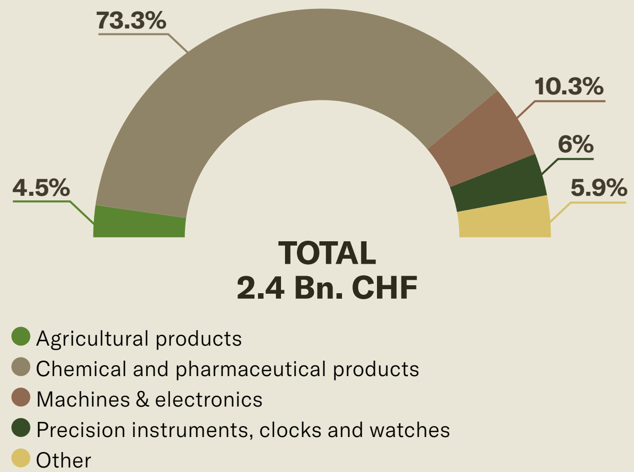
***BIT:** Bilateral Investment Treaty (investment protection agreement)
DTA: Double Taxation Agreement
FTA: Free Trade Agreement

BRAZIL

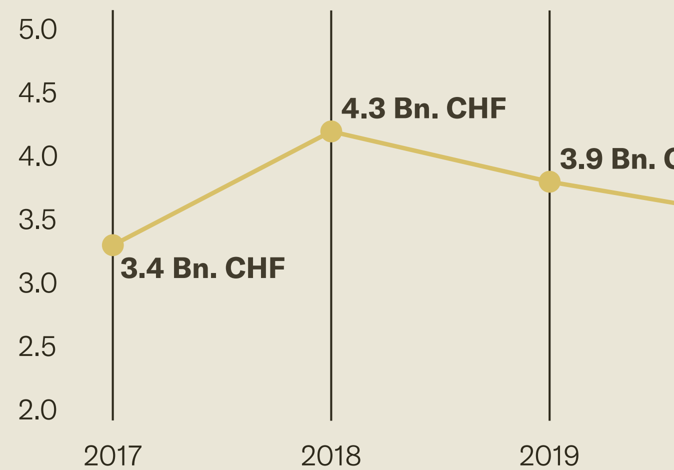
Swiss Imports from Brazil



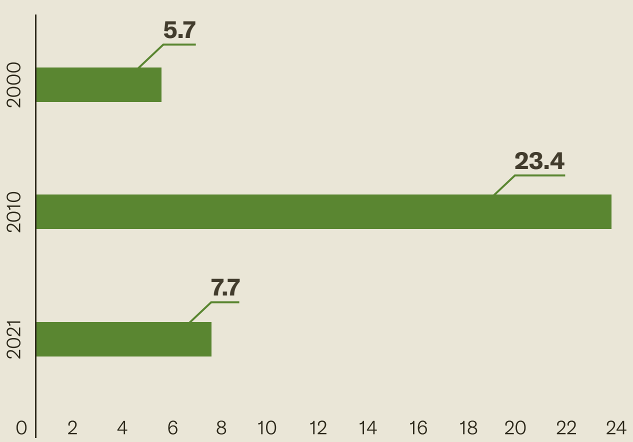
Swiss Exports to Brazil



Development of Trade (billion CHF)



Swiss FDI (billion CHF)



Employment by Swiss Companies

TOTAL 65 500

Comment

With a population of 214 million, Brazil is by far the most populous country in Latin America and the Caribbean as well as the world's thirteenth largest economy. The country is a regional power, G20 member, and an OECD candidate with enormous economic potential. It has also built a productive and competitive industrial sector.

Brazil is Switzerland's most important trading partner in the region and, also by far, the most important export destination for Swiss products to LAC. Bilateral trade accounts for almost a quarter of Switzerland's trade with LAC and Switzerland has a trade surplus, unlike with most other countries in the region. Also in terms of FDI and employments created, Brazil ranks first for Switzerland.

Switzerland is present not only with an Embassy and a General Consulate, but also with a Swiss Business Hub in Sao Paulo and Swissnex in Rio de Janeiro. Brazil has been identified as a priority country within the Federal Council's mandate to support Swiss participation in large infrastructure projects abroad.

Switzerland and Brazil maintain a Joint Economic Commission, a forum that takes place on a yearly basis in order to discuss the bilateral economic relations. The 11th meeting was held in Brasilia in June 2022, chaired by Ambassador Erwin Bollinger, Head Bilateral Economic Relations at SECO. Since 2022, a double taxation agreement between the two countries is applicable. Brazil is the leading country within Mercosur, with which Switzerland is negotiating a free trade agreement within the framework of EFTA. Switzerland hopes to clarify the outstanding details and conclude the agreement as soon as possible.

Main Bilateral Economic Agreements (entry into force)

Trade agreement: 01.08.1936 (provisory)
DTA: 16.03.2021

Source for trading figures: Swiss Impex (data for 2022 as reported on 7 February 2023) / *Source for Swiss FDI and employment by Swiss companies:* SNB (data for 2021)

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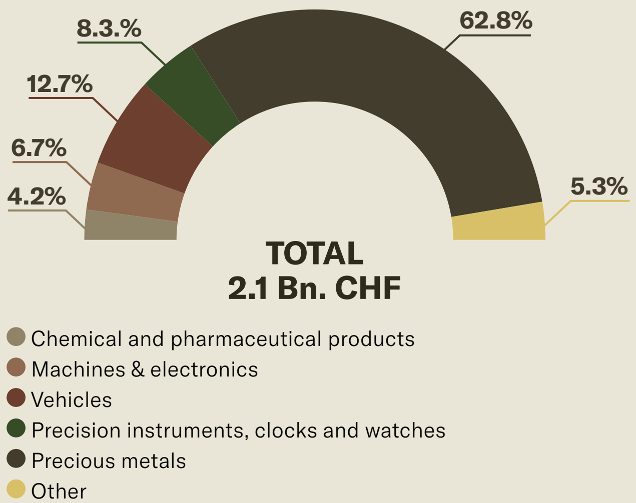
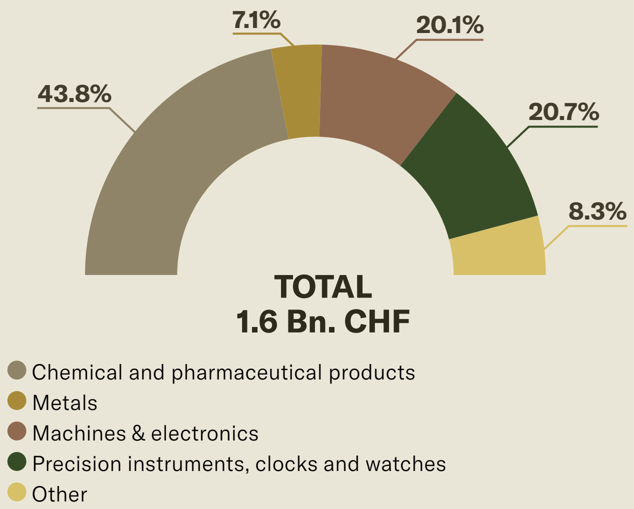
MEXICO

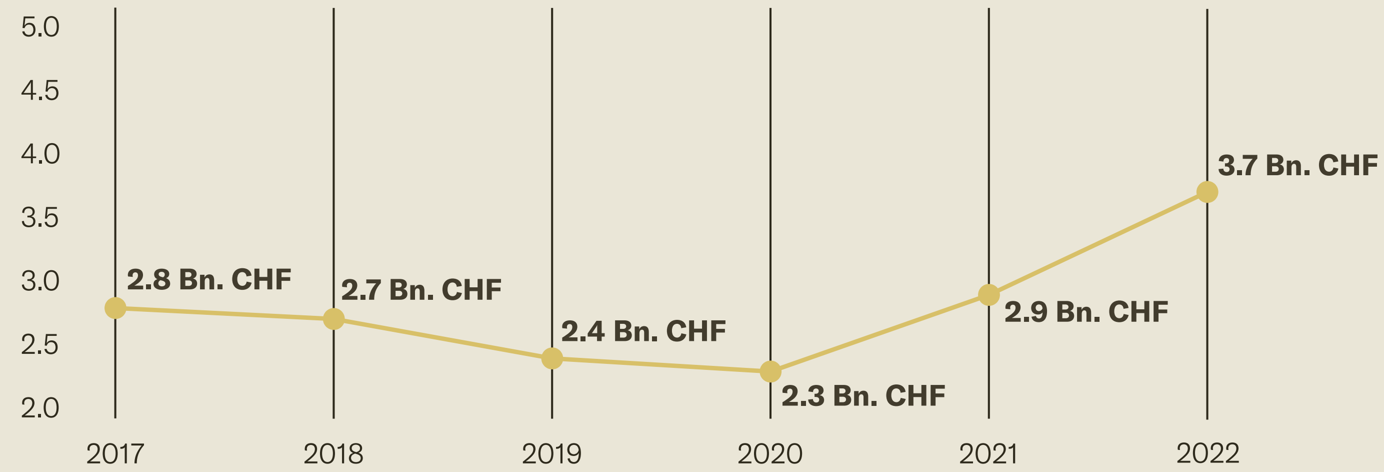
Swiss Imports from Mexico



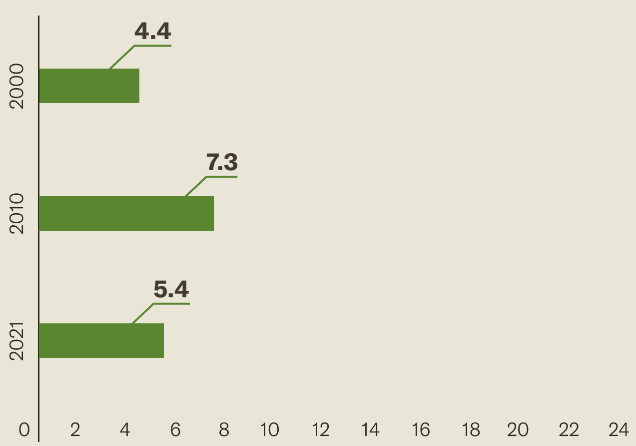
Swiss Exports to Mexico



Development of Trade (billion CHF)



Swiss FDI (billion CHF)



Employment by Swiss Companies

TOTAL 47 600

Comment

Mexico is the second most populous country in Latin America and the Caribbean, with a population of 127 million, a G20 and an OECD member, and is closely intertwined with the North American market – also on the basis of the United States-Mexico-Canada (USMCA) agreement. The cross-border value chains are diverse and show an intensive international division of labor in the border region, especially in industrial sectors: the chemical-pharmaceutical, automotive, aviation, medtech and construction industries. In the recent past, economic growth impulses can also be observed in the fintech sector, eHealth and e-Commerce.

Mexico is Switzerland's second most important trading partner in LAC, and also second in both imports and exports. In addition to chemical and pharmaceutical products – which are Switzerland's most important export almost everywhere in LAC – Switzerland exports a particularly large amount of machinery to Mexico. These, in turn, increase industrial production capacity there.

Switzerland has created a comprehensive legal framework for bilateral economic relations with Mexico. A free trade agreement, an investment protection agreement and a double taxation agreement are in force. Switzerland is working towards modernizing this framework, also to cover additional issues. A forum similar to a Joint Economic Commission exists under the name Consultative Group. The most recent meeting to place in March 2022 in Mexico City and was embedded into an economic mission headed by Hervé Lohr.

