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Foreign Economic Affairs Directorate

Economic Relations Report 2024

SWITZERLAND
LATIN AMERICA

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IMPRESSUM

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1___ FOREWORD

Last year's report opened with the words "the world is in turmoil", a statement which unfortunately still stands true today. Twelve months later, Russia is still waging a war against Ukraine, and the US and China are still embroiled in growing economic tensions that are shaking up geopolitics, impacting also Latin America and the Caribbean (LAC) – a region that has already been particularly affected by the previous pandemic. But some other things have changed: the initial economic volatility in response to the war in Ukraine has subsided and global markets have largely adjusted to the new reality. Meanwhile, active conflict has returned to the Near East and an accumulation of violent incidents in the Red Sea has posed another challenge to today's global supply chains and security architecture.

Latin America and the Caribbean have again demonstrated their resilience by effectively managing these challenges. LAC's economies are heterogeneous, but while 2022 was marked by high inflation and public debt as a result of the pandemic, the region has generally recovered faster than expected in 2023. With few exceptions, inflation rates are falling, approaching target levels in 2024, and economic growth is expected to return to pre-pandemic levels.[1] By navigating global risks and harnessing their strategic natural resources, Latin American and Caribbean countries can emerge as strong and reliable partners in today's uncertain world.

While also adjusting to the global challenges, Switzerland remains committed to its partnership with the LAC region. We continue to seek a solid framework to facilitate mutual market access and investment. Although bilateral trade between LAC countries and Switzerland experienced a slight decline of 1.6% to CHF 19.1 billion in 2023 compared to the previous year, Swiss foreign direct investment in the region surged by 9%, accompanied by a 5% increase in local employment created by Swiss companies. This surpassed the average growth rate of Swiss employment abroad, which rose by only 3%.[2] Switzerland continues to pursue a foreign economic policy based on openness and non-discrimination, which is why we are happy that the modernization of the FTA with Chile has been achieved. Further, a particular focus is on the continuation and conclusion of the negotiations on the Free Trade Agreement (FTA) with MERCOSUR within the framework of EFTA. With the official visit of Federal Councilor Parmelin to Brazil, Switzerland was able to organise its largest economic mission abroad in July 2023. Switzerland remains fully committed to further developing and strengthening existing bilateral relations with the countries of the region. In today's volatile environment, trusted partners are particularly important for coordinating actions and aligning resources to tackle global challenges such as climate change.

In this vein, this issue's focus chapter examines the importance of "new" commodities for the global energy transition and highlights the role of Latin America, given its abundance of key natural resources such as lithium, nickel and copper. The resource-rich region now finds itself at a unique juncture, with the opportunity to position itself in the supply chains of the energy transition and thus setting the pace of the global race to net zero. With its innovative enterprises, Switzerland stands ready to contribute to a sustainable growth and environment-friendly exploitation of these new opportunities.

A. Rauber

ANDREA RAUBER SAXER

AMBASSADOR,
HEAD BILATERAL ECONOMIC RELATIONS

DELEGATE OF THE
FEDERAL COUNCIL FOR TRADE
AGREEMENTS

→ **1:** IMF (2023): Regional Economic Outlook – Western Hemisphere: Securing Low Inflation and Nurturing Potential Growth.
→ **2:** Swiss National Bank (2023): Press Release Direct Investment 2022.

Panama Canal, Panama
© [Rikin Katyal]/unsplash.com

2 ——— INTRODUCTION ECONOMIC RELATIONS IN TURBULENT TIMES

——— For decades, the global economy has focused on efficiency and cost reduction, for example through free trade and supply chain optimization. But in recent years, a paradigm shift has emerged with potentially far-reaching implications. In the face of the pandemic, ongoing wars, and economic rivalry, among others, key considerations such as geopolitics, resilience and sustainability have emerged. In a changing world – what are the risks and opportunities for Latin America, and for Switzerland's economic relations with the region?

2023 has again been a year of multiple challenges. The continued Russian aggression in Ukraine and its repercussion on fuel and food prices and value chains, among others, has left its mark, resulting in increasingly difficult macroeconomic conditions around the world. Political turmoil, armed conflicts and civil wars in the Caucasus, the Sahel region, and parts of the Middle East, turn our world into an increasingly unstable place. Latin America is no exception – the region has been severely affected by these events.

The COVID-19 pandemic and its aftermath led to significant increases in government spending in many LAC countries. Governments in the northern hemisphere provided substantial financial support for the socio-economic well-being of their populations, which often resulted in a significant increase in public debt and, in other parts of the world, private debts. Still, socio-economic conditions remain challenging with poverty rates above pre-pandemic levels in more than half of the countries. By early 2022, the region appeared to be on the road to recovery – only for the Russian war of aggression against Ukraine to throw another spanner in the works. Commodity-rich countries, such as Venezuela, Colombia and Mexico, experienced a windfall of revenue linked to higher energy prices. For others, the rise in inputs prices posed a major challenge, such as Brazil, whose agriculture depends on imports of Russian fertilizer. Inflation, particularly in commodity and food prices, had considerable effects on the region's economies. While the US pursued a strategy of reducing inflation by rapidly raising interest rates[1] in the hope of containing the banking crisis and a potential recession, many currencies depreciated against the dollar, making public debt servicing increasingly difficult. Headline inflation in Latin America and the Caribbean reached its highest level in 30 years in mid-2022,[2] progressively eroding purchasing power, with the most severe impact on vulnerable populations. Since then, however, with the exception of Argentina, inflation has been falling across the region and is expected to return to central bank targets again by 2024.[3]

With globalization once again under scrutiny, industrial policy[4] is on the rise. On the one hand, governments are implementing policies to secure their own strategic priorities – most evident in the decoupling of the US and China and the corresponding industrial policies aimed at securing supplies of strategic resources, for example. While Switzerland rejects industrial policies with a protectionist agenda,[5] many countries are following the example of China, the EU and the US. The Economic Commission for Latin America and the Caribbean (ECLAC) even states that industrial policy is "necessary" for LAC to catch up with richer countries and is essential to the Commission's sustainable development plan.[6]

On the other hand, even without government intervention, the private sector is looking to increase the resilience of its supply chain to remain competitive in a world that has been buffeted by shocks such as COVID-19 pandemic or war in the Ukraine. Still, the global economy appears to be at risk of further disruptions, for example stemming from the conflict in the Middle East or extremely low water levels in the Panama Canal – underlining the importance of sustainability, both driven by governments responding to voter demands and by companies themselves, taking advantage of the big growth opportunities associated with the green transition.

Although the global environment has become increasingly volatile, there may be more economic opportunities for Latin America in this "new world". Regardless of who wins this year's US elections, trade tensions between the US-China are expected to remain high and restrictions on companies sourcing from China are likely to remain in place, so companies will look to expand or relocate parts of their supply chain to countries in the region. Argentina, Bolivia and Chile – the so-called lithium triangle – are amongst those likely to benefit. As the US and Europe seek to challenge China's dominant position in the global processing of critical mineral, these countries may be able to attract more investment in domestic processing activities. Beyond Mexico, there are signs that Latin America has already begun to take advantage of global supply chain shifts driven by rising geopolitical risks. For example, partnerships are being formed between the US, Panama and Costa Rica to develop regional semiconductor supply chains; and the nearshoring momentum for Latin America is expected to continue. So, despite the fact that decoupling and bifurcation may eventually put pressure on Latin America to choose sides at some point, the current global geopolitical framework offers some opportunities for the region, particularly in critical minerals and nearshoring – but it also means walking a fine line to minimize friction with the US, given the significant Chinese investment in the region, including in transport infrastructure.

An early indicator of the region's role in this changing global economy is Latin America's economic performance last year. In general, the LAC region has been able to recover from the multiple crises faster and stronger than expected. Latin America's two economic powerhouses, Brazil and Mexico, led the way with growth rates of 3.1% and 3.2% respectively. This growth is quite an achievement by historical standards. Excluding the immediate COVID-19 pandemic-related rebound in 2021, these high growth rates were last seen back in 2011. For Chile, Colombia and Peru, GDP in 2023 was held back by macroeconomic factors, but also, at least in part, by political uncertainty. While monetary easing is likely to support economic activity in Latin America, the region is heavily dependent on external demand, so growth will also depend on its major export markets and sources of foreign investment. For example, as US GDP growth is expected to slow in 2024, Mexico faces a slowdown as a result. Meanwhile, continued weak external demand from China will weigh on countries such as Chile and Peru in 2024, likely preventing them from making a strong recovery.

What does this mean for the future? It remains to be seen how geopolitical tensions and a shift towards industrial policy will affect medium-sized players in Latin America, Switzerland, and the wider global economic landscape. However, the global economic conditions for Latin America to achieve a medium-term growth rate are not only linked to the global economy and macro factors, but also very much to domestic policies.

The winds of change are reflected in the 2023 elections. At the start of the year, it seemed that a new era in politics had dawned, with twelve countries in the region led by left-wing governments. However, intense, and sometimes controversial election campaigns saw the opposition elected in three countries, with voters hoping for political change and reform. This follows an earlier trend in which the incumbent party has only been elected five times in the last eight years and thirty-one presidential elections in the region. A further six countries are due to hold elections in 2024.[7] However, with extreme political polarization and fragmented legislatures, actual policy change remains a challenge, with opposition-led congresses across the region likely to slow policymaking.

Despite this anti-incumbency wave and the associated ongoing political uncertainty, investment opportunities surge. With increasing demand for renewable energy, the development of critical minerals for the energy transition and opportunities around large infrastructure projects will continue to be a key driver of growth in Latin America in 2024. The International Monetary Fund forecasts the region's average growth of real GDP at 2.3% for the next year.[8] However, some of the region's long-standing challenges, such as political uncertainty or poor infrastructure, are likely to keep international investment and trade below their potential in many markets, preventing them from fully capitalizing on the increased investor appetite. Therefore, policy reforms in the various areas, as well as an evolution towards a better business environment, will be key to achieving sustainable growth in the coming years.

→ **1:** Trading Economics (n.d.): United States Fed Funds Interest Rate.
→ **2:** IMF (2023): Regional Economic Outlook – Western Hemisphere: Securing Low Inflation and Nurturing Potential Growth, p. 4.
→ **3:** Ibid., p. 1.
→ **4:** Industrial policy encourages growth and strengthening of parts or all of the national economy.
→ **5:** Federal Department of Economic Affairs, Education and Research EAER (2021): Switzerland's foreign economic policy strategy, p. 40.
→ **6:** Cooperation Programme ECLAC-BMZ/GIZ (n.d.): Industrial Policy.
→ **7:** Elections are planned in the Dominican Republic, El Salvador, Mexico, Panama, Uruguay and Venezuela.
→ **8:** IMF (2023): Regional Economic Outlook – Western Hemisphere: Securing Low Inflation and Nurturing Potential Growth.