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Website: www.s-ge.com

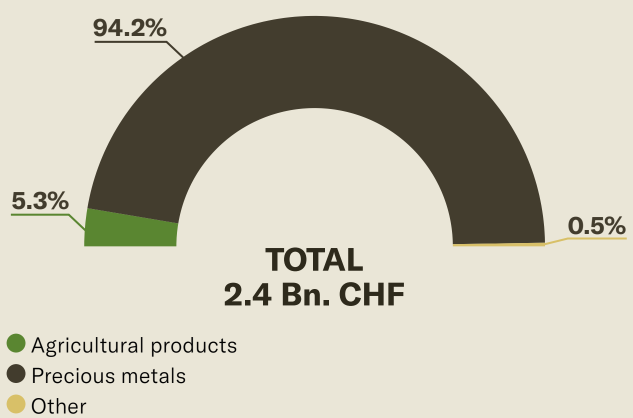
Main Bilateral Economic Agreements (entry into force)

Trade agreement: 02.09.1950
BIT: 14.03.1996
DTA: 08.09.1994;
modifying protocol: 23.12.2010
FTA (EFTA): 01.07.2001

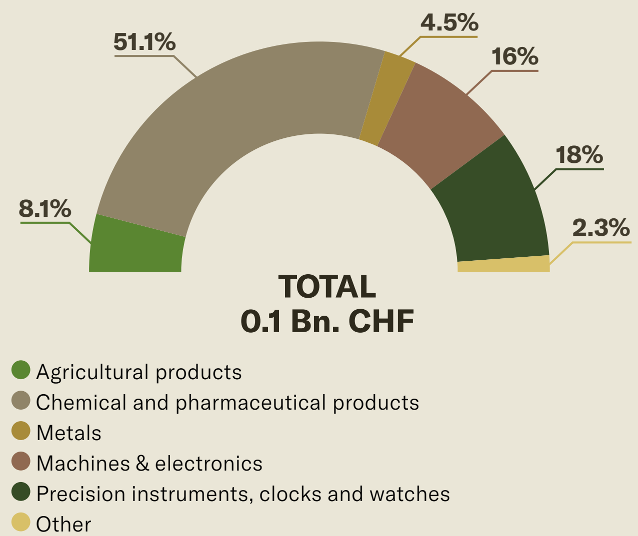
Source for trading figures: Swiss Impex (data for 2022 as reported on 7 February 2023) / *Source for Swiss FDI and employment by Swiss companies:* SNB (data for 2021)

PERU

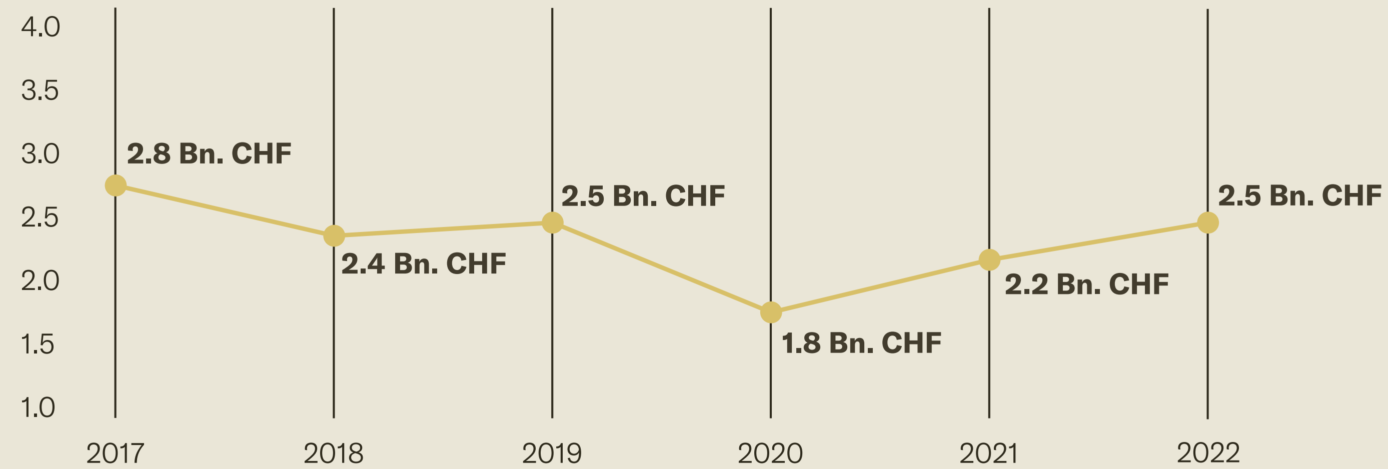
Swiss Imports from Peru



Swiss Exports to Peru



Development of Trade (billion CHF)



Swiss FDI (billion CHF)

Employment by Swiss Companies

TOTAL 8700

Comment

Peru is a medium-sized country in Latin America and the Caribbean with a population of 34 million and one of the most important mining countries in the world – rich in copper, gold and zinc, among other things. It also has a productive agricultural sector. Despite going through political turmoils, the country's economy proved surprisingly resilient and Peru has also recently become an OECD accession candidate.

The country is Switzerland's third most important trading partner in LAC and its most important import partner. However, 90% of imports in 2022 were gold. Excluding gold imports, the bilateral trade volume is comparatively low, as is the stock of Swiss FDI. The number of people employed by Swiss companies has a relatively more considerable importance.

Switzerland and Peru discuss their economic relations regularly during their so-called Bilateral Economic Dialogue, a forum equivalent to a Joint Economic Commission. The last meeting took place in April 2022 in Lima and was embedded in an economic mission headed by Hervé Lohr. The legal framework conditions are comprehensive, with a free trade agreement, an investment protection agreement and a double taxation agreement all in force and working well.

Together with Colombia, Peru is a priority country of SECO for economic development cooperation since 2009. SECO supports Peru's economic development by promoting resilient subnational growth centers and a competitive, innovative and sustainable private sector. A total of CHF 75 million has been earmarked for the period from 2021 to 2024.

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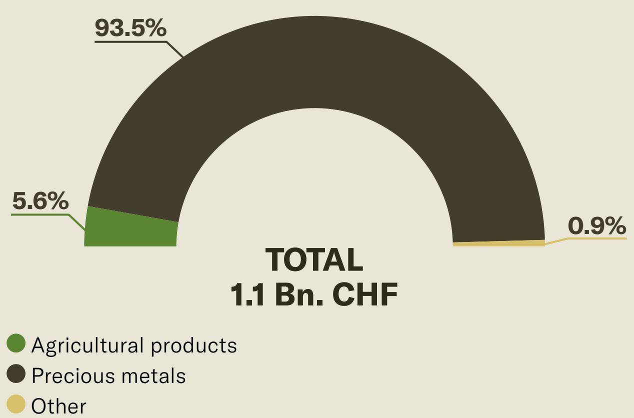
Main Bilateral Economic Agreements (entry into force)

Trade agreement: 21.10.1941
BIT: 23.11.1993
DTA: 10.03.2014
FTA (EFTA): 01.07.2011

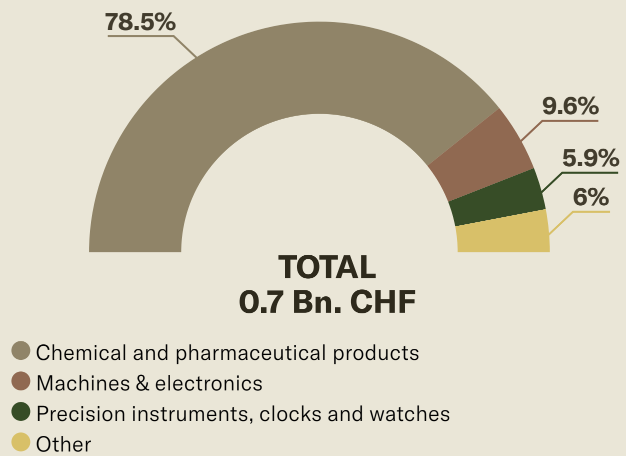
Source for trading figures: Swiss Impex (data for 2022 as reported on 7 February 2023) / *Source for Swiss FDI and employment by Swiss companies:* SNB (data for 2021)

ARGENTINA

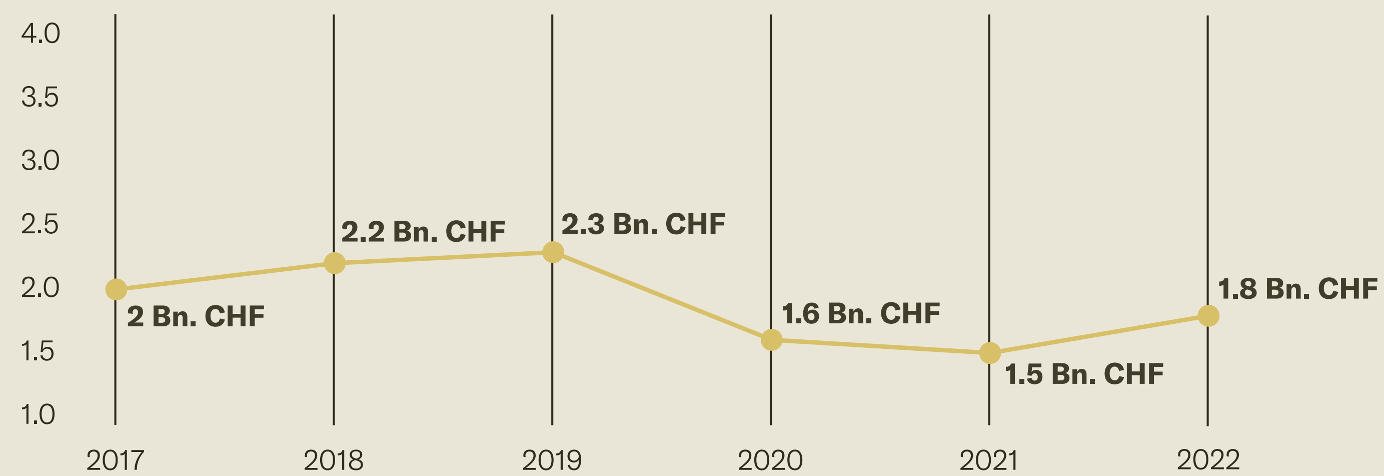
Swiss Imports from Argentina



Swiss Exports to Argentina



Development of Trade (billion CHF)



Swiss FDI (billion CHF)

Employment by Swiss Companies

TOTAL 13 000

Comment

Argentina has a population of 46 million and is the third largest economy in Latin America and the Caribbean and member of the G20. It disposes with a very productive agricultural sector, large commodity resources (i.e. third largest shale gas reserves in the world, fourth largest lithium reserve) and a well-educated population. However, the country goes through a severe economic crisis marked by high inflation, high debts and a lack of foreign currency. Therefore, the country's economic strategy is primarily to slow down imports and promote exports in order to build up foreign exchange reserves.

Argentina is Switzerland's fourth most important trading partner in LAC and ranks Nr. 3 in terms of Swiss exports, with 79% of products going to the chemical and pharmaceutical industry. Imports are very much dominated by gold (81%). There is a substantial level of both Swiss FDI and people employed by Swiss companies.

In November 2022, the last round of the Joint Economic Commission (4th meeting) was held in Buenos Aires, on the occasion of an economic mission by SECO to Argentina headed by Hervé Lohr, with the main purpose to underline the strong Swiss economic presence in Argentina and support Swiss companies facing various issues amid the challenging economic situation. The country plays also a decisive role within Mercosur in the process towards a free trade agreement with EFTA.

Main Bilateral Economic Agreements (entry into force)

Trade agreement: 26.11.1957
BIT: 06.11.1992
DTA: 27.11.2015

Source for trading figures: Swiss Impex (data for 2022 as reported on 7 February 2023) / *Source for Swiss FDI and employment by Swiss companies:* SNB (data for 2021)

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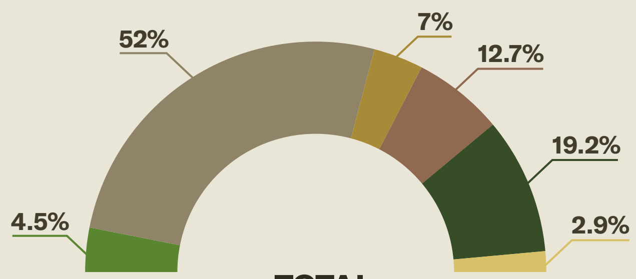
CHILE

Swiss Imports from Chile

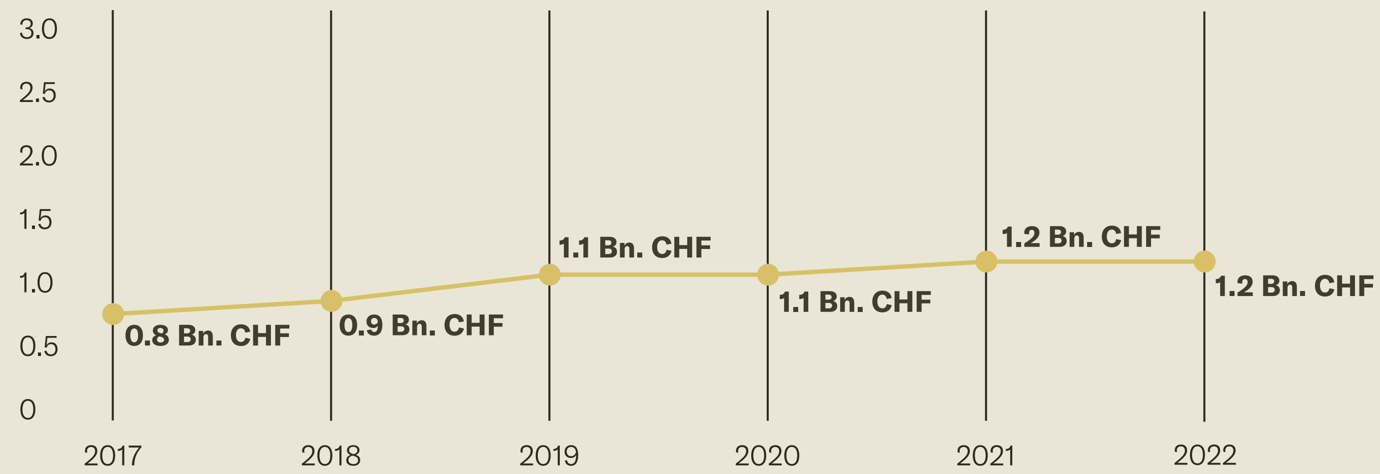
- Agricultural products
- Precious metals
- Other

Swiss Exports to Chile

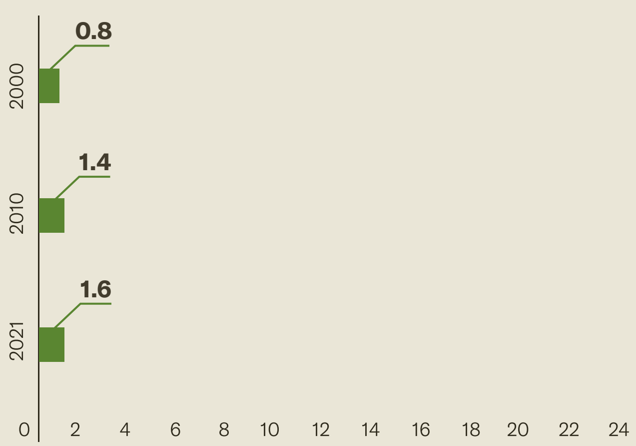


- Agricultural products
- Chemical and pharmaceutical products
- Metals
- Machines & electronics
- Precision instruments, clocks and watches
- Other

Development of Trade (billion CHF)



Swiss FDI (billion CHF)



Employment by Swiss Companies

TOTAL 18 700

Comment

Chile is the fourth largest economy in Latin America and the Caribbean, despite a population of only 18 million, and became the first OECD-member in South America in 2010. Disposing with one of the highest living standards in LAC, inequality remains a problem and as an answer to the social unrests of 2019, the country currently undergoes a process towards a new Constitution. Being the most important copper producer in the world and having the world's largest lithium reserves, the country is heavily dependent on commodity prices.

For Switzerland, Chile is the fifth most important trading partner. Swiss exports are more divers than to other LAC countries, while imports are overproportionally dominated by precious metals, especially gold (84%). The Swiss private sector presence in Chile is very strong and diverse and Swiss companies employ a high number of people, only surpassed in much larger Brazil and Mexico. This importance for the Swiss private sector is underlined by the presence of a Swiss Business Hub in Santiago. Chile is also one of Switzerland's *"like-minded"* partners, e.g. through the *Group of friends* in the WTO.

The two countries dispose with a comprehensive bilateral economic agreement architecture, namely a free trade agreement, a double taxation agreement and an investment protection agreement. The free trade agreement is currently undergoing a modernization process. After a long break period, the third meeting of the Bilateral Economic Dialogue, a forum equivalent to a Joint Economic Commission, took place in Bern in November 2022.

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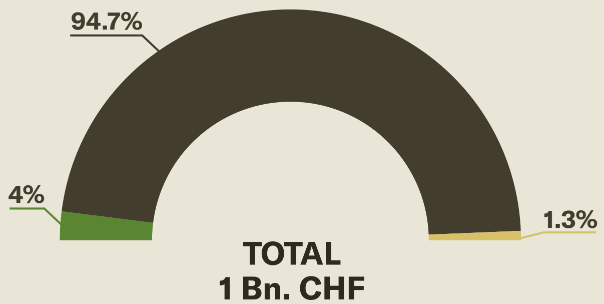
Main Bilateral Economic Agreements (entry into force)

Trade agreement: 31.01.1899
BIT: 02.05.2002
FTA (EFTA): 01.12.2004
DTA: 05.05.2010

Source for trading figures: Swiss Impex (data for 2022 as reported on 7 February 2023) / *Source for Swiss FDI and employment by Swiss companies:* SNB (data for 2021)

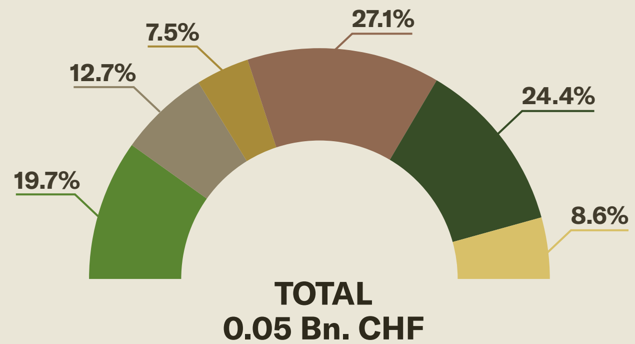
DOMINICAN REPUBLIC

Swiss Imports from Dominican Republic



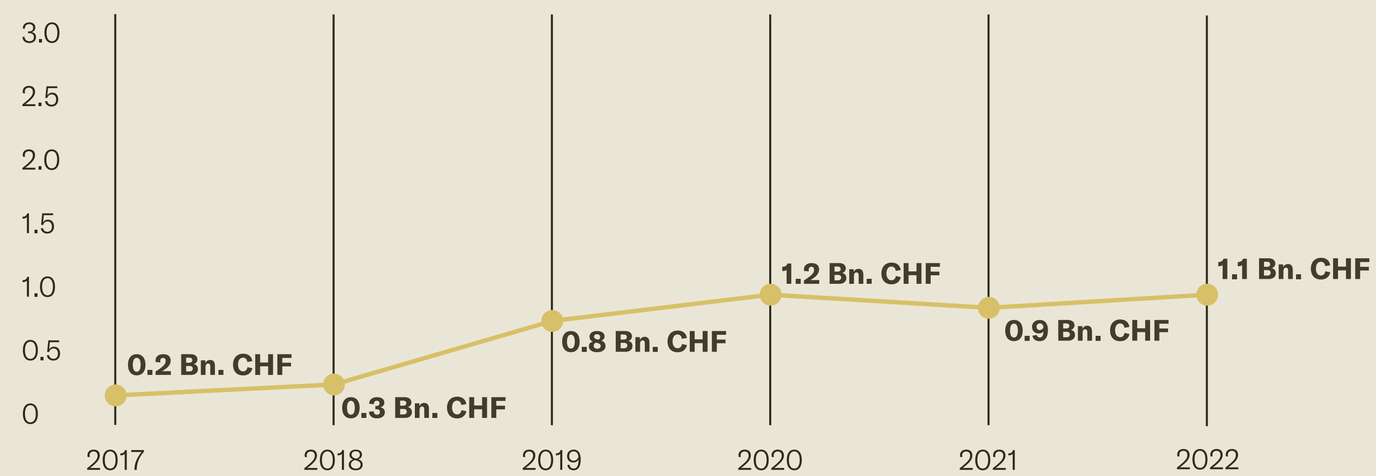
- Agricultural products
- Precious metals
- Other

Swiss Exports to Dominican Republic

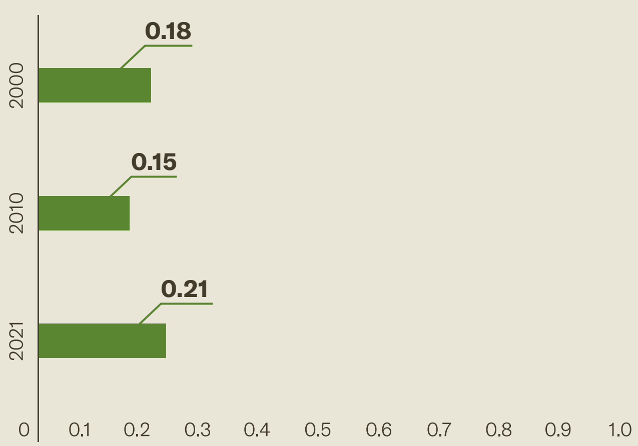


- Agricultural products
- Chemical and pharmaceutical products
- Metals
- Machines & electronics
- Precision instruments, clocks and watches
- Other

Development of Trade (billion CHF)



Swiss FDI (billion CHF)



Employment by Swiss Companies

TOTAL 2400

Comment

The Dominican Republic has a population of 11 million and is the second largest economy in the Caribbean after Cuba, showing dynamic growth in the past decade. Despite of its relatively small size, the country ranks as Switzerland's seventh most important trading partner in Latin American and the Caribbean. This is due to the large amount of gold imported, accounting for 95% of total imports, and making the country the sixth most important import partner of Switzerland in LAC.

Excluding gold, trade volume is low with exports of around CHF 52 million and imports of around CHF 55 million in 2022, but the country still remains by far the most important trading partner of Switzerland in the Caribbean. The same is true for FDI and employment by Swiss companies. The country enjoys a certain hub function for the Caribbean market. There is potential in sectors like agriculture, waste management or renewable energy. An investment protection agreement is also existing.

Main Bilateral Economic Agreements (entry into force)

BIT: 30.05.2006

Source for trading figures: Swiss Impex (data for 2022 as reported on 7 February 2023) / *Source for Swiss FDI and employment by Swiss companies:* SNB (data for 2021)

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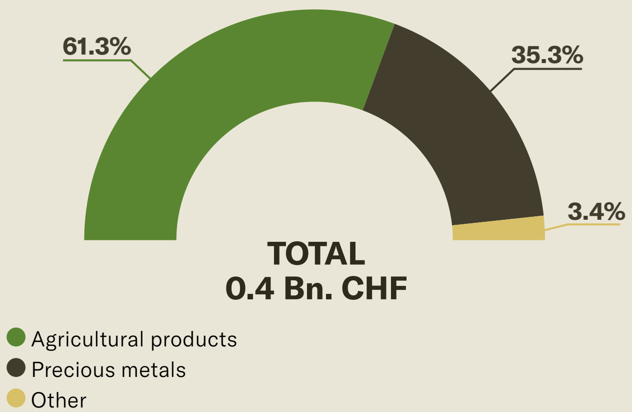
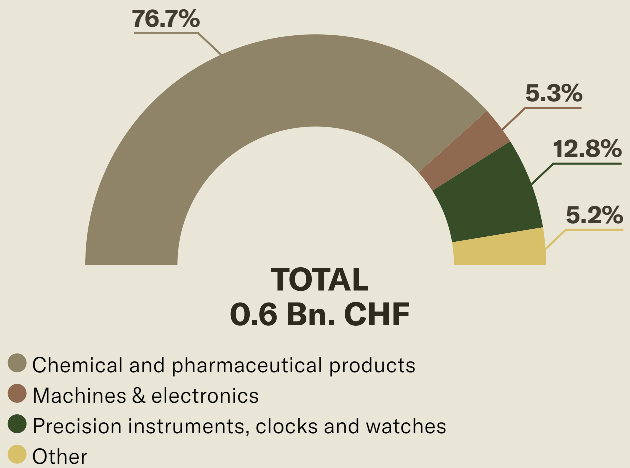
COLOMBIA

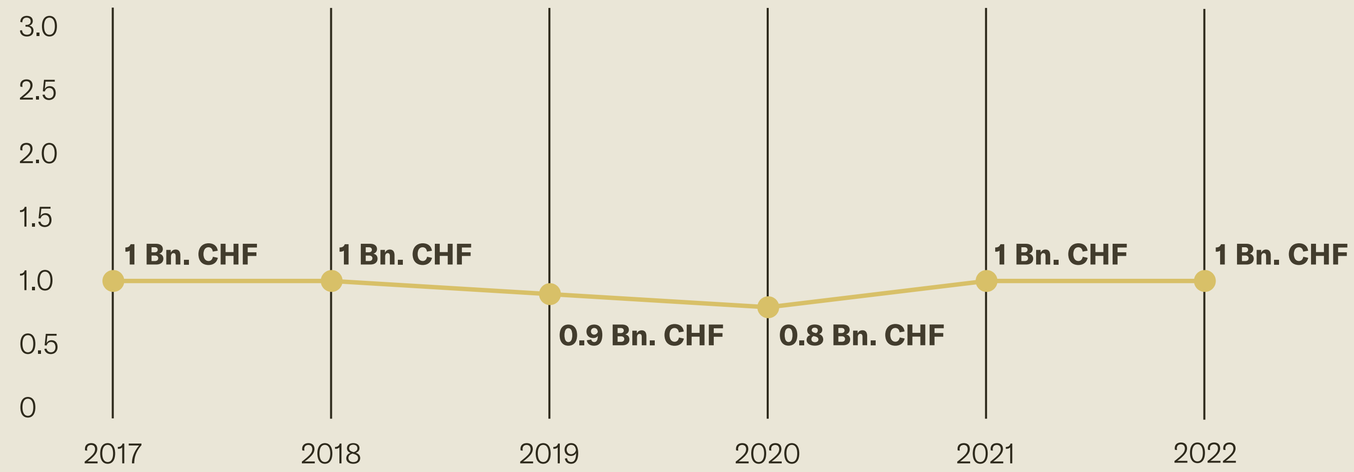
Swiss Imports from Colombia



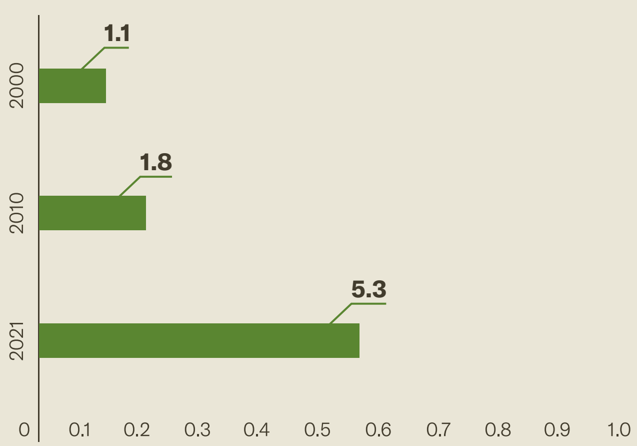
Swiss Exports to Colombia



Development of Trade (billion CHF)



Swiss FDI (billion CHF)



Employment by Swiss Companies

TOTAL 12 900

Comment

With a population of 51 million, Colombia is the third most populous country in Latin America and the Caribbean and its economy is the fifth largest, marked by strong growth over the last two decades. Since 2020, the country is a member of the OECD.