In addition, a key question for resource-rich Latin America and Caribbean countries will be how to respond to the significant opportunities presented by their geographical location, the increased demand for local resources, and the geopolitical tensions in other parts of the world. The focus chapter of this edition of the Economic Relations Report for Latin America sheds further light on the opportunities and challenges associated with the new commodity boom.

Bilateral Economic Relations amid Global Fragmentation

As a medium-sized but open economy, Switzerland is also vulnerable to the uncertainties and risks arising from this paradigm shift in the global economy. However, thanks to its diversified economic structure, the Swiss economy has shown remarkable resilience, with comparatively low inflation rates of 2.2% expected in 2023 and GDP growth of 1.2% in 2024. However, both figures are still below the historically average rates for Switzerland. For a highly integrated economy like Switzerland, establishing and maintaining access to geographically diversified markets is a prerequisite for strengthening its economic independence and resilience in the face of multiple crises, especially in times of growing protectionist tendencies. The regional shift in growth momentum towards emerging markets, global demographic change and the increasing importance of a growing middle class are changing the weight of the individual players – including the countries of Latin America and the Caribbean.

Therefore, in line with Switzerland's foreign economic policy strategy to diversify economic relations and according to the Federal Council's strategy for the Americas,[9] Argentina, Brazil, Chile, Colombia, Mexico and Peru are at the heart of Switzerland's economic priorities. They are particularly relevant because of their large economic potential and relatively favorable business and investment environment. Driven by these countries, the bilateral trade between Switzerland and Latin America reached CHF 19.1 billion in 2023, a decline of only 1.6% from the previous year's record high.

Building on long-standing economic and cultural ties, Switzerland intends to strengthen its relations with these and other Latin American countries in the foreseeable future. In 2023, Latin America has been the focus of a series of official visits and economic missions – Brazil, Uruguay, Argentina, Paraguay, Colombia, Peru and Mexico – underlining Switzerland's commitment to the region and contributing to the progress made in creating and maintaining favorable conditions for Swiss companies and investors to exploit its economic potential. Federal Councilor Guy Parmelin's official visit to Brazil was one of the largest economic missions to date. Accompanied by a business delegation, it enabled the Swiss private sector to learn about export and investment opportunities in the market, and to establish contacts in the country. The mission also supported the establishment and maintenance of relevant framework conditions, such as the discussions on the conclusion of a free trade agreement between Mercosur and EFTA.

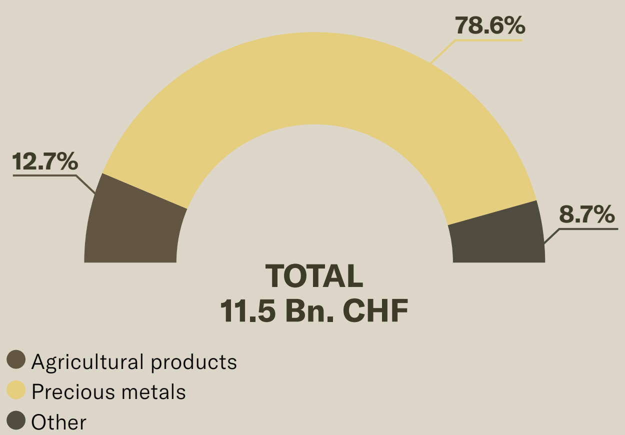
Switzerland's foreign economic policy pursues the strategic goals of a broad-based international regulatory system, non-discriminatory access to international markets and economic relations that contribute to sustainable development at home and abroad. Within the Latin American region, Switzerland has concluded bilateral investment protection agreements with 17 countries,[10] contributing to improved framework conditions for Swiss investments in the target market. In addition, free trade agreements are already in place with other partners in the region, covering nine of the region's markets to date.[11] Most recently, the FTA with Chile was modernized and adapted to changing economic realities, and Switzerland remains committed to resolving the remaining details as soon as possible towards the conclusion of the EFTA-Mercosur free trade agreement.

The State Secretariat for Economic Affairs (SECO) continues to contribute to the economic development of the region and to Switzerland's bilateral economic relations with Latin America and the Caribbean through a growing number of formalized joint economic commissions, the expansion of economic agreements, and economic cooperation activities to promote reliable policy frameworks in our partner countries. Particularly with regards to current global challenges, Switzerland is interested to reinforce its economic ties.

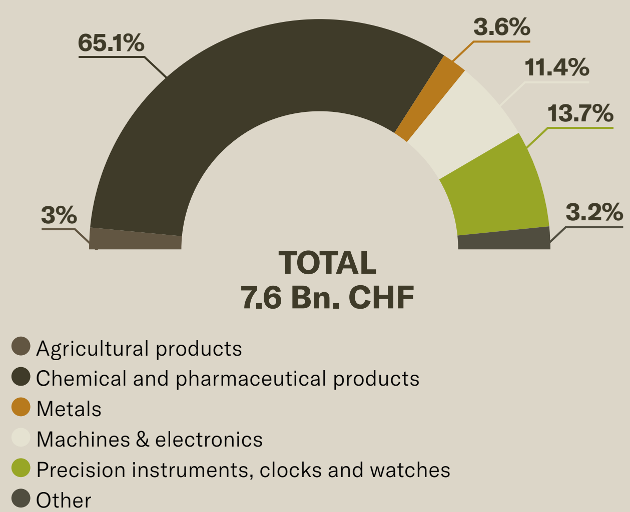
→ **9:** Federal Department of Foreign Affairs FDFA (2022): Americas Strategy 2022–2025.
→ **10:** As of 01.02.2023, State Secretariat for Economic Affairs SECO (n.d.): Overview BITs.
→ **11:** SECO (n.d.): Free trade partners of Switzerland.

AN OVERVIEW

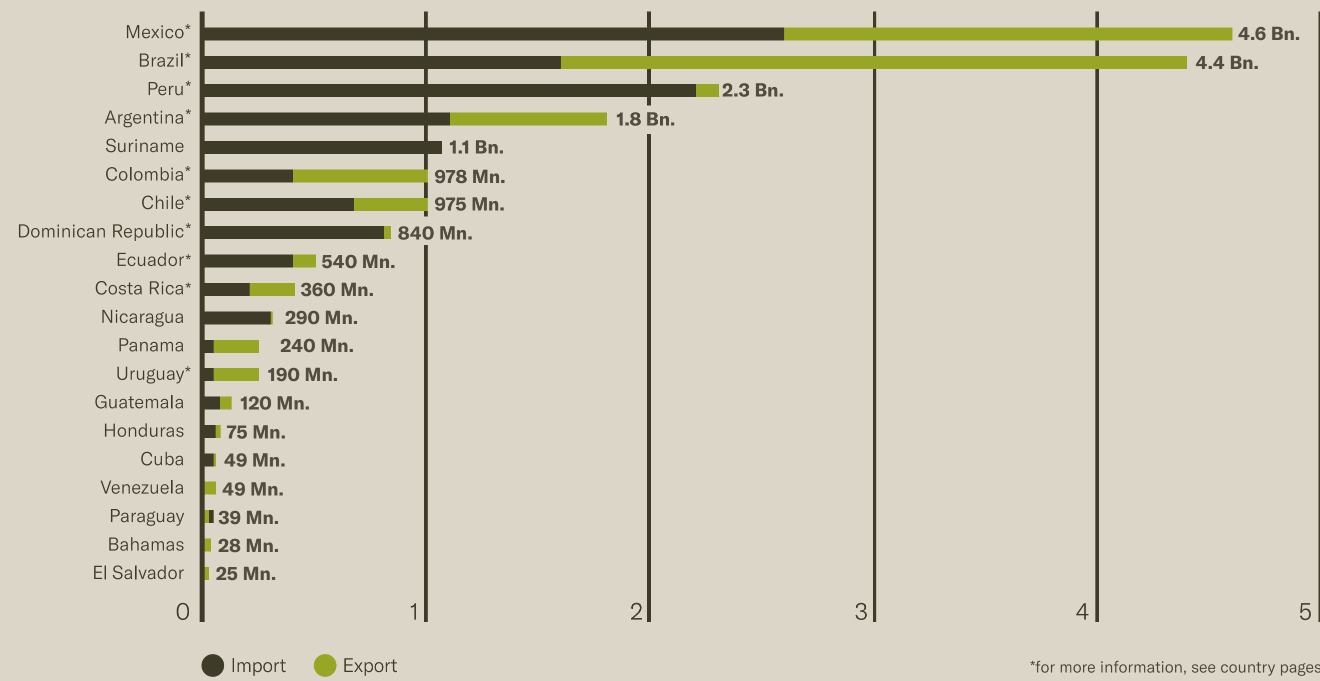
Swiss Imports from LAC



Swiss Exports to LAC

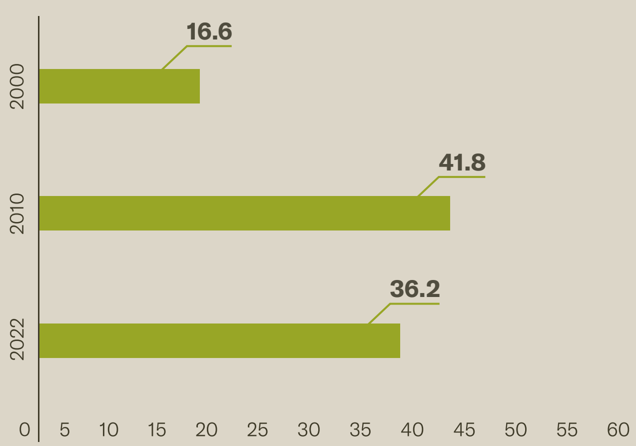


Bilateral Trade Volume Latin America and the Caribbean (in CHF)

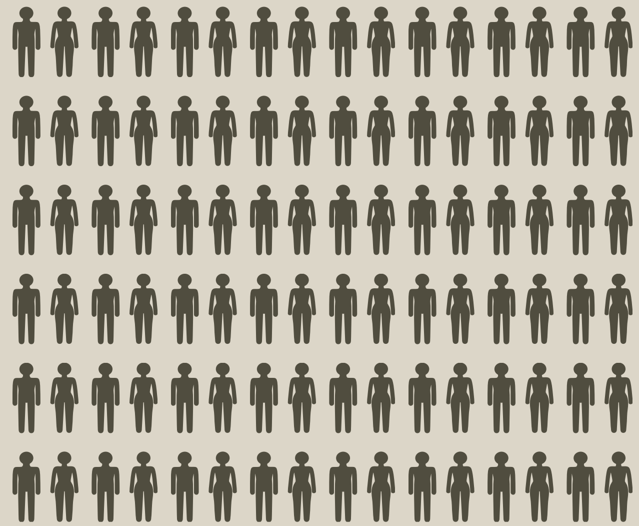


*for more information, see country pages

Swiss FDI (billion CHF)



Employment by Swiss Companies



TOTAL 215 000

1 person approx. 2250 people

Source for trading figures: Swiss Impex (data for 2023 as reported on 14 Februar 2024) / *Source for Swiss FDI and employment by Swiss companies:* SNB (data for 2022)

Comment

In line with its foreign economic policy strategy to diversify economic relations, and as enshrined in the Federal Department of Foreign Affairs' Strategy for the Americas, Switzerland is committed to investing in the expansion of trade and investment relations with Latin America and the Caribbean. This is reflected in the extensive network of Swiss representations in the region and the growing number of economic agreements*, foreign economic policy contacts, and the establishment of several Joint Economic Commissions.