Colombia is Switzerland's eight most important trading partner in LAC and one of the few Switzerland has a trade surplus with. Exports are dominated by chemical and pharmaceutical products as for many countries in LAC, but regarding imports, agricultural products and not precious metals are leading. Swiss exports have increased significantly in recent years, making Colombia now Switzerland's fourth most important export destination in LAC. The current Swiss FDI stock in Colombia is only slightly below the one in Mexico and ranks third. Swiss companies also employ a considerable number of people in the country.

Colombia and Switzerland have established a Joint Economic Commission in 2021. The first meeting was held in Bogota in November 2021. The legal framework conditions are comprehensive, with a free trade agreement, a double taxation agreement and an investment protection agreement all in force. The latter is due to a modernization.

Together with Peru, Colombia has been a priority country for SECO's economic development cooperation since 2009. SECO's focuses on supporting sustainable territories and cities, stronger institutions and better public service, and on the promotion of regional competitiveness and decent jobs.). Between 2021 and 2024, a total of CHF 45 million from SECO has been earmarked.

Main Bilateral Economic Agreements (entry into force)

Trade agreement: 02.10.1909
BIT: 06.10.2009
DTA: 11.09.2011
FTA (EFTA): 01.07.2011

Source for trading figures: Swiss Impex (data for 2022 as reported on 7 February 2023) / *Source for Swiss FDI and employment by Swiss companies:* SNB (data for 2021)

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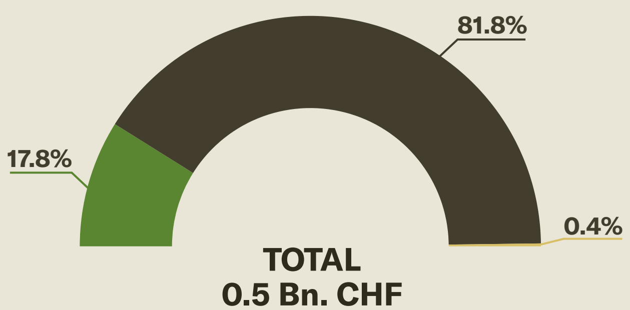
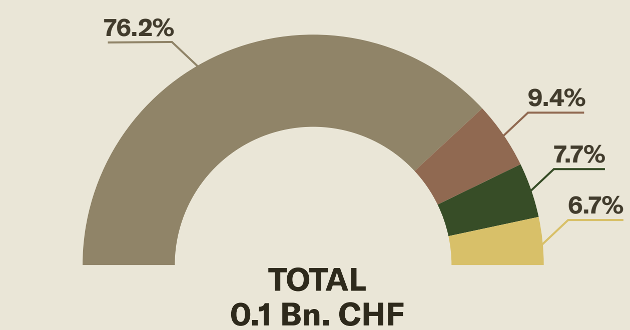
ECUADOR

Swiss Imports from Ecuador



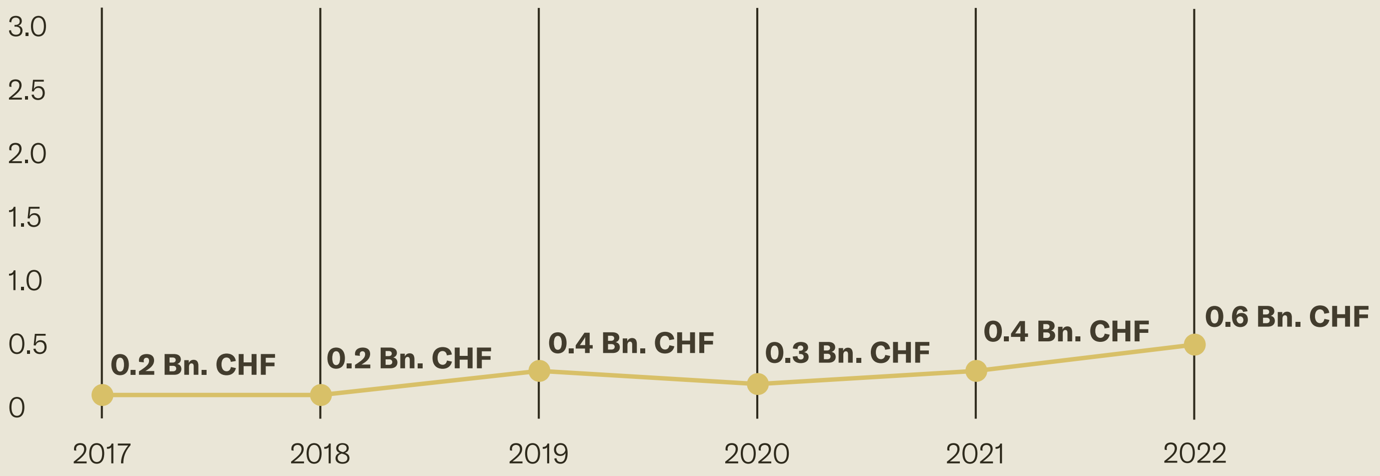
- Agricultural products
- Precious metals
- Other

Swiss Exports to Ecuador

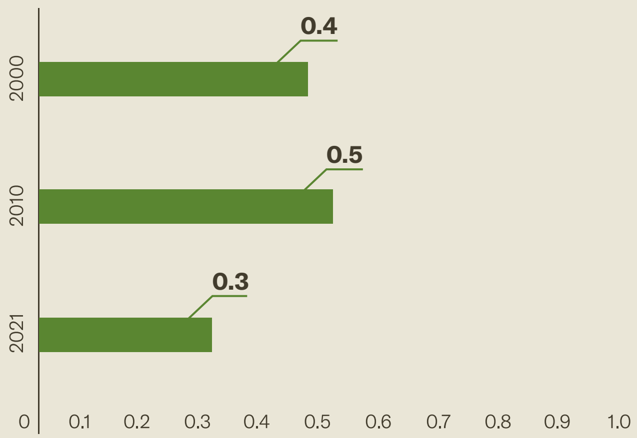


- Chemical and pharmaceutical products
- Machines & electronics
- Precision instruments, clocks and watches
- Other

Development of Trade (billion CHF)



Swiss FDI (billion CHF)



Employment by Swiss Companies

TOTAL 5200

Comment

Ecuador, with a population of 18 million, is the smallest of South America's pacific states and the only one not yet member in the Pacific Alliance, but the adhesion process is ongoing.

The country ranks ninth in the list of Switzerland's most important trading partners in Latin America and the Caribbean. Our bilateral trade structure is typical for LAC: 82% of Swiss imports are gold, while exports are dominated by chemical and pharmaceutical products (76%). Swiss exports have been on a downward trend since the mid-2010er years. Ecuador strives for diversifying its exports towards more agricultural products. Swiss companies employ a relative high number of people in the country, whereas the stock in FDI is rather small.

A comprehensive free trade agreement between EFTA and Ecuador entered into force in November 2020 and a double taxation agreement is existing since a long time. The former investment protection agreement ceased to apply in May 2019 after Ecuador denounced it, but a new one is under negotiation.

Main Bilateral Economic Agreements (entry into force)

Trade agreement: 21.10.1941

DTA: 22.12.1995;
modifying protocol: 17.4.2019

FTA: 01.11.2020

Source for trading figures: Swiss Impex (data for 2022 as reported on 7 February 2023) / *Source for Swiss FDI and employment by Swiss companies:* SNB (data for 2021)

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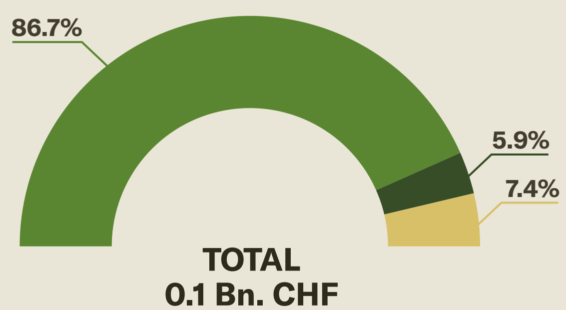
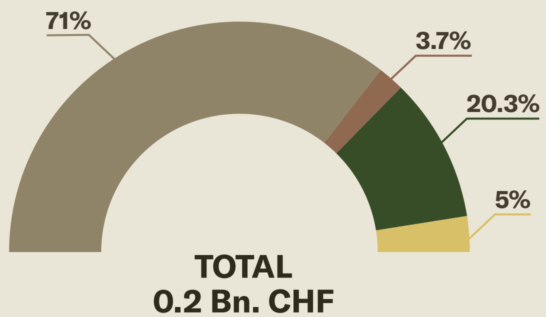
COSTA RICA

Swiss Imports from Costa Rica



- Agricultural products
- Precious metals
- Other

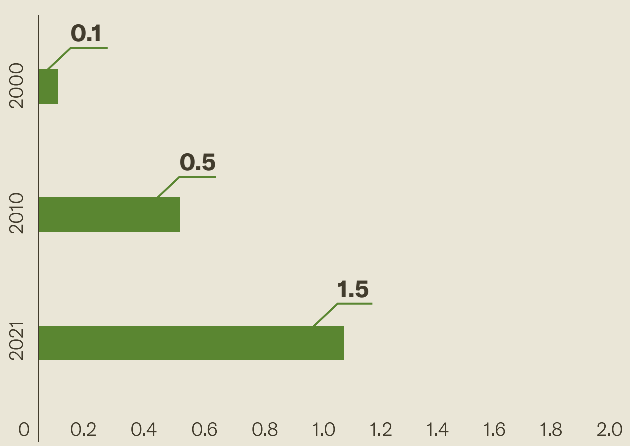
Swiss Exports to Costa Rica



- Chemical and pharmaceutical products
- Machines & electronics
- Precision instruments, clocks and watches
- Other

Development of Trade (billion CHF)

Swiss FDI (billion CHF)



Employment by Swiss Companies

TOTAL 3000

Comment

Costa Rica has a population of just 5 million and is, together with Panama, the most economically developed country in Central America. It is a member of the OECD since 2021 and seeks to join the Pacific Alliance. The country is one of Switzerland's *"like-minded"* partners, e.g. through the Group of friends in the WTO.

Regarding trade relations, Costa Rica is Switzerland's tenth most important partner in Latin America and the Caribbean and clearly the most important in Central America. For Swiss exports, it even ranks sixth in LAC, which is remarkable regarding the small population. On the import side, trade is clearly dominated by agricultural products. Switzerland has a trade surplus. Relative to its size, the stock of Swiss FDI is considerable as well, as is the number of people employed by Swiss companies.

A free trade agreement has been in place since 2014, within the framework EFTA-Central America. Since then, exports from Switzerland have more than doubled. Significant growth can also be observed on the import side. An investment protection agreement is in force too. A double taxation agreement is due to be negotiated soon.

Main Bilateral Economic Agreements (entry into force)

BIT: 19.11.2002

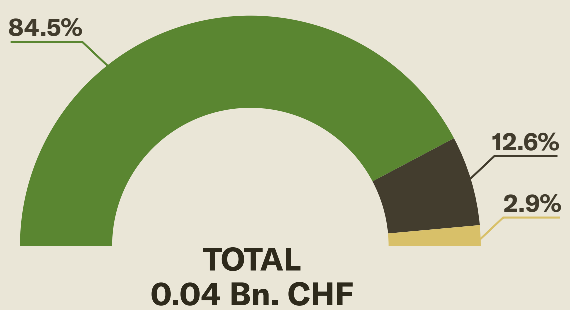
DTA: initialled March 2006, adaptation under way

FTA (EFTA: 29.08.2014

Source for trading figures: Swiss Impex (data for 2022 as reported on 7 February 2023) / *Source for Swiss FDI and employment by Swiss companies:* SNB (data for 2021)

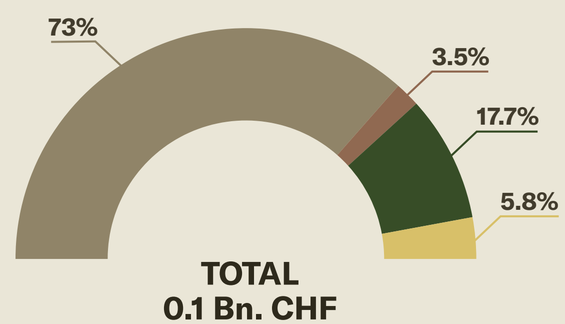
URUGUAY

Swiss Imports from Uruguay



- Agricultural products
- Precious metals
- Other

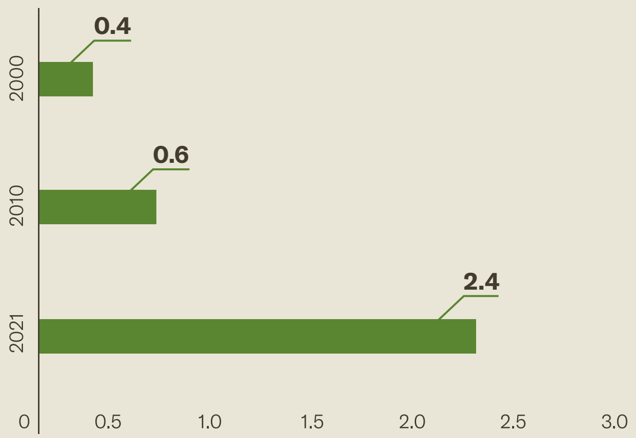
Swiss Exports to Uruguay



- Chemical and pharmaceutical products
- Machines & electronics
- Precision instruments, clocks and watches
- Other

Development of Trade (billion CHF)

Swiss FDI (billion CHF)



Employment by Swiss Companies

TOTAL 800

Comment

Uruguay has a population of just 3.4 million and is one of the wealthiest countries in Latin America and the Caribbean. It has the highest level of development of democracy and market economy according to the Bertelsmann Transformation Index and a certain role as a regional business hub in between its much bigger neighbors Brazil and Argentina – together with them and Paraguay, it forms the Mercosur. For years Uruguay has enjoyed respectable economic growth.

Uruguay is only Switzerland's 13th most important trading partner in LAC. Especially imports are small, while Swiss exports rank eighth and are dominated by chemical and pharmaceutical products (73%), giving Switzerland a trade surplus. The stock of Swiss FDI is considerably high since some Swiss companies have regional hub and Uruguay offers also free trade zones. Employment by Swiss companies is relatively small.

A bilateral investment treaty and a double taxation agreement are in force and working well. Within Mercosur, Uruguay is very much in favor of concluding the process towards a free trade agreement with EFTA as soon as possible.

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Main Bilateral Economic Agreements (entry into force)

Trade agreement: 21.10.1941
BIT: 22.04.1991
DTA: 28.12.2011

Source for trading figures: Swiss Impex (data for 2022 as reported on 7 February 2023) / *Source for Swiss FDI and employment by Swiss companies:* SNB (data for 2021)

OTHER COUNTRIES

AGREEMENTS

CENTRAL AND NORTH AMERICA

EL SALVADOR
Trade agreement: 15.07.1954
BIT: 16.09.1996

GUATEMALA
Trade agreement: 11.04.1955
BIT: 03.05.2005
FTA (EFTA): protocol of accession ratified: 25.02.2020

HONDURAS
BIT: 31.08.1998

NICARAGUA
BIT: 02.05.2000
DTA: declaration of intention: 12.04.1994

PANAMA
BIT: 22.08.1985
FTA (EFTA): 29.08.2014

SOUTH AMERICA

BOLIVIA
DTA: declaration of intention: 02.04.1993

GUYANA
BIT: 02.05.2018

PARAGUAY
Trade agreement: 12.12.1969
BIT: 28.09.1992

VENEZUELA
BIT: 30.11.1994
DTA: 23.12.1997

CARIBBEAN

BARBADOS
BIT: 22.12.1995

CUBA
Trade agreement: 14.04.1954
BIT: 07.11.1997

HAITI
Trade agreement: 23.12.1936

JAMAICA
BIT: 21.11.1991
DTA: 27.12.1995

TRINIDAD & TOBAGO
BIT: 04.07.2012
DTA: 20.03.1974

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5 INFRASTRUCTURE DEVELOPMENT IN LATIN AMERICA

The infrastructure Gap

The demand for infrastructure construction in Latin America is immense. The region must invest USD 2220 billion in this domain by 2030 in order to achieve the Sustainable Development Goals (SDGs) of the United Nations. That is USD 282 per capita and year. 59 percent, or around USD 1310 billion, are to be spent on new infrastructure projects, and more than USD 910 billion are needed for maintenance and replacement of existing assets. USD 976 billion of the USD 2200 billion shall be spent on transportation on the continent, USD 577 billion on power supply, and the rest on other basic infrastructure such as water, healthcare and telecommunications.[10]

The enormous amount of USD 2220 billion reflects a huge infrastructure gap. In the past, Latin American countries were not able to take the necessary measures the region needs for economic development and growth in order to catch up with more advanced economies. According to the Inter-American Development Bank (IDB), the failure of Latin American countries to spend adequately on infrastructure projects creates substantial costs for their economies, amounting to approximately 1 percentage point of potential GDP growth every year. In a longer-term perspective, these costs even go up to 15 percentage points of missed potential growth over 10 years.[11] To meet this crucial demand by building the needed transportation routes, power plants, telecommunications facilities, and water supply systems, at least 3.1 percent of GDP would need to be spent annually on such infrastructure projects, according to the latest research by the Inter-American Development Bank (IDB).[12] While some countries – e.g. Bolivia, Belize, Nicaragua – have gone forward by investing more than 4 percent of GDP before the COVID-19 pandemic, others have fallen short.[13] As the graph below shows, many countries were unable, to raise the capital needed, and public investment in particular remained minuscule. Despite regional powers such as Mexico (USD 9.5 billion) and Brazil (USD 6.8 billion) investing the most in 2021, but in terms of GDP, their public spending remained low even by regional standards, at 0.8 percent and 0.4 percent respectively.[14]

Due to the current difficult global economic situation and the high and rising interest rates, it becomes increasingly questionable whether all countries will be in a position to provide the necessary funds themselves. The answer might be found in international cooperation: Through joint efforts of communities, states, governments, multilateral development banks such as the IDB or the World Bank, bilateral donors, and with the assistance of private corporations, it should be possible to raise the necessary funds and build the infrastructure for a prosperous future.

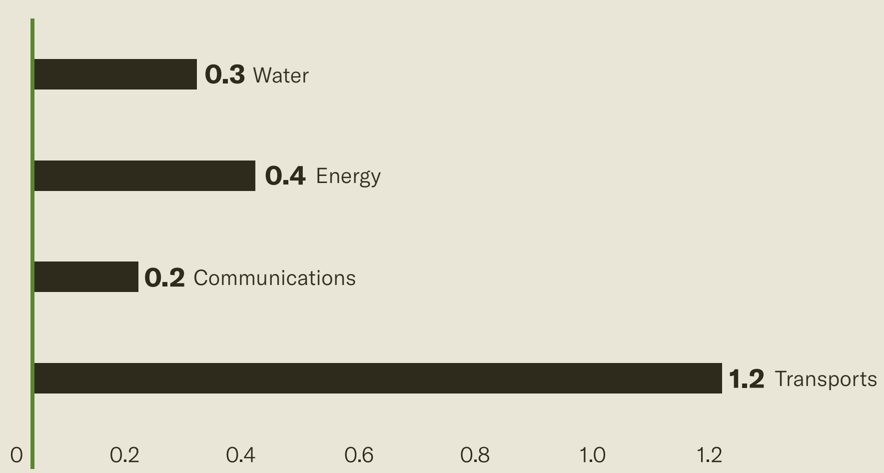
→ **10:** Brichetti et al. (2021): The Infrastructure Gap in Latin America and the Caribbean: Investment Needed Through 2030 to Meet the Sustainable Development Goals (Inter-American Development Bank IDB).
→ **11:** IDB (2019): Building Opportunities for Growth in a Challenging World, p. 82f. The infrastructure gap in Latin America has been discussed since years. See *CEPAL (2011): The Economic Infrastructure Gap in Latin America and the Caribbean, in: FAL Bulletin 293;* Serebrisky et al. (2015): Financing Infrastructure in Latin America and the Caribbean: How, How much and by Whom? (Inter-American Development Bank IDB).
→ **12:** Brichetti et al. (2021): The Infrastructure Gap in Latin America and the Caribbean: Investment Needed Through 2030 to Meet the Sustainable Development Goals (Inter-American Development Bank IDB).
→ *13: Fay et al. (2017): Rethinking Infrastructure in Latin America and the Caribbean. Spending Better to Achieve More (World Bank).*
→ *14: Infralatam (2021): Public Investment in Economic Infrastructure.*

PUBLIC INVESTMENT IN INFRASTRUCTURE IN LAC

Yearly expenses in % of GDP (average 2019–2021)

Source: Infralatam

By Sector in LAC (average 2019–2021)



Source: Infralatam

The expansion of the infrastructure in Latin America faces challenges that go beyond budgetary constraints. First and foremost, there are natural conditions that complicate the construction of adequate infrastructure, in particular the expansion of cross-border road and rail networks. While the Andes divide the continent from north to south, the vast tropical rainforest in the Amazon basin poses its own specific challenges, not to mention the archipelagic structure of the Caribbean. In addition, much of the existing infrastructure is privately owned. Because of the continent's focus on commodity production and export, much of its advanced infrastructure remains closely tied to the mining and the agrarian sector. Finally, the development of South America's infrastructure followed a path that had already been shaped in colonial times and fostered the continent's current global economic role as a commodity supplier for more advanced industrialized economies.

In order to assess and understand the current situation and shortcomings Latin America is facing, the present chapter takes a look back. Beginning with colonial rule, it discusses the various notions of infrastructure and asks how nationalism, the era of development, and the structural adjustment programs of the 1980s shaped the formation of infrastructure in Latin America. It then looks at more recent developments. Global economic developments, such as the rise of China as a major economic power, are taken into account, as are the current and potential effects of climate change in the region. Finally, the focus shifts to Switzerland. As an alpine country with enormous geographic challenges in infrastructure development, Switzerland may serve as a best practice example and help Latin America build a solid infrastructure for a prosperous future.

Infrastructures for Development

Infrastructure is crucial to development and essential for people's well-being. This becomes particularly clear, if infrastructure is understood in a broader sense. Schools educate the youth, teach them different matters and how to reflect over critical thinking and therewith help them to advance in and their society. In hospitals, the injured are taken care of, and sicknesses are treated. Accordingly, measures that focus on individual well-being such as the Human Development Index (HDI) have components that are closely linked to infrastructure development.