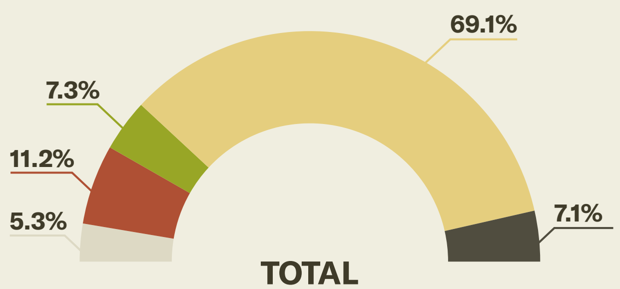
Increasing high-level visits, such as Federal Councillor Guy Parmelin's mission to Brazil – the largest economic delegation to date – or the official visits to Argentina, Uruguay, Paraguay, Colombia and Peru of the State Secretary for Economic Affairs, Helene Budliger Artieda, underlines this commitment. The increased attention to the region reflects Switzerland's continued interest in consolidating the relevant framework conditions for bilateral trade and investment, including the finalisation of the FTA with MERCOSUR through EFTA .

In 2023, bilateral trade with the region reached CHF 19.1 billion, only 1.6% less than in the previous year. Swiss exports rose by 6% to CHF 7.6 billion, while imports fell by 6% to CHF 11.5 billion. Imports are still dominated by precious metals (78%) and exports by chemicals and pharmaceuticals (65%). The majority of Swiss exports to the region (64%) went to Brazil and Mexico, while Swiss imports have a more diversified origin. Switzerland imported more than CHF 1 billion worth of gold from five LAC countries, which is one less than last year, as the Dominican Republic fell below the threshold with imports of CHF 724 million (-25%). The stock of Swiss FDI reached CHF 36.2 billion after an increase of almost 9%, and created a total of 214,500 jobs in LAC at the end of 2022 (+5%).

The following country offer detailed insights into Switzerland's economic relations with ten key partners in the region, ranked by total trade volume including precious metals.

MEXICO

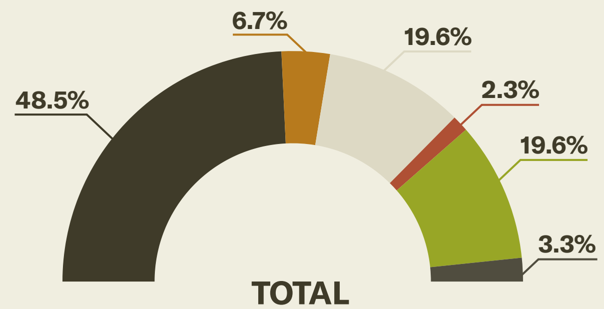
Swiss Imports from Mexico



TOTAL
2.6 Bn. CHF

- Machines & electronics
- Vehicles
- Precision instruments, clocks and watches
- Precious metals
- Other

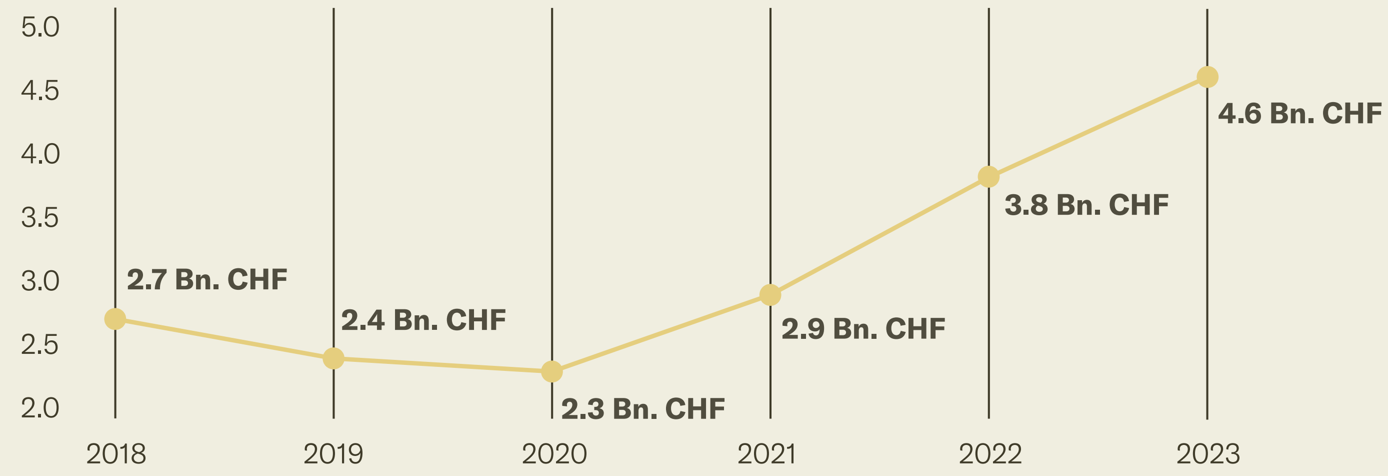
Swiss Exports to Mexico



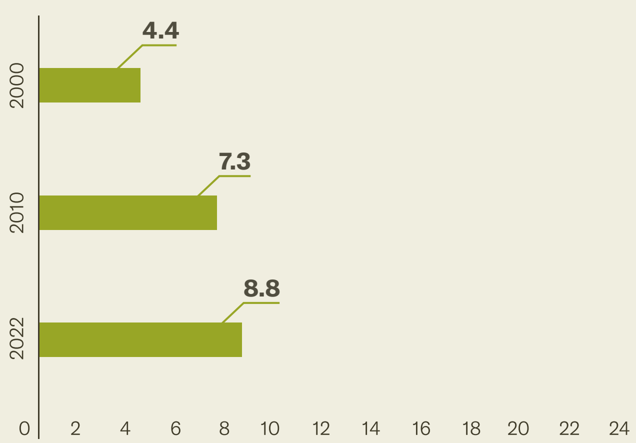
TOTAL
2 Bn. CHF

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

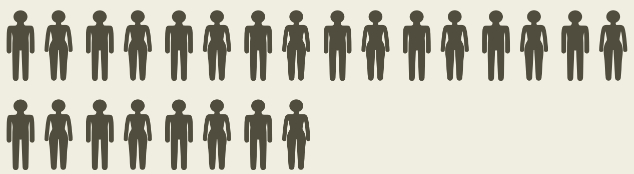
Development of Trade (billion CHF)



Swiss FDI (billion CHF)



Employment by Swiss Companies



TOTAL 55 000

Comment

With a population of 129 million, Mexico is the second most populous country in Latin America and the Caribbean, and is closely linked to the North American market, including through the United States-Mexico-Canada Agreement (USMCA), which favors nearshoring activities. The cross-border value chains are diverse and show an intensive international division of labor in the border region, especially in the industrial sectors: chemical-pharmaceutical, automotive, aviation, medtech and construction industries. Recently, economic growth has also been observed in the fintech, e-health and e-Commerce sectors. Mexico was the first country in LAC to join the OECD in 1994.

In 2023, Mexico has become Switzerland's most important trading partner in LAC in terms of total trade. Mexican imports into Switzerland have increased by 16% and are now the highest in the region, followed by Brazil. In addition to Switzerland's main exports to Mexico, chemical and pharmaceutical products, Switzerland also exports a large amount of machinery and precision instruments. Switzerland and Mexico share a solid legal framework for bilateral economic relations. A free trade agreement, an investment protection agreement and a double taxation agreement are in force. Discussions are underway to modernise this framework and cover additional issues. The countries meet annually for bilateral economic consultations, the most recent of which took place in Mexico City in October 2023.

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 2023 as reported on 14 February 2024) / *Source for Swiss FDI and employment by Swiss companies:* SNB (data for 2022)

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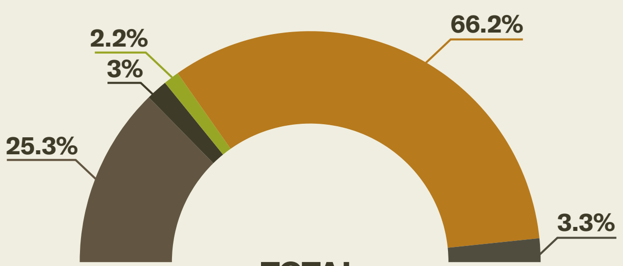
BRAZIL

Swiss Imports from Brazil

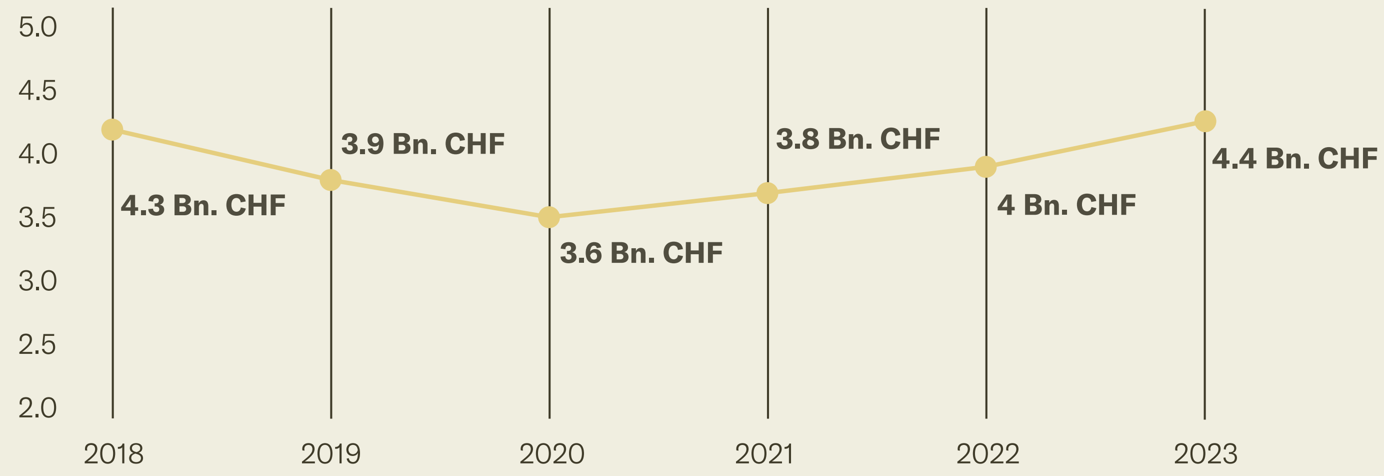


- Agricultural products
- Chemical and pharmaceutical products
- Metals
- Other

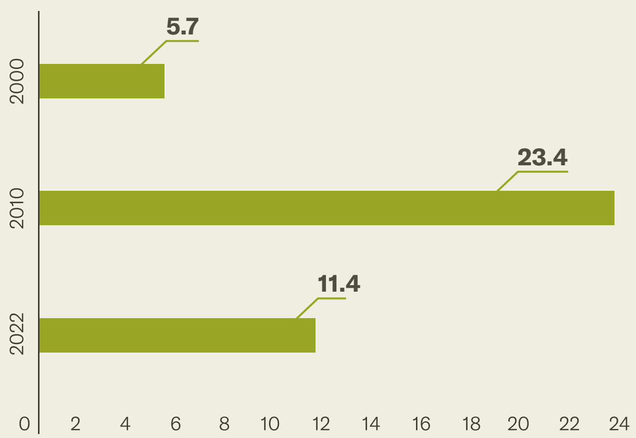
Swiss Exports to Brazil

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

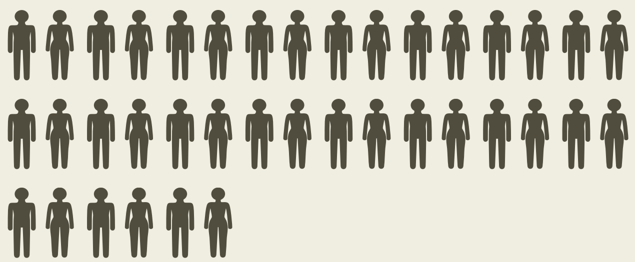
Development of Trade (billion CHF)



Swiss FDI (billion CHF)



Employment by Swiss Companies



TOTAL 85 000

Comment

With a population of 218 million, Brazil is by far the most populous country in Latin America and the Caribbean and the 11th largest economy in the world. The country is a regional power, a member and president of the G20 in 2024, and a large emerging market with enormous economic potential. It has also developed a productive and competitive industrial sector.

Brazil was Switzerland's second most important trading partner in the region in 2023. However, it is the main export destination for Swiss products to LAC. Bilateral trade accounts for almost a quarter of Switzerland's trade with the region as a whole, and Switzerland has a trade surplus with Brazil, unlike with most other countries in the region. Brazil is also Switzerland's number one destination for foreign direct investment (FDI) and employment creation abroad. The recent reforms of the Lula administration, in particular the simplification of the tax system, which has been in the works for decades, and the fiscal framework, have been a great gain for the business climate.

Switzerland not only has an embassy and a consulate general, but also a Swiss Business Hub in São Paulo and Swissnex in Rio de Janeiro. In addition, Brazil has been identified as a priority country within the Federal Council's mandate to support Swiss participation in large infrastructure projects abroad. For example, Brazil's Growth Acceleration Programme (PAC) will offer significant opportunities for private investment in infrastructure between now and 2030.

Switzerland and Brazil maintain a Joint Economic Commission, a forum that takes place on a regular basis in order to discuss the bilateral economic relations. The 11th meeting was held in Brasilia in June 2022. In July 2023, Federal Councilor Guy Parmelin led an economic and scientific mission to Brazil, which focused on strengthening bilateral cooperation in the fields of business and innovation, as well as high-level meetings. A double taxation agreement between the two countries has been in force since 2022. Negotiations are also underway on a free trade agreement between Mercosur and EFTA, and Switzerland is committed to continuing its efforts to conclude and clarify the remaining details as soon as possible.

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Website: www.swissnex.org/brazil

Main Bilateral Economic Agreements (entry into force)

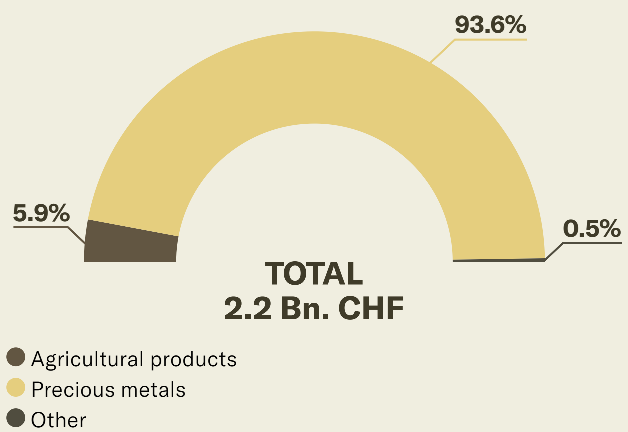
Trade agreement: 01.08.1936 (provisory)

DTA: 16.03.2021

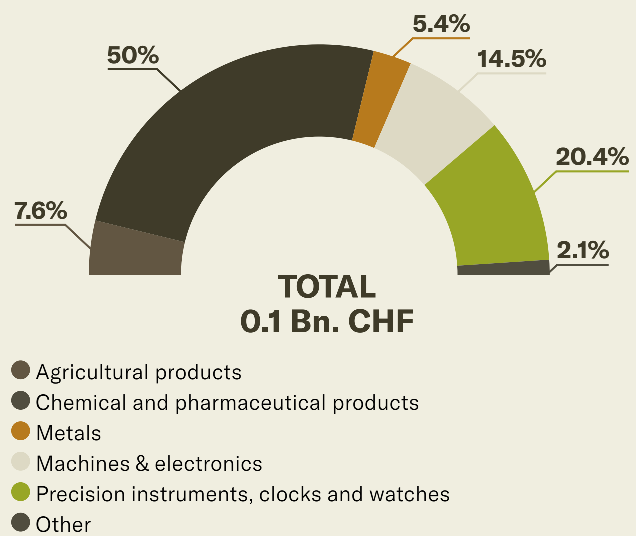
Source for trading figures: Swiss Impex (data for 2023 as reported on 14 February 2024) / *Source for Swiss FDI and employment by Swiss companies:* SNB (data for 2022)

PERU

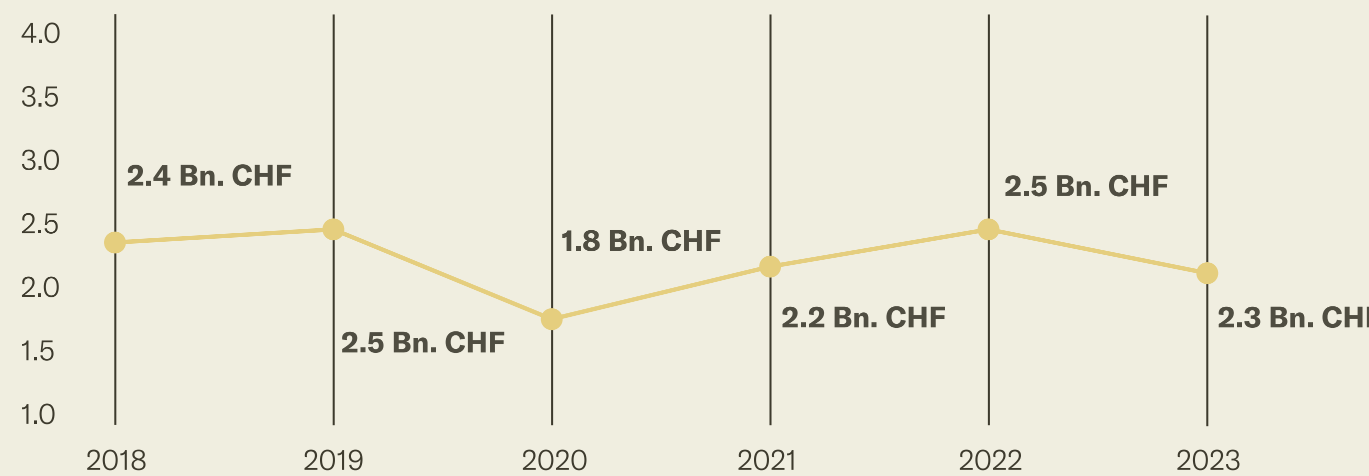
Swiss Imports from Peru



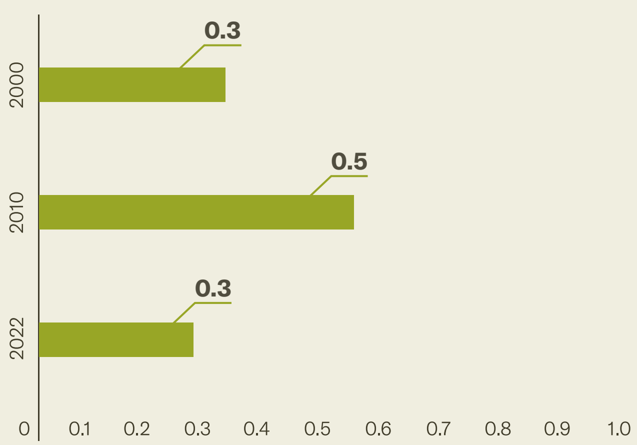
Swiss Exports to Peru



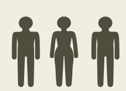
Development of Trade (billion CHF)



Swiss FDI (billion CHF)



Employment by Swiss Companies



TOTAL 7700

Comment

Peru, a medium-sized country in Latin America and the Caribbean with a population of 32 million, is one of the world's most important mining countries – rich in copper, gold and zinc. It also has a productive agricultural sector. Despite the political crisis, the country's economy has proved surprisingly resilient and Peru has recently started the accession process to the OECD.

The country is Switzerland's third largest trading partner in LAC and its second most important import partner after Mexico. However, it is worth noting that 94% of imports in 2024 were gold. Excluding gold imports, the volume of bilateral trade is comparatively low, as is the stock of Swiss FDI. On the other hand, the number of people employed by Swiss companies is relatively high in regional comparison.