But, even if one takes a narrower view of infrastructure – as in this chapter – and excludes schools and hospitals, focusing instead on electricity grids, water supply, telecommunications and transport, including roads and railways, infrastructure projects can have a major impact on people's daily lives. Road, railways and telecommunication connect people, societies and markets. Electricity runs ovens, fridges and brings light to households and streets, or cooling and heating to buildings while the water supply is vital to maintain health, grow food and manage the environment.[15]

Furthermore, a functioning infrastructure is crucial to economic growth and competitiveness, and can reduce poverty.[16] Especially the quality of roads, railroad networks, air transport and electricity supply determine the ability to compete on global markets.[17] Infrastructure is an essential factor in the production and distribution processes crucial for economic growth, as it connects markets and people and enables the transportation of goods, services and know-how. A well-functioning infrastructure is a key prerequisite for an efficient production apparatus.[18] Eventually, successful infrastructure projects can even enable a broad structural transformation. By lowering the cost of production and ensuring access to international markets, economies tend to move away from low-productivity activities in the agricultural sector and mining sector toward higher value-added manufacturing and services.[19]

Because spending on infrastructure pays for labor and suppliers both immediately and in the longer term, the invested money flows back into the economy. Analyses show that this multiplier effect is particularly high for infrastructure construction.[20] While arms spending has hardly any multiplier effect and the positive effects of other expenditures, such as those in the education sectors, may only become visible in the long term, spending in the infrastructure sector usually has a positive effect both in the short term and in the long term. Studies found that the multiplier effect of public investment in infrastructure tends to be even larger in times of recession, stabilizing the economy through anticyclical spending. This has implications for current economic polices confronted with the challenge of long-term economic recovery after COVID-19 and should be a central element of stimulus packages to help drive an economic rebound. Increased spending on infrastructure could help to overcome the consequences of the current multi-layer crises.[21]

Moreover, spending on the (right) infrastructure projects is central to combating climate change and its effects. Old fossil fuel power plants need to be replaced and railroads are essential to ensure connectivity to world trade with a comparatively small environmental footprint. Even though infrastructure constructions – from power plants to roads to railways – always have an immense impact on the environment and can severely affect it at least locally, they remain central to transforming economies while making them as CO_2-neutral as possible. The adequate choice of infrastructure investment may thus lead the way to a sustainable transformation.[22]

→ **15:** On water see: *World Bank (2022): Water Supply.*
→ **16:** *World Bank (1995): Meeting the Infrastructure Challenge in Latin America and the Caribbean.*
→ **17:** *Palei (2015): Assessing the Impact of Infrastructure on Economic Growth and Global Competitiveness, in: Procedia Economic and Finance 23.* For an introduction into the interconnections see *Zamojska / Próchniak (2017): Measuring the Social Impact of Infrastructure projects. The Case of Gdańsk International Fair Co., in: Journal of Entrepreneurship, Management and Innovation 13.*
→ **18:** *CEPAL (2016): Latin America's Infrastructure Investment Situation and Challenges, in: FAL Bulletin 347; Ganelli / Tervala (2016): The Welfare Multiplier of Public Infrastructure Investment (IMF Working Paper).*
→ **19:** *Global Infrastructure Hub (2019): The Vital Role of Infrastructure in Economic Growth and Development; Foster / Lebrand (2022): How does Infrastructure Investment promote Economic Development in Fragile Regions of Africa? (World Bank Blogs).*
→ **20:** *Global Infrastructure Hub (2020): Fiscal Multiplier Effect of Infrastructure Investment; Lanau (2017): The Growth Return of Infrastructure in Latin America (IMF Working Papers).*
→ **21:** Ibid.
→ **22:** *Khoshnava et al. (2019): Contribution of Green Infrastructure to the Implementation of Green Economc in the Context of Sustainable Development, in: Sustainable Development 28.*

While the importance of infrastructure construction is hardly in doubt, a number of specific constraints exist in Latin America: First, many countries are not in a financial position to absorb such potentially enormous cost of technological and environmental adaptation, and second, the underfunding of infrastructure has its roots in a long history, which will be discussed below.

The Making of Nations and the Evolving of Gaps. Infrastructure Development in the 19th and 20th centuries.

Infrastructure projects in Latin America have been back in vogue for almost two decades. While new projects are being built, new areas are being developed and new technologies are being applied, the expansion usually remains a continuation of the old, since it builds on and connects to existing facilities. The legacies of the past shape current projects.

When Europeans colonized the Americas they showed little to no interest in preserving or maintaining existing infrastructure, such as those once built to rule the vast pre-Columbian empires. Instead, the European powers constructed their own transportation routes, ports and facilities. Several researchers have pointed out links between colonialism in Latin America and infrastructure projects. The construction of colonial infrastructure followed two primary goals: First, it should protect the settlements of the Europeans and lay the ground for the domination of the indigenous population. Second, the infrastructure was to enable the economic exploitation of the subjugated territories. Fortresses and harbors were the primary buildings of the early phase of colonialism, while churches were intended to symbolize cultural domination.[23]

With the consolidation of colonial power, the infrastructure penetrated further into the hinterland. Early Europeans settlements had been bound to the Atlantic coast for a long time. The vast forests, mountains and outback continued to be populated and ruled by the indigenous population, successfully evading colonial rule for decades and centuries. However, in the long run, these people and their territories should also be integrated in the Iberian empires. Infrastructure projects laid the basis of their subjugation and connected even more distant parts to a complex global trade structure. By looking at these constructions a pattern emerges: While intra-American trade routes were largely neglected, the basic infrastructures were intended to ease the transport of goods from their cultivation and mining areas to maritime ports, where they were shipped to European markets. Silver, sugar, coffee and cotton produced in the hinterlands thereby reached the Atlantic coast and the Transatlantic World. Latin American raw materials were at the center of an unprecedented global economic transformation: while the Spanish and Portuguese crown used them to finance the expansion and safeguarding of its empire,[24] cotton, sugar and coffee later became central to the industrial revolution.[25] In retrospect, this reshaped the world and paved the way of Latin America's specialization in commodities.[26]

With colonial liberation and independence in the 19th century, the significance of infrastructure buildings also changed. By connecting and uniting the former colonial subjects, infrastructural projects became a central mean to achieve national integrity and identity,[27] Therefore, sociologists Raquel Velho and Sebastián Ureta concluded: "Latin American states were co-produced along with infrastructures"[28]. Probably the most extreme example of this is Panama, a country basically founded to house a large canal.[29] At the dawn of the 20th century, large infrastructure projects became a central tool to conquer the remaining territories in the hinterland, tame the environment and its inhabitants, secure territorial sovereignty and foster the nation. Latin American states experienced an unprecedented expansion of infrastructure construction while several private entrepreneurs were also busy building multiple kinds of infrastructure, from private railroads to private ports, laying the foundations for massive extraction endeavors.[30]

A major impetus for the expansion of infrastructure projects followed in the middle of the 20th century, after large parts of Asia and Africa won independence. But almost all of the former colonies were desperately poor and political sovereignty seemed fragile without meeting peoples demands for economic improvement. As US-president, John F. Kennedy stated in his address to the UN General Assembly in 1961, *"[p]olitical sovereignty is but a mockery without the means of meeting poverty […]"*. Decolonization should be followed by development aid. The assembly later followed his proposal by passing a resolution and declaring the 1960s to be the "Development Decade". In this context and enhanced by the systemic rivalry between the Western and Eastern blocks in the course of the Cold War, Latin American countries received funds from politically motivated bilateral donors to further their development while trying to ensure a degree of political allegiance.[31] At the very center of the mid-twentieth century developmentalist project was infrastructure. Governments planned and built highways, railroads and power stations.[32] Especially the latter were destined to foster economic growth by providing energy to the emerging industrial sector. In general, infrastructure development at the time meant investing in assets whose main purpose was to make the exporting sector more competitive, thus reinforcing the colonial trade infrastructure spatially directed from the hinterlands to maritime ports.

→ **23:** *Galeano (1971): Open Veins of Latin America; Cowen (2019) Following the Infrastructures of Empire. Notes on Citites, Settler Colonialism, and Method, in: Urban Geography 41; Davies (2021): The Coloniality of Infrastructure. Engineering, Landscape and Modernity in Recife, in: Society and Space 39.*
→ **24:** On the effects of silver exports from the Americas in the early modern period see Bernal Rodríguez (ed.) (2000): Dinero, moneda y crédito en la monarquía hispánica; TePaske (2010): A New World of Gold and Silver.
→ **25:** See Mintz, Sidney M. (1986): Sweetness and Power: The Place of Sugar in Modern History; Beckert, Sven (2015): Empire of Cotton. A Global History.
→ **26:** For an introduction in the «extractivism» in Latin America see *Farthing / Fabricant (2018): Open Veins Revisited. The New Extractivism in Latin America, in: Latin American Perspectives 45; Farthing / Fabricant (2019): Open Veins Revisited. The New Extractivism in Latin America, in: Latin American Perspectives 46* and: Ellner (2020): Latin American Extractivism: Dependency, Resource Nationalism, and Resistance in Broad Perspective.
→ **27:** Summerhill (2006): The Development of Infrastructure, in: Bulmer-Thomas (ed.) The Cambridge Economic History of Latin America, pp. 293–326.
→ **28:** *Velho / Ureta (2019): Frail Modernities: Latin American Infrastructures Between Repair and Ruination, in: Tapuya 2.*
→ **29:** Greene (2009): The Canal Builders. Making America's Empire at the Panama Canal.
→ **30:** Summerhill (2006): The Development of Infrastructure, in: Bulmer-Thomas (ed.) The Cambridge Economic History of Latin America, p. 293.
→ **31:** *Amann et al. (2014): Infrastructure and its Role in Brazil's Development Process (IRIBA Working Paper).*
→ **32:** *Harvey / Knox (2012): The Enchantments of Infrastructure, in: Mobilities 7, p. 522.*

Dreams and hopes related to these projects did not last long. In the 1980s several Latin American countries found themselves trapped in dept and faced a decade of economic stagnation. The Latin American debt crisis – often referred to as *"La Década Perdida"* – was caused by a complex interplay of international financial markets, changes in the terms of trade to the detriment of developing countries and other macroeconomic factors combined with domestic fiscal policies. In short, the foreign debt built up by many Latin American countries to finance their industrialization and especially infrastructure programs exceeded their earning power by far. When the US-American Fed tightened its money supply in the early 1980s to combat inflation, interest rates rose rapidly and thus the financial burden on debtors. It also reduced the ability of debtor countries to procure foreign currency needed to service the loans. In August 1982 the Mexican Finance Minister informed that his country would no longer be able to service its debt, totaling USD 80 billion. Other countries followed suit and defaulted as well.[33]

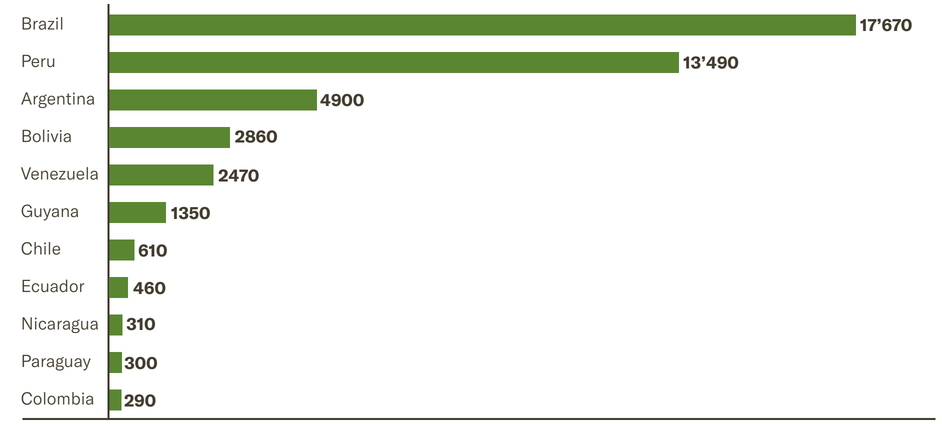
With the help of international institutions like the IMF the countries were able to reschedule their debt. But this came with conditionalities: The defaulting countries had to apply austerity measures and implement a number of reforms aiming at reducing government spending and regulation (so called "structural adjustment").

One important consequence was a massive reduction of government investment in new projects. Public investment in infrastructure financing in Latin American countries had amounted to about 3.0 percent of their GDP. While governments adopted a more passive role than they had assumed earlier, the share of public investment as a proportion of total financing fell to 1.1 percent of GDP in the 1990s.[34]

Meanwhile, privatizations and additional incentives encouraged the private sector and foreign investors to invest in infrastructure. Especially concessions for public works projects boosted the infusion of private capital, while private companies became more involved in the funding and management of infrastructure service.

But this increase did not offset the overall demise of public investment, leading to a notable decrease in total infrastructure investment since the mid-1980s.[35] The provision of infrastructure services started to suffer.

Chinese Investment in Latin America, total 2003–2020 (in million $)



Source: fDi Markets

Already dealing with insufficient capacities, building on colonial patterns and often reinforcing Latin Americas specialization as a commodity producer, the retrenchment of the public sector beginning in the 1980s was met with an inadequate response of the private sector.

When the debt crisis of the 1980s forced Latin American countries to slash the funding of infrastructure, their chances of competing in global markets eroded significantly. It was not until after the turn of the millennium that this trend began to reverse. In the early 2000s the terms of trade improved. Mineral, oil, and gas prices turned upward in 2003, starting the latest boom in extractive industries, and leading to a reduction in unemployment, per capita GDP growth, and a significant improvement of the state of public finances in Latin America.[36] As a result, the region experienced a partial recovery in infrastructure investment. Furthermore, with state coffers relatively well filled again, governments were able to provide a countercyclical response to the global financial crisis starting in 2008 in the form of public investment programs. After a more than a decade-long underfunding of public infrastructures, Latin America was in dire need of a spending spree.

China and Latin America

That being said, the expansion of infrastructure that continues today takes place under different auspices than it did a few decades ago. The economy has changed, the world has changed and, furthermore, infrastructure projects today have to do more than just promote economic growth. In addition, an important new player entered the scene: China.

In the early 2000s, China had become one of the leading industrial nations and was increasingly processing raw materials from Latin America. To facilitate the export to China and establish themselves as a reliable partner, the Chinese began to finance a number of infrastructure projects – such as the Latin America's largest solar plan in Jujuy (Argentina), Peru's new Chancay and Callao Ports, and several dams, roads, and railways[37] – and at the same time increase their strategic influence.[38]

When China launched the Belt and Road Initiative (BRI) in 2013 Latin America found itself on the sidelines of this infrastructure development strategy. The original concept focused on Eurasia and Africa. It was not until 2018 that the program was expanded to Latin American countries when the Chinese Minister of Foreign Affairs invited them to participate in the BRI and first countries signed a special declaration presenting the BRI as a "new platform for mutually beneficial cooperation".[39] So far, twenty countries in Latin America have joined China's BRI. The reluctance of China to include Latin America in the BRI may reflect that the inclusion was not initially part of a Chinese "grand strategy".