Switzerland and Peru regularly discuss their economic relations in the framework of the so-called Bilateral Economic Dialogue, a forum equivalent to a Joint Economic Commission. The last meeting took place in Lima in April 2022 and was embedded in an economic mission. In October 2023, an official economic mission to Peru, including a delegation from the Swiss private sector, reaffirmed Switzerland's commitment to expanding and strengthening existing bilateral economic relations. The legal framework conditions are comprehensive, with a free trade agreement, an investment protection agreement and a double taxation agreement which are all in force and working well.

In addition, Peru has been one of SECO's priority countries for economic development cooperation since 2009, along with Colombia. SECO supports Peru's economic development by promoting resilient sub-national growth centers and a competitive, innovative and sustainable private sector. A total of CHF 75 million has been committed for the period 2021 – 2024.

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 2023 as reported on 14 February 2024) / *Source for Swiss FDI and employment by Swiss companies:* SNB (data for 2022)

Contacts

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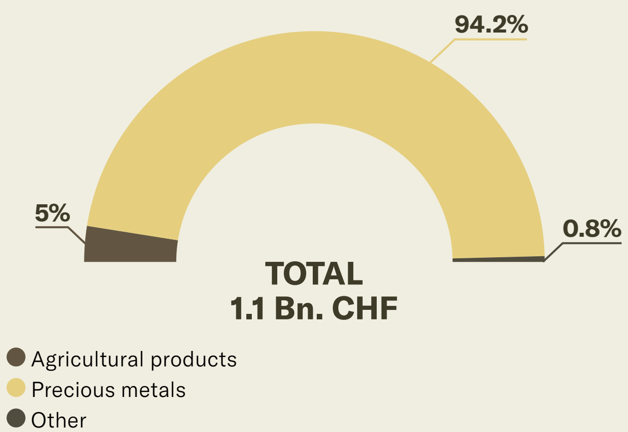
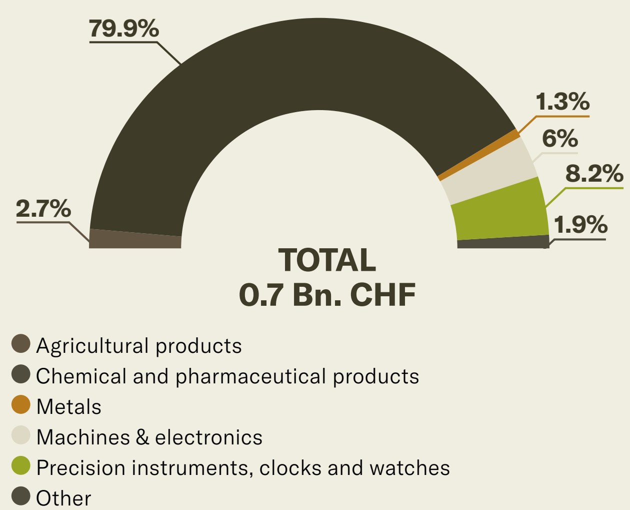
Website: www.swisschamperu.org

ARGENTINA

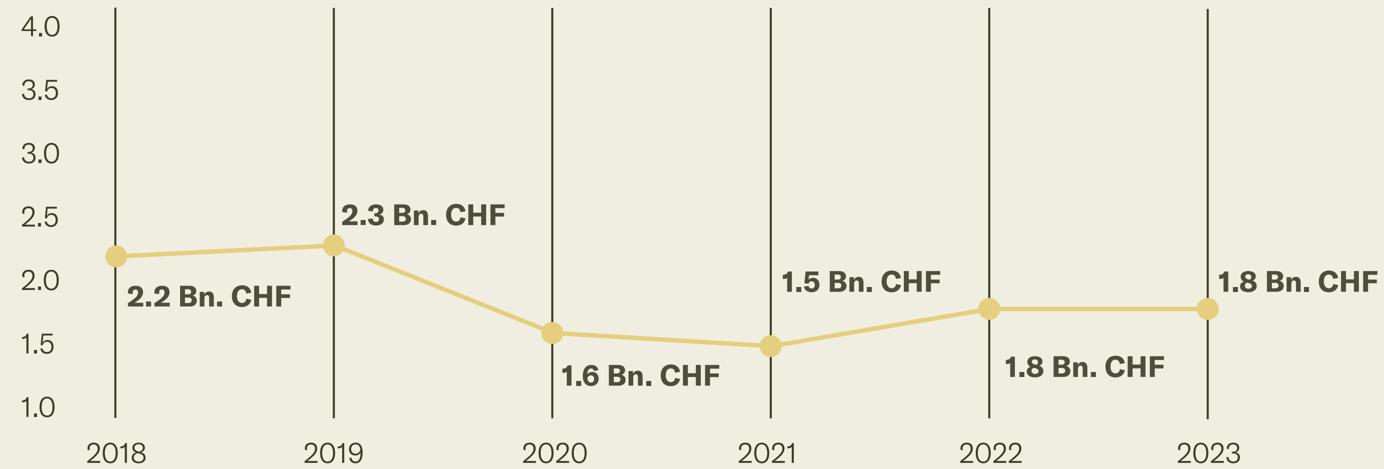
Swiss Imports from Argentina



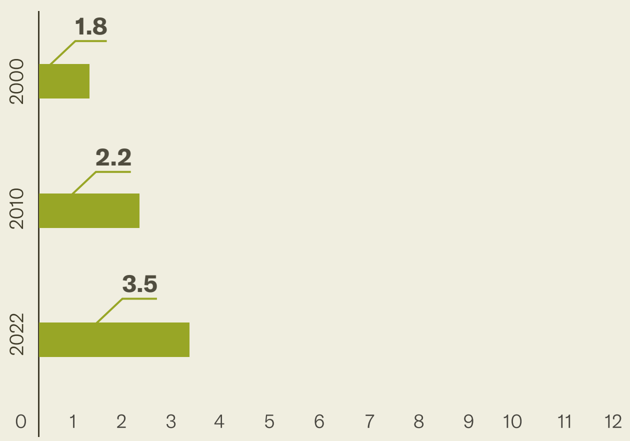
Swiss Exports to Argentina



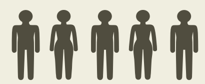
Development of Trade (billion CHF)



Swiss FDI (billion CHF)



Employment by Swiss Companies



TOTAL 11 200

Comment

Argentina, with a population of 46 million, is the third largest economy in Latin America and the Caribbean and a member of the G20. It has a very productive agricultural sector, large natural resource base and a well-educated population. However, the country is experiencing severe economic crisis with high inflation, high debt and a shortage of foreign currency. In December 2023, the newly elected president took office, promising a way out of the crisis through deregulation of the economy and libertarian reforms. In early 2024, the International Monetary Fund (IMF) approved a new disbursement to Argentina as a vote of confidence in the planned reforms. While economic shock therapy has the potential to bring about rapid economic adjustment, it remains to be seen whether the introduction of macroeconomic stability and free market reforms will be sufficient to stimulate sustainable growth for the economy. It also remains to be seen whether and to what extent the legislature will follow the path set by the executive.

Nevertheless, Argentina is Switzerland's fourth most important trading partner in Latin America and the third most important destination for Swiss exports, with 80% of products coming from the chemical and pharmaceutical industries. Imports are strongly dominated by gold (94%). Swiss FDI and the number of people employed by Swiss companies are significant.

The last round of the Joint Economic Commission (4th meeting) took place in Buenos Aires on the occasion of a SECO economic mission to Argentina, the main objective of which was to underline the strong Swiss economic presence in Argentina and to support Swiss companies facing various challenges in a difficult economic situation. Argentina is currently the leading country within Mercosur and therefore plays a decisive role in the process of concluding a free trade agreement with Switzerland within the framework of 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 2023 as reported on 14 February 2024) / *Source for Swiss FDI and employment by Swiss companies:* SNB (data for 2022)

Contacts

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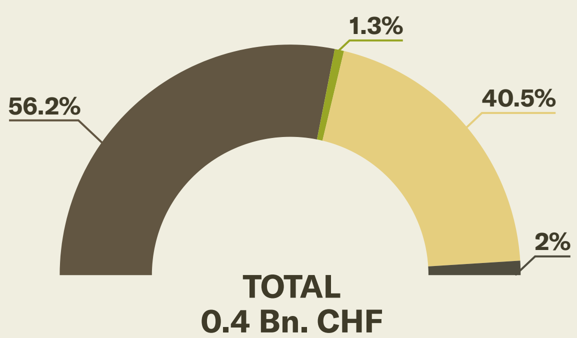
Mail: info@suiza.org.ar
Website: www.suiza.org.ar

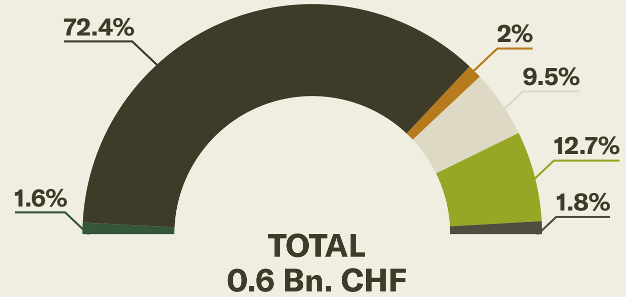
COLOMBIA

Swiss Imports from Colombia



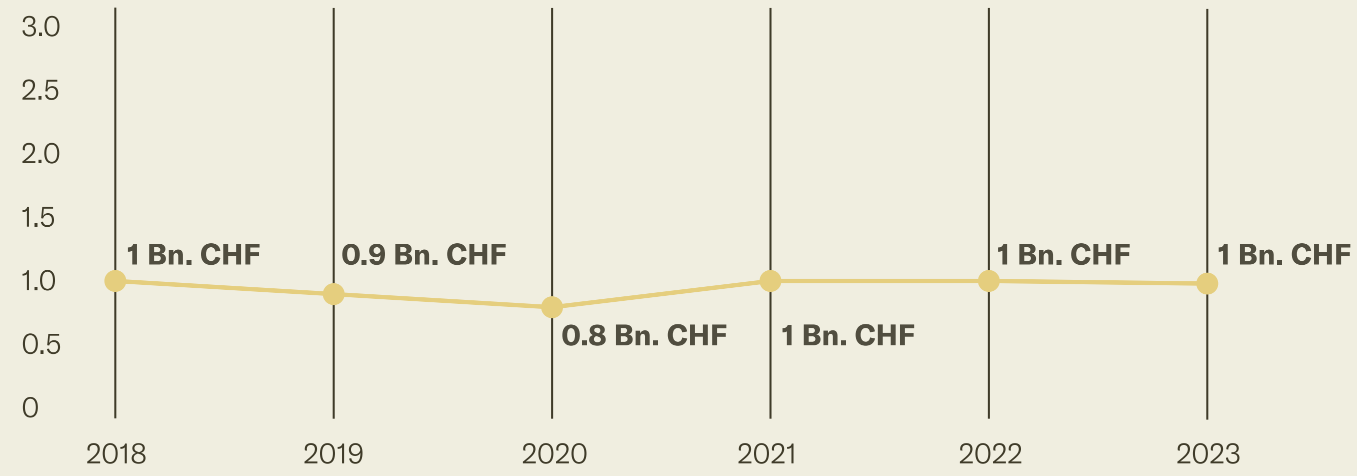
- Agricultural products
- Precision instruments, clocks and watches
- Precious metals
- Other

Swiss Exports to Colombia

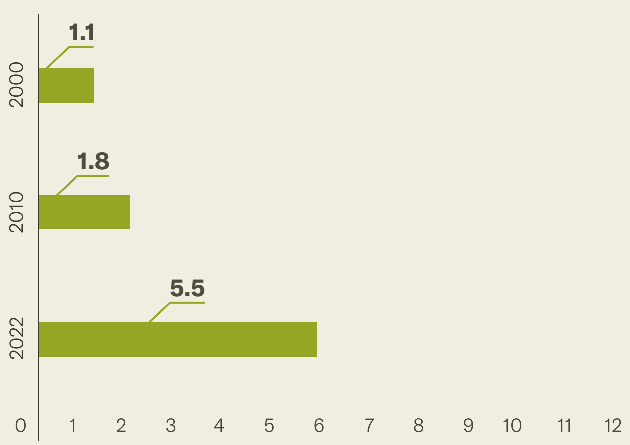


- Leather, rubber, plastics
- Chemical and pharmaceutical products
- Metals
- Machines & electronics
- Precision instruments, clocks and watches
- Other

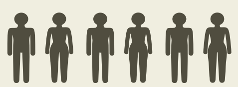
Development of Trade (billion CHF)



Swiss FDI (billion CHF)



Employment by Swiss Companies



TOTAL 13 700

Comment

With a population of 49 million, Colombia is the third most populous country LAC and the fifth largest economy, with strong growth over the last two decades. The country became a member of the OECD in 2020. Colombia is Switzerland's sixth most important trading partner in LAC and one of the few countries with which Switzerland has a trade surplus. Exports are dominated by chemical and pharmaceutical products, while imports are predominantly agricultural products rather than precious metals. Swiss exports have increased significantly in recent years, and Colombia is now the fourth most important destination for Swiss exports in LAC.

The current stock of Swiss FDI in Colombia ranks third after Brazil and Mexico, and Swiss companies employ a significant number of people. However, political uncertainty has been a major factor in the softening of the investment picture. While the business sentiment has generally improved with the rejection of many of the proposed reforms in Congress, the investment climate is still expected to follow suit.

Colombia and Switzerland have established a Joint Economic Commission in 2021. The first meeting took place in Bogota in November 2021, and the second during the economic mission to Colombia in October 2023. The legal framework conditions are comprehensive, with a free trade agreement, a double taxation agreement and an investment protection agreement in force.

Together with Peru, Colombia has been a priority country for SECO's economic development co-operation since 2009, focusing on supporting sustainable territories and cities, stronger institutions and better public services, as well as promoting regional competitiveness and decent jobs. A total of CHF 45 million has been committed by SECO between 2021 and 2024.

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 2023 as reported on 14 February 2024) / *Source for Swiss FDI and employment by Swiss companies:* SNB (data for 2022)

Contacts

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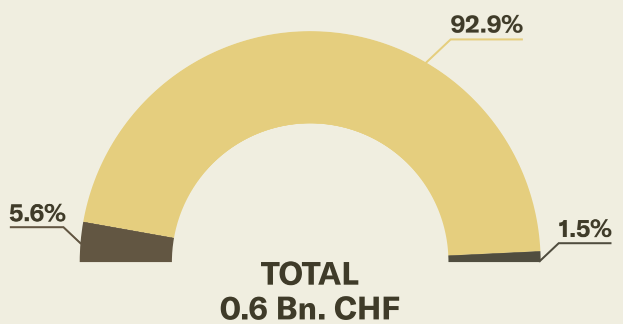
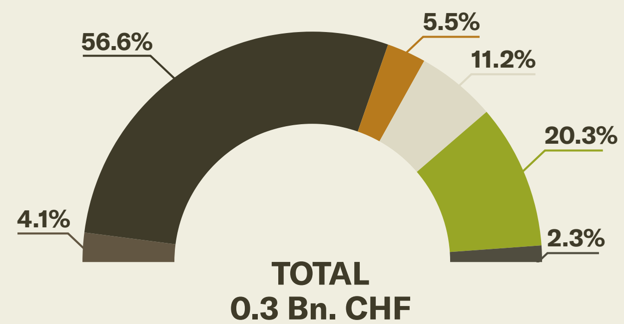
CHILE

Swiss Imports from Chile



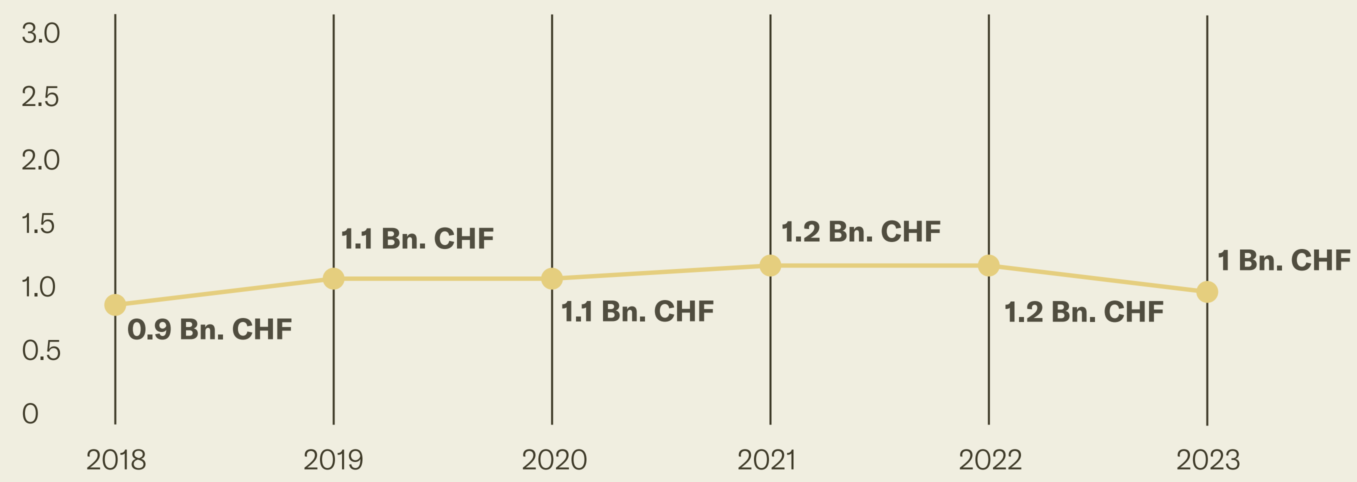
- Agricultural products
- Precious metals
- Other

Swiss Exports to Chile

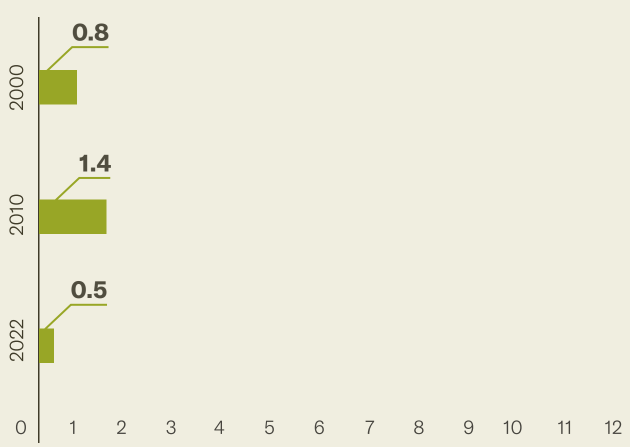


- Agricultural products
- Chemical and pharmaceutical products
- Metals
- Machines & electronics
- Precision instruments, clocks and watches
- Other

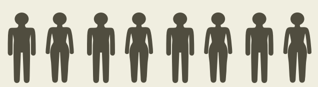
Development of Trade (billion CHF)



Swiss FDI (billion CHF)



Employment by Swiss Companies



TOTAL 18 800

Comment

With a population of just 18 million, Chile is the fourth largest economy in Latin America and the Caribbean, the second South American country to join the OECD, and has one of the highest standards of living in Latin America and the Caribbean. In response to the social unrest of 2019, the country underwent two processes of constitutional reform. After four years, these processes have come to an end without any changes to the constitution. As the world's top copper producer and holder of the world's largest lithium reserves, the country is highly exposed to commodity price volatility. Chile is Switzerland's seventh most important trading partner. Swiss exports are more diversified than to other LAC countries, while imports are disproportionately dominated by precious metals, especially gold (93%). The Swiss private sector presence in Chile is very strong and diverse, with Swiss companies employing a high number of people, only surpassed by the much larger Brazil and Mexico. The importance for the Swiss private sector is underlined by the presence of a Swiss Business Hub in Santiago opened in 2021. Chile is also one of Switzerland's "like-minded" partners, for example through the Group of Friends in the WTO.

The two countries have a comprehensive architecture of bilateral economic agreements, namely, a double taxation agreement. An investment protection agreement, and a free trade agreement, which has recently been modernized. After a 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.