→ **33:** Some researchers argue that the debt crisis could have been avoided by applying the right policy. See *Diaz-Alejandro / Krugman / Sachs (1984): Latin American Debt: I Don't Think We are in Kansas Anymore, in: Brooking Papers on Economic Activity 1984, pp. 335–403.*
→ **34:** CEPAL (2016): Latins America's Infrastructure Investment Situation and Challenges, in: FAL Bulletin 347; *Cohen (2013): Austerity and the Global Crisis: Lessons from Latin America, in: Austerity Economic.Failed Economics but Persistent Policy 80, pp. 929–952.*
→ **35:** CEPAL (2016): Latins America's Infrastructure Investment Situation and Challenges, in: FAL Bulletin 347, p. 5.
→ **36:** *Gustafson (2017): Extractivism. A Review Essay, in: Latin American Perspectives 45, p. 222.*
→ **37:** *Roy (2022): China's Growing Influence in Latin America, in: Council on Foreign Relations; Dussel Peters (2021): Monitor of Chinese Infrastructure in Latin America and the Caribbean 2021; Silk Road Briefing (2022): Cosco To Investe US $3 Billion In Peru's Chancay Port;* On the expansion of key Chinese technology companies see *International Cyber Policy Centre (2022): Mapping China's Tech Giants.*
→ **38:** For a detailed account of China's impact on Latin America, cf. *SECO (2022): Switzerland – Latin America: Economic Relations Report 2022.* See also *EUISS (2022): China's Footprint in Latin America; GIGA (2018): China Is Challenging but (Still) Not Displacing Europe in Latin America.*
→ **39:** *Jenkins (2022): China's Belt and Road Initiative in Latin America: What has Changed?, in: Journal of Current Chinese Affairs 51,* p. 18.

While the BRI is discussed with reference to Africa and Eurasia in terms of China's more immediate economic and geostrategic interest, its expansion to countries like Brazil, Panama and Peru took place at least partly by request of regional actors that lobbied to have their countries included.[40] Many countries and several actors hoped not only for an expansion of economic relations but also for significant economic growth. Meanwhile, critics point to a lack of transparency in the signed agreements, also fear the increased indebtedness and a deepening of unequal trade relations.[41]

Furthermore, Chinese stakeholders often act as financiers and builders. Through organizations such as the Asian Infrastructure Investment Bank (AIIB), the China Development Bank and the Silk Road Fund or by other Chinese lenders, China helps financially strapped countries to finance desired projects. The projects are mostly built by Chinese companies with close ties to the Chinese government. Accordingly, the multiplier effects that are often considerable in the case of public contracts are largely absent. Finally, China's BRI infrastructure projects are gearing towards enhancing commodity exports, rather than strengthening regional connectivity or helping to construct social infrastructure like schools and hospital. Thereby they tend to reproduce patterns that resemble colonial economic relationships.[42]

However, for many Latin American countries Chinese loans and investments are most welcome. They also promote economic growth and contribute to the well-being of the population after all. Moreover, the capital provided is urgently needed for the reasons elaborated on above. Although development banks such as the World Bank or the IDB provide a great deal of capital and each award more than USD 10 billion annually, more capital is needed. In addition, Chinese donors tie their loans to fewer conditionalities regarding measures such as feasibility studies, minority rights and environmental protection. Unfortunately, these belong to the key challenges for the region.

Infrastructure, climate change and social inclusion

Climate change has already emerged some years ago as one of the biggest challenges of the 21st century. Since constructions like roads, railroads, harbors, power stations and water reservoirs can have an enormous impact on the environment they must also be ecologically justifiable today.[43]

Latin America has been responsible for only a small share of the global greenhouse gas emissions. The region emits about 8 percent of the global total in greenhouse gases,[44] and compared to other regions the emissions per capita are fairly low. Nevertheless, the region is highly vulnerable to the effects of climate change. With its reliance on agricultural production and given the regions vulnerability to extreme natural events such as typhoons or El Niño, small climate distortions can have disastrous consequences for human well-being and economic activities. Accordingly, the population in the region is highly sensitized.[45]

In addition, both local actors and the international community are looking with great concern at developments in the Amazon basin. The largest tropical rainforest in the world is important primarily as a CO_2 reservoir for the global climate. However, this function is threatened by direct human intervention and is one of the possible tipping points in the climate system that could drive an irreversible process in the event of further warming. The Amazon basin is in danger of losing its function as "the air conditioner of the Earth". At the same time, it has significant economic resources: natural waterways and fisheries, minerals deposits such as gold, oil and gas reserves and a whole range of forestry products including medicinal plants.[46] Economic development and the implementation of infrastructure projects must be undertaken with particular caution in this vulnerable environment.[47]

In this context, the environmental impact became important for all investment projects in which the state, international organizations or multilateral development banks participate. This changed the perception of infrastructure development. The focus of infrastructure projects usually has been on the extent to which they contributed to economic growth, but today they must meet a number of other requirements. The Inter-American Development Bank (IDB), for example, has published a 110-page document that applies to all investment loans and contains comprehensive guidelines on environmental and social standards. The Environmental and Social Policy Framework (updated 2021) established standards for borrowers to design, implement and manage IDB-financed projects in order to avoid or at least minimize adverse impacts on workers, communities and the environment.[48] The keyword is sustainable development, which means to meet the needs of the present generation without compromising the ability of future generations to meet their own needs.

As a result, economic development and infrastructure projects increasingly come into conflict with nature conservation and sometimes even with the rights of minorities. But, this is not a narrowing of the options for implementing infrastructure projects. It does increase the importance of prudent project planning and of involving all the groups involved as early as possible. However, the consideration of environmental protection aspects must rather be understood as an opportunity: Investments in renewable energies are promoted and obsolete power plants are taken out of operation; solutions for efficiency improvements are in demand, and last but not least, ideas are needed in the area of smart cities and in the disposal and use of waste.

→ **40:** Ibid., p. 19. The "Special Declaration on the Belt and Road" was followed by bilateral agreements with the signing of Memorandums of Understanding (MoU). See *International Institute for Strategic Studies (2018): China's Belt and Road Initiative in Latin America and the Caribbean.*
→ **41:** *Ellis (2019): Latin America and China. Choosing self-interest, in: Global Americans.*
→ **42:** Ibid.
→ **43:** *Khoshnava et al. (2019): Contribution of Green Infrastructure to the Implementation of Green Economc in the Context of Sustainable Development, in: Sustainable Development 28.*
→ **44:** *Ivanova et al. (2021): Climate Change in Latin America and the Caribbean: Challenges and Opportunities (IMF Blog).*
→ **45:** For an introduction into the mannifold challenges of climate change in Latin America see Climate Change in Latin America, in: Latin American Perspectives 43/2016.
→ **46:** *Runde / Bandura / McKeown (2020): Introduction, in: Sustainable Infrastructure in the Amazon: Connecting Environmental Protection with Governance, Security, and Economic Development (Center for Strategic and International Studies (CSIS),* p. 9.
→ **47:** For country case studies see Ibid. *Bandura / Burniston / Ramanujam (2020): Colombia Country Case Study; Bandura / Mazzilli Silveira / McKeown (2020): Brazil Country Case Study* and *Bandura / Murphy (2020): Peru Country Case Study.*
→ **48:** *Intra-American Development Bank IDB (2020): Environmental and Social Policy Framework.*

CURRENT NEEDS

Latin America currently needs infrastructure investments in several areas. According to the IDB, the region should invest a total of USD 256 billion in water and wastewater by 2030. Another USD 397 billion is needed to expand power generation and distribution. The USD 109 billion for telecommunications expansion seems comparatively small, with another USD 548 billion needed for transportation, of which the IDB estimates USD 222 billion for urban mobility alone. As already stated, investments in new infrastructure facilities would amount to USD 1310.5 billion, while another USD 900 billion would be spent on renovating existing facilities.

01 Water and Sanitation

Access to water and sanitation is crucial. The provision of the necessary infrastructure varies greatly in the region. While countries such as Costa Rica or Uruguay provide all citizens with an uninterrupted functioning water supply system and high-water quality, the supply in other countries suffers from long interruptions and poor water quality. The lack of access to clean drinking water and sanitation creates a variety of health problems and especially gastrointestinal diseases. Poor water supplies also lowers productivity and hurt the economy. In the 2019 World Bank Enterprise Survey, almost 16 percent of businesses stressed that they endure recurring insufficiencies in water supply. Only in Sub-Saharan Africa more companies complained.[49]

To meet the current challenges IDB estimates that USD 143 billion are needed to ensure safe access to water, additional USD 214 billion should be spent on safe access to sanitation while wastewater treatment accounts for another USD 17 billion. However, additional costs to cover the investments for adapting to climate change and build the necessary water storage facilities were not included in the study.[50]

Unlike other infrastructure sectors, water supply is in public hands almost everywhere in Latin America. The sector was also partially reformed in the late 1980s and early 1990s. In the course of decentralization, cities and municipalities took over some tasks from the state, while countries such as Argentina and Mexico also experimented with private sector participation. However, as Foster concluded in her study commissioned by the World Bank, the real transition for most water consumers "has not been from public to private operation, but rather from unregulated centralized public provision to regulated decentralized public provision."[51]

02 Electricity

Compared with other developing regions such as Sub-Sahara Africa and South Asia the region is doing well providing access to electricity to its citizens. This reflects the big strides taken by LAC in the past two decades.[52] Moreover, electricity production in Latin America has been comparatively environmentally friendly for decades and LAC had the cleanest electricity generation mix among developing regions.

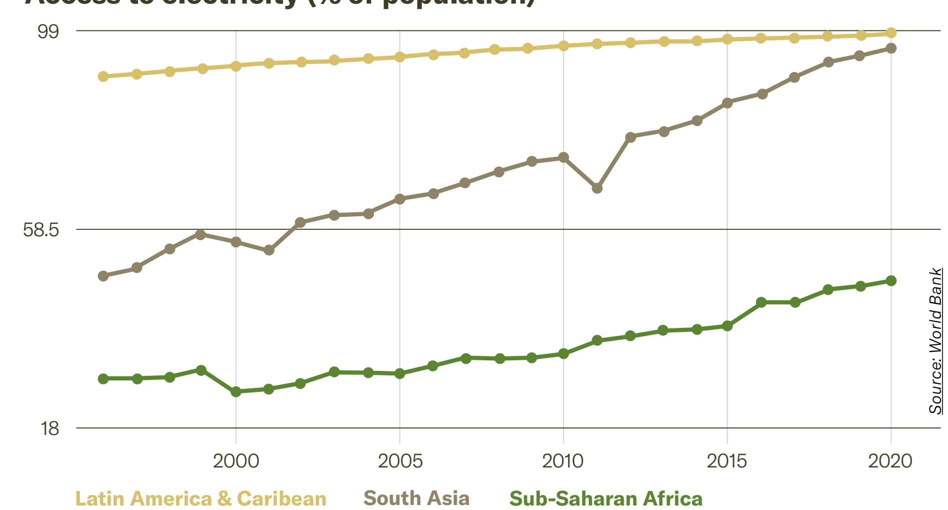
Fossil fuel powered power plants contribute only a small part to the continent's energy mix. Instead, a large part of the electricity stems from an intensive use of hydroelectric generation accounting for 45percent of the total electricity supply.[53] But serious challenges lay ahead. The most promising resources have already been tapped and new projects such as the Belo Monte dam often have to comply with strict environmental requirements.[54] Keeping the energy mix clean while expanding electricity production will definitely entail investments into other renewable technologies such as wind and photovoltaic.