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 2023 as reported on 14 February 2024) / *Source for Swiss FDI and employment by Swiss companies:* SNB (data for 2022)

Contacts

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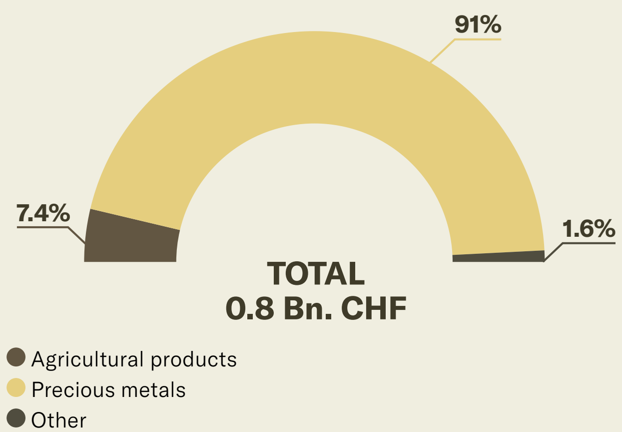
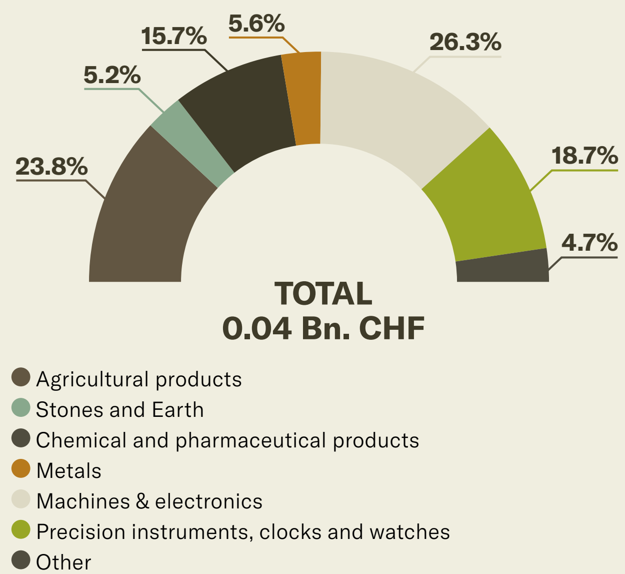
Mail: mark.untersander@eda.admin.ch
Website: www.eda.admin.ch/swiss-business-hub-chile

DOMINICAN REPUBLIC

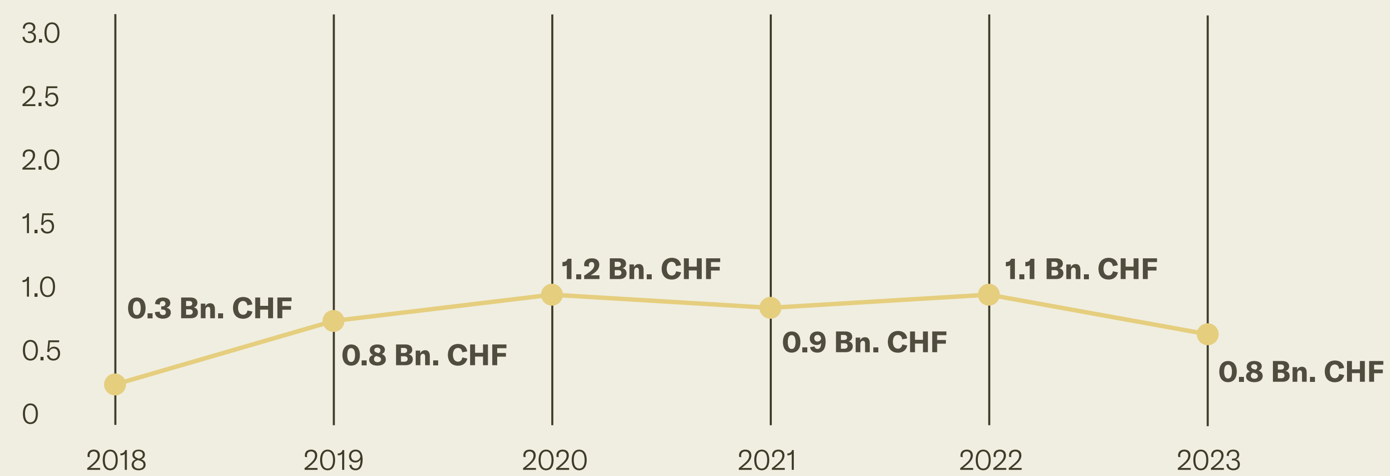
Swiss Imports from Dominican Republic



Swiss Exports to Dominican Republic



Development of Trade (billion CHF)



Comment

The Dominican Republic has a population of 10 million and is the second largest economy in the Caribbean after Cuba, with dynamic growth over the past decade. Despite its relatively small size, the country is Switzerland's eighth most important trading partner in Latin American and the Caribbean. This is due to the large volume of gold imports, which account for 91% of total imports, and make the country Switzerland's sixth most important import partner in LAC. Excluding gold, the trade volume is low, with exports of around CHF 40 million and imports of around CHF 71 million in 2023. Nevertheless, the country remains by far Switzerland's most important trading partner in the Caribbean. The country has a certain hub function for the Caribbean market and has potential in sectors such as agriculture, waste management and renewable energies. An investment protection agreement entered into force in 2006.

Main Bilateral Economic Agreements (entry into force)

BIT: 30.05.2006

Source for trading figures: Swiss Impex (data for 2023 as reported on 14 February 2024) / *Source for Swiss FDI and employment by Swiss companies:* SNB (data for 2022)

Contacts

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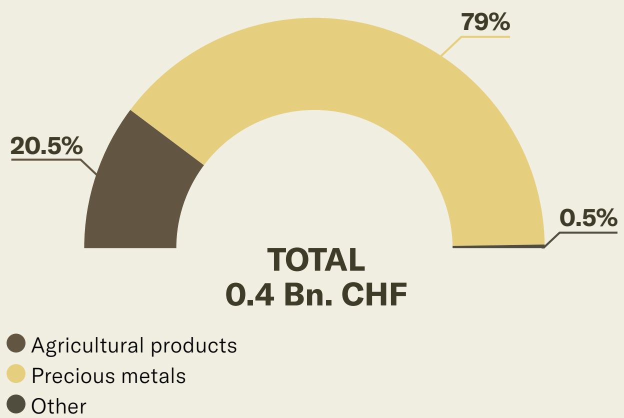
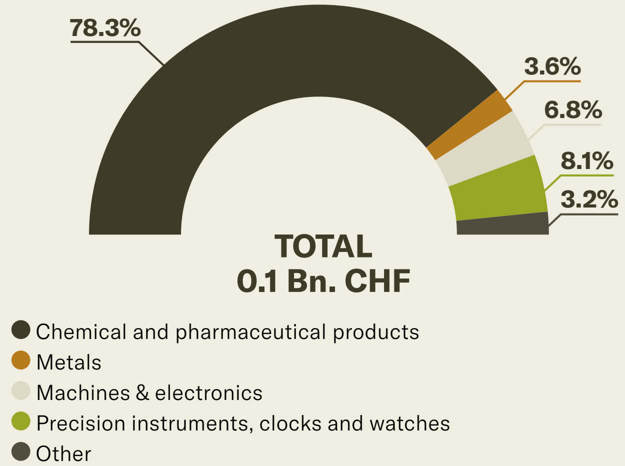
President: Gaetan Bucher
Director: Martin Almonte
Mail: info@camaradominicosuiza.org
Website: www.camaradominicosuiza.org

ECUADOR

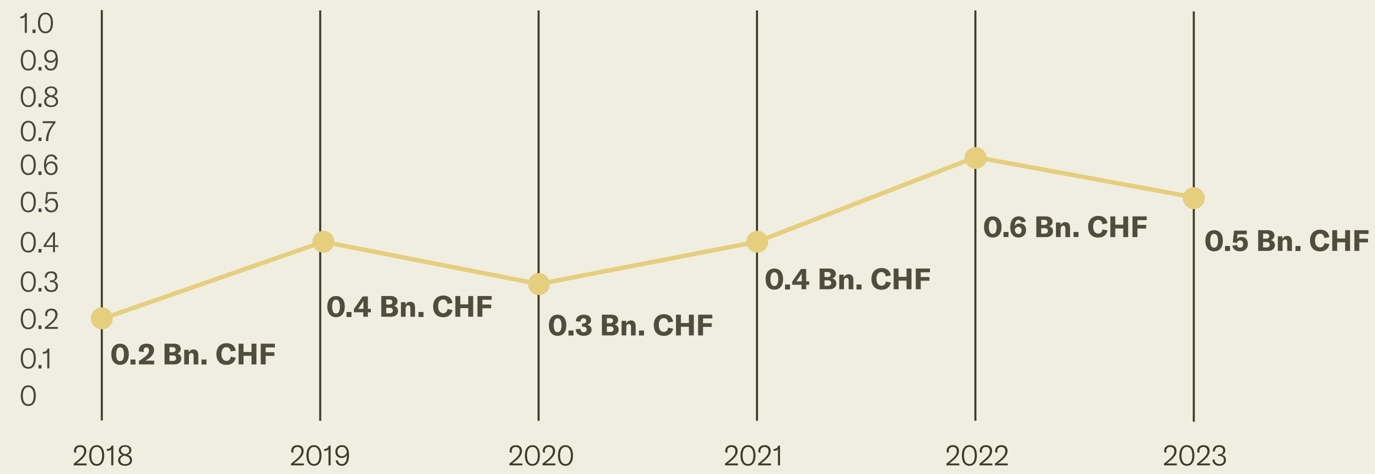
Swiss Imports from Ecuador



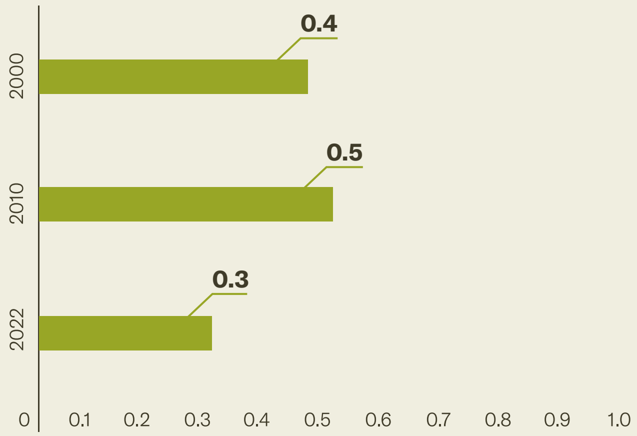
Swiss Exports to Ecuador



Development of Trade (billion CHF)



Swiss FDI (billion CHF)



Employment by Swiss Companies

TOTAL 5500

Comment

With a population of 17 million, Ecuador is the smallest of the Pacific nations in South America. It is currently a candidate to become an Associate Member to the Pacific Alliance, with the aim of becoming a full member at a later date. After political turmoil surrounding the former president, the successor was elected and took office as President of the Republic of Ecuador in November 2023, promising to create jobs and reduce violence in the country, once considered one of the safest in the region and now gripped by a drug war. Ecuador is Switzerland's ninth most important trading partner in Latin America and the Caribbean.

The structure of our bilateral trade is typical for Latin America and the Caribbean: 79% percent of Swiss imports are gold, while exports are dominated with 78% by chemical and pharmaceutical products. Swiss exports have been declining since the mid-2010s. Ecuador is trying to diversify its exports towards more agricultural products. Swiss companies employ a relatively high number of people in the country, while the stock of FDI is rather low.

A comprehensive free trade agreement between EFTA and Ecuador entered into force in November 2020 and a double taxation agreement originally entered into force in 1995. The former investment protection agreement expired in May 2019 after being denounced by Ecuador. However, Switzerland remains interested in negotiating a new agreement based on current international standards.