In addition, the expansion of power supply in individual countries and in rural areas is also likely to become important. Even though the continent is doing well in terms of supply density, some countries are still lagging far behind. In Haiti still only 39 percent of the population has an electricity connection.[55] IDB estimates that USD 89.5 billion are needed to meet the challenges ahead and further facilitate the access in the region to electricity. In their scenario another USD 487.5 billion of investments will be required on generation and transmission of energy.[56]

In Brazil alone, new infrastructure will cost more than USD 100 billion while the asset replacement is charged with USD 50 billion. Mexico (USD 85 billion), Argentina (USD 75 billion), Chile (USD 48 billion), Colombia (USD 35 billion), Ecuador (USD 21 billion), and Peru (USD 14 billion) are all expected to make huge investments as well.[57]

→ **49:** *Brichetti et al. (2021): The Infrastructure Gap in Latin America and the Caribbean: Investment Needed Through 2030 to Meet the Sustainable Development Goals (Inter-American Development Bank IDB).*
→ **50:** Ibid., p. XII/21.
→ **51:** *Foster (2005): Ten Years of Water Service Reform in Latin America: Toward an Anglo-French Model. World Bank Water Supply and Sanitation Sector Board discussion paper series,* p. 23.
→ **52:** Ibid., p. 24.
→ **53:** Ibid., p. 26.
→ **54:** *International Energy Agency IEA (2021): Climate Impacts on Latin American Hydropower.* For an overview of the scenarios and the planning process in several Latin American countries see *International Renewable Energy Agency IRENA (2022): Scenarios for the Energy Transition. Experience and Good Practices in Latin America and the Caribbean.*
→ **55:** *Brichetti et al. (2021): The Infrastructure Gap in Latin America and the Caribbean: Investment Needed Through 2030 to Meet the Sustainable Development Goals (Inter-American Development Bank IDB),* p. 24.
→ **56:** Ibid., p. XII.
→ **57:** Ibid., p. 34.

Access to electricity (% of population)



However, these amounts do not include all the projects that are likely to be implemented in the coming years. With the existing energy base, the already excellently developed energy supply in many countries and the existing potential for renewable energies, Latin America could become a global renewable energy hub with enormous capabilities in green hydrogen.[58] In this area, there are not only opportunities for private companies to participate in the expansion of the energy sector as contractors and suppliers. Companies could make private investments and thus take advantage of the region's huge potential for green energy solutions.

03 Transportation

Transport infrastructure is essential and affects both economic growth and development. It connects people and businesses and provides them with access to markets, including those for goods, services and jobs. By affecting costs and the ability of businesses to import and export goods efficiently, logistics help economies to integrate into regional and global value chains. Therefore, improvements in road and railway connections help companies to compete in international markets and benefit competitiveness, efficiency and aggregate costs of the economy.[59]

Although some progress has been made in this area, the transportation infrastructure in many Latin American countries is still inadequate. Many railroads are poorly developed and, in many countries, the roads also leave much to be desired. In particular, the connections between the individual countries are underdeveloped. Road and railway integration between countries is still a distant reality. This hinders efforts to strengthen business ties and the formation of regional trading blocs, thereby obstructing formation of a large single market and possible efficiency gains.[60]

Geographical disadvantages make it difficult to connect the region's commercial hubs. The cities on the Atlantic coast and those on the Pacific side in South America – where the population and the economic activities are concentrated – are separated by the Andes Mountains. Therefore, they are difficult to connect via roads and railroads. The seaway between individual regions is also quite large, as ships have to navigate around the southern tip of the continent or bypass the Panama Canal. The sea distance between many Brazilian and Peruvian ports for example is greater than the distance between Brazilian und US-American ports making it faster and cheaper to move goods from Sao Paulo to Miami than from Sao Paulo to Lima.[61]

Other deficiencies exist in urban transport. Due to growing populations and the rural exodus, many Latin American cities have grown considerably but the expansion of local public transport has not kept pace. Additionally, unplanned urban growth has strained transportation networks. As a result, large segments of the population are forced to use more expensive private transportation and People in LAC take longer to travel shorter distances than people in advanced economies.[62]

IDB estimates that LAC will have to spend USD 738.5 billion for roads and railroads until 2030. Maintenance and asset replacement alone will cost USD 428 billion and new investment are expected to cost around USD 311 billion. The expenses to expand urban mass transport in the region are estimated at USD 222 billion and according to the IDB USD 15 billion should be spent on airports.[63] In Brazil alone, new road infrastructure will cost around USD 333.5 billion. Mexico (USD 119 billion), Argentina (USD 67 billion), Colombia (USD 54 billion), Peru (USD 36 billion), Bolivia (USD 28.5 billion), Ecuador (USD 23 billion) and are all expected to make huge investments as well to reach to SDG's by 2030.[64]

Further investments are likely to be made by private and, in particular, mining companies. Opening new mining sites and improving the accessibility of existing mines is usually associated with infrastructural development. Private mining companies are already building roads and other transportation facilities to bring the extracted raw minerals to the ports. The expected investment amounts in this area are difficult to estimate and depend on the extent to which new mining projects are approved and where future mines are located.

04 Communications

Telecommunications is key to future economic growth of Latin America. Digital connectivity is already crucial to a productive and competitive economy and their importance is expected to increase in the future. Several studies suggested that broadband technologies can create substantial amounts of consumer surplus and spillover effects, and may generate new employment opportunities in remote areas by enabling workers to work from home.[65] Advancing technology and the progress in the field of artificial intelligence, machine learning and automation even mean that historically prevalent development paths are no longer viable. Instead, the digital economy may allow Latin America to leapfrog. In order to reap the benefits of all the new technologies, the digital infrastructure also needs to be created and thus investments need to be made in telecommunications coverage on the continent.

To maintain and expand the telecommunications network, the IDB is budgeting USD 211 billion for the 4G network and USD 82 billion for fixed broadband access over the next few years. In 2018, 4G networks reached only 62 percent of the population in Latin American countries, while most OECD countries are already deploying 5G networks.[66]

Digitization could play a crucial role in Latin America to overcome the economic downturn caused by COVID-19. The pandemic led to a global contraction. But, due to the strict confinements in the region the negative effects on Latin America were much higher than in other parts of the world.

→ **58:** *CEPAL (2021): Latin America and the Caribbean Has All the Right Conditions to Become a Renewable Energy Hub with Great Potential in Green Hydrogen.*
→ **59:** *CEFAL (2019): Road Transport in Latin America. Evolution of its Infrastructure and Impact Between 2007 and 2015, in: FAL Bulletin 367; Brichetti et al. (2021): The Infrastructure Gap in Latin America and the Caribbean: Investment Needed Through 2030 to Meet the Sustainable Development Goals (Inter-American Development Bank IDB),* p. 37
→ **60:** *Quintella (2016): The Challenges of Integrating the Sough American Railway: in: Global Railway Review 03/2016.*
→ **61:** Ibid.
→ **62:** *Cavallo et al. (ed.) (2020): From Structures to Services. The Path to Better Infrastructure in Latin America and the Caribbean (Intra-American Development Bank IDB),* pp. 96–101.
→ **63:** *Brichetti et al. (2021): The Infrastructure Gap in Latin America and the Caribbean: Investment Needed Through 2030 to Meet the Sustainable Development Goals (Inter-American Development Bank IDB),* p. XII
→ **64:** Ibid., pp. XII/44.
→ **65:** *Bertschek et al. (2016): The Economic Impacts of Telecommunications Networks and Broadband Internet. A Survey (Centre for European Economic Research ZEW).*
→ **66:** *Brichetti et al. (2021): The Infrastructure Gap in Latin America and the Caribbean: Investment Needed Through 2030 to Meet the Sustainable Development Goals (Inter-American Development Bank IDB),* p. XII

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To mitigate the economic crisis and accelerate the recovery, Latin America could use the opportunity by leveraging digitization and developing the digital economy. Researchers of the Telecom Advisory Services estimated that a 10 percent growth in digitalization would not only allow Latin America to significantly increase its total factor productivity and increase its GDP, but also create more than 6.5 million new formal jobs, thus contributing massively to poverty reduction in the region.[67] However, there remain other obstacles to the expansion of the digital economy and digital commerce in Latin America. In the recent Digital Trade Review of Brazil for example, the OECD highlighted the need of appropriate regulations coupled with good physical infrastructure for digital trade in goods and services to flourish.

Therefore, reducing regulatory barriers to telecommunications and broadcasting services and computer services to reduce costs of access to digital networks will be central to exploit the potential of the digital economy, particularly in Brazil.[68]

Swiss skills supporting LAC improving its infrastructure

"Alpen-Technik für die Anden"[69], was one of the headlines in Swiss media when Evo Morales visited Switzerland in December 2017. Hopes were high. The then Bolivian president met Federal Councilor Doris Leuthard to sign a memorandum of understanding concerning the realization of the Tren Bioceânico. The planned transcontinental railway is a transport infrastructure project of superlatives. Over 3750 kilometers of track were to be laid, stretching from the Brazilian port of Santos to the Peruvian city of Ilo on the Pacific coast and covering more than 4000 meters in altitude to overcome the Andes.[70]

In Switzerland, too, there was a growing awareness of the needs of emerging economies to invest in their respective infrastructures. And, Switzerland is a global leader in infrastructure development. The country and its inhabitants benefit from a dense network of schools, hospital and waste management facilities, and the economy is also supported by a superb road and rail infrastructure for supplying goods and services.

Switzerland's highway network is one of the densest in the world with about 1840 km of national highways and over 250 road tunnels in operation, providing access even to remote mountain areas. Nevertheless, Switzerland is rightly known as a railway country. Every day, some 10 000 trains run on the 5000 km rail network. Public transportation is known for its punctuality and reliability, and almost 90 percent of passenger trains reach their destination on time. Accordingly, the population travels by train more often than in any other country. Located in the heart of Europe, Switzerland's superbly developed rail network also ensures the transit of goods and passengers between Germany, Italy and France. In other areas, too, Switzerland and Swiss companies have built up an established, proven and excellently functioning infrastructure: From first-class airports, public transport and mountain railroads to waste disposal and recycling. In the energy sector in particular, the country is not only known for world-class manufacturers, but also has a proven track record of inventing and implementing breakthrough technologies. From steam to gas turbines to turbochargers or dam building, the country has been a leader over the past decades. Thanks to the constant renewal and improvement of systems, all electricity generation in Switzerland has been operating without fossil fuels for decades. Furthermore, a reliable distribution system guarantees a dependable and eco-friendly supply to businesses and households in the country.

For decades, Switzerland was a major provider of infrastructure solutions worldwide. In developing countries and emerging economies in particular, Swiss companies participated in the expansion of infrastructure, focusing on the energy and railway sectors. Due to the high unit labor costs in Switzerland, the particularly labor-intensive areas were outsourced to local subcontractors. This ensured that an important part of the value added remained in the client's country.[71] In recent years, however, Swiss suppliers have increasingly lost ground. First, many developed countries are now acting as bilateral donors, raising the necessary capital for customers. In return for this support, the recipient countries are required to give preferential treatment to bids from companies in the donor countries. Switzerland repudiated from bilateral lending for a long time. Instead, the country has been a member of several multilateral development banks such as the World Bank or the IDB. These institutions guarantee transparent and open bidding for interested companies once the tender is opened, therefore securing the best offer will get the contract.

Second, most large infrastructure projects today are awarded to EPC (Engineering, procurement, and construction) companies. EPC is a widely used form of contract, when private companies undertake construction of large-scale infrastructure projects. For many owners and countries, EPC contracts became the most desired way to procure major construction projects, since a single contractor takes responsibility for all elements, allowing buyers to negotiate a fixed price. The fixed price, lump sum turnkey route seems attractive, since the funders get a degree of certainty concerning costs.[72] However, Switzerland hast lost substantial capabilities to deliver EPC contracts. Only very few Swiss EPC contractors with an international reach remain, and none of them ranked among the top 250 companies worldwide.[73] At best, Swiss companies still position themselves as suppliers of components or engineering services to foreign EPC companies and their subcontractors.[74]

However, the story of the Tren Bioceanico gave rise to an extraordinary political initiative. Entrepreneurs and politicians alike had realized the need for a cooperation between the state and private sector in order to build infrastructure projects destined to foster economic progress. Through a mandate of the Federal Council, Switzerland formed a "Team Switzerland"[75], which brings together government and private actors: Swiss embassies and Swiss trading hubs serve as local points of contact; while S-GE, economiesuisse and other trade associations coordinate the opportunities with Swiss manufacturers and supplier. Finally, the Swiss export risk insurance company SERV insures Swiss companies against political and commercial risks.

Together, Swiss companies want to be involved in infrastructure development in emerging and developing countries again. Switzerland is home to a number of technologies that may help Latin American countries to provide their people with the infrastructure that will lead the way to a prosperous future.

→ **67:** *Telecom Advisory Services (2022): Mobile Broadband Penetration in Latin America Could Create 6.5 Million Jobs (Millicom).*
→ **68:** *OECD (2022): Digital Trade Review of Brazil.*
→ **69:** *Digital Trade Review of Brazil | OECD iLibrary (oecd-ilibrary.org)*
→ **70:** German for "Alpine technology for the Andes".
→ **71:** *Islas (2017): Alpen-Technik für die Anden (SWI swissinfo.ch).*
→ **72:** *Switzerland Global Enterprise S-GE (2020): Infrastructure.*
→ **73:** *Klasen (2019): Public Support for Infrastructure Projects (Bericht im Auftrag des SECO).*
→ **74:** *Roth / Klasen (2020): Infrastrukturexporte. Schweiz stärkt ihre Position, in: Die Volkswirtschaft.*
→ **75:** The point of contact for Team Switzerland in Latin America is the *Swiss Business Hub Brazil.*