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 2023 as reported on 14 February 2024) / *Source for Swiss FDI and employment by Swiss companies:* SNB (data for 2022)

Contacts

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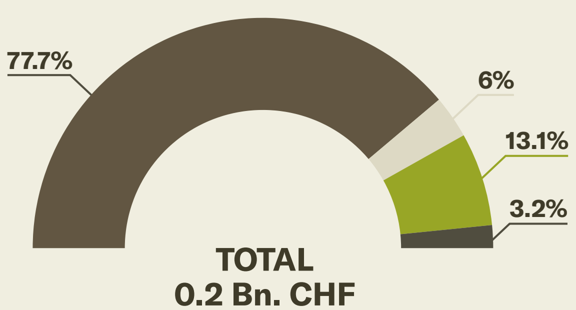
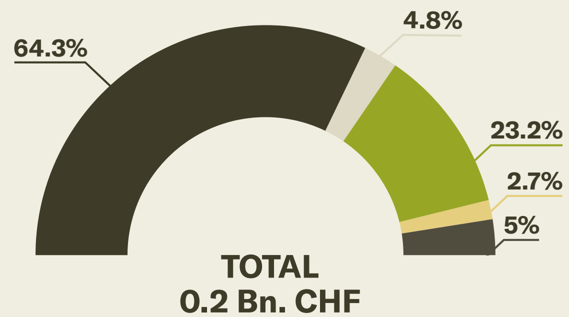
COSTA RICA

Swiss Imports from Costa Rica



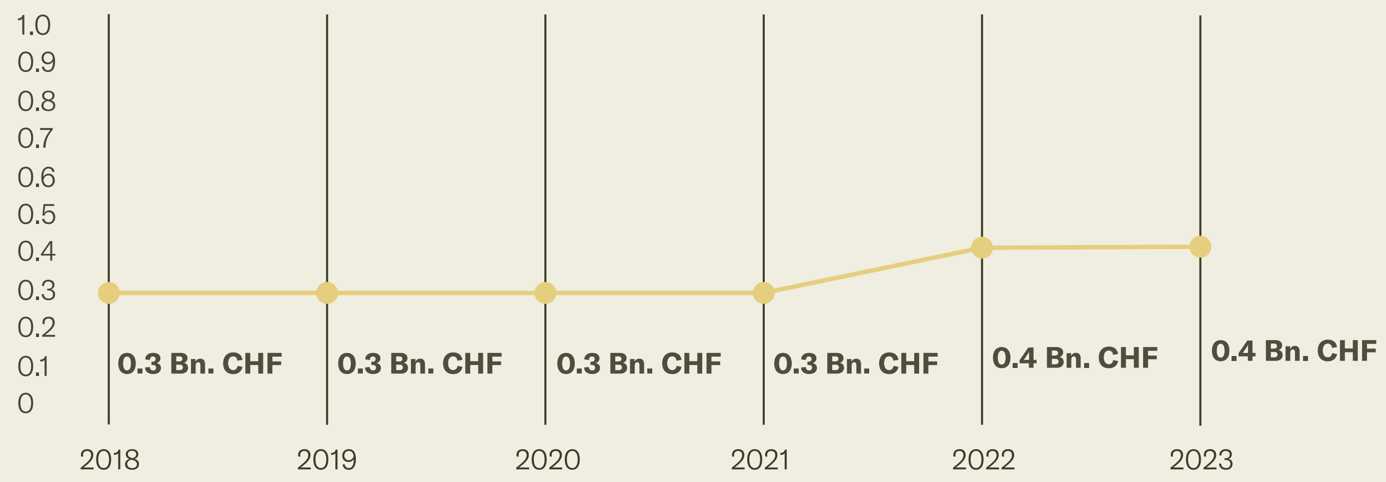
- Agricultural products
- Machines & electronics
- Precision instruments, clocks and watches
- Other

Swiss Exports to Costa Rica

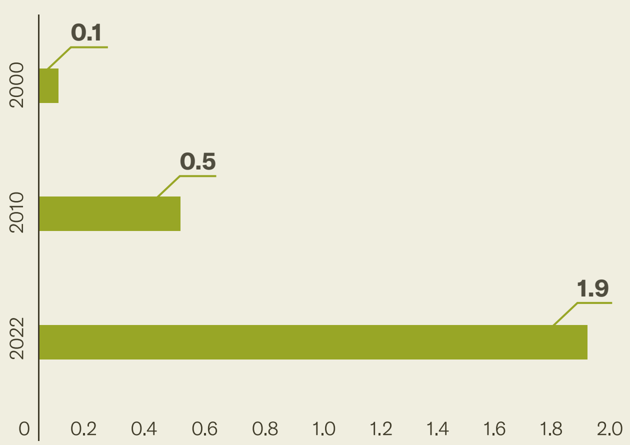


- Chemical and pharmaceutical products
- Machines & electronics
- Precision instruments, clocks and watches
- Precious metals
- Other

Development of Trade (billion CHF)



Swiss FDI (billion CHF)



Employment by Swiss Companies

TOTAL 3200

Comment

Costa Rica, with a population of just 5 million, benefits from a very good education system and is, along with Panama, the most developed country in Central America. It has been a member of the OECD since 2021 and has officially applied to become a full member of the Pacific Alliance in 2022. The country is also one of Switzerland's "like-minded" partners, e.g., through the Group of friends in the WTO.

In terms of trade relations, Costa Rica is Switzerland's tenth most important partner in Latin America and the Caribbean, and by far the most important in Central America. For Swiss exports, it even ranks sixth in LAC, which is remarkable given the size of the country. On the import side, trade is clearly dominated by agricultural products, with Switzerland running a trade surplus. Relative to its size, the stock of Swiss FDI is also considerable, as is the number of people employed by Swiss companies.

Since the entry into force of the free trade agreement between EFTA and Central America in 2014, Swiss exports have more than doubled. Imports have also grown significantly. Further, an investment protection agreement is in force, while a double taxation agreement is still in negotiation.

In May 2023, a SECO economic mission visited Costa Rica and Panama with the aim of further strengthening our bilateral economic relations.

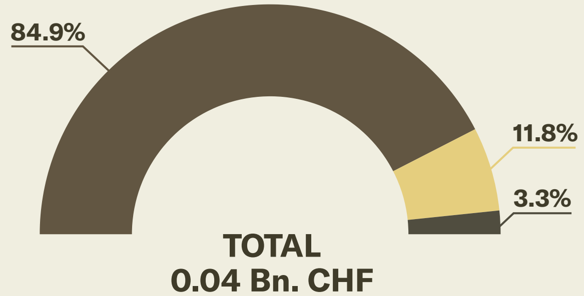
Main Bilateral Economic Agreements (entry into force)

BIT: 19.11.2002
DTA: initialled March 2006
FTA (EFTA): 29.08.2014

Source for trading figures: Swiss Impex (data for 2023 as reported on 14 February 2024) / *Source for Swiss FDI and employment by Swiss companies:* SNB (data for 2022)

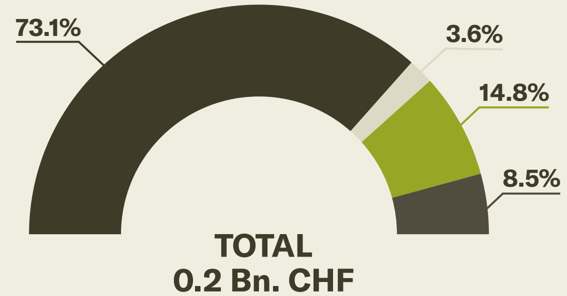
URUGUAY

Swiss Imports from Uruguay



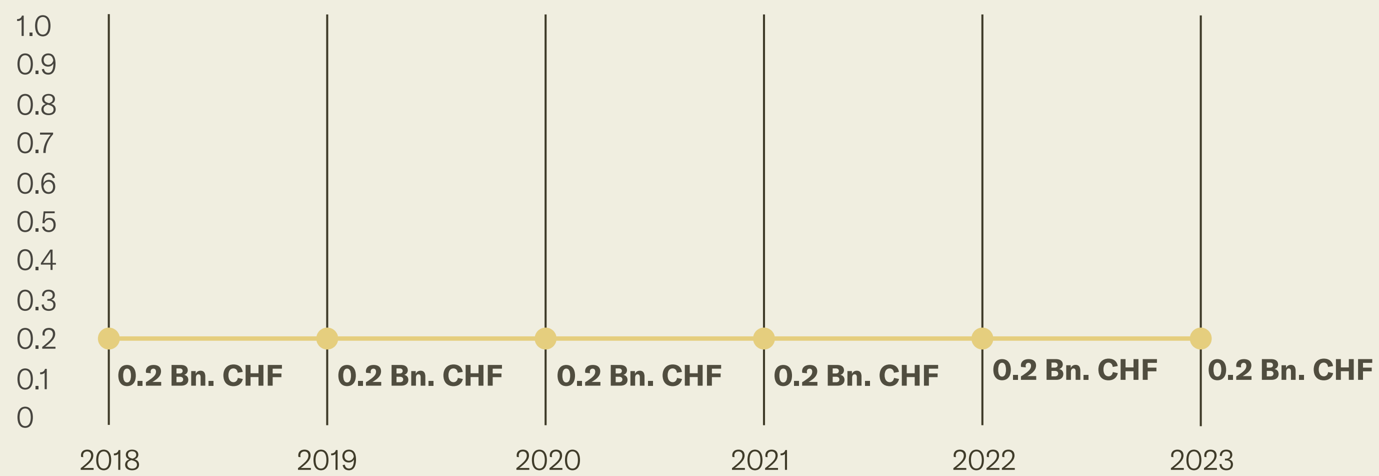
- Agricultural products
- Precious metals
- Other

Swiss Exports to Uruguay

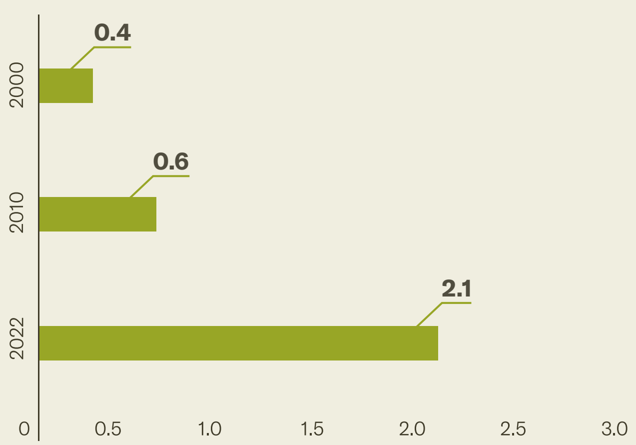


- Chemical and pharmaceutical products
- Machines & electronics
- Precision instruments, clocks and watches
- Other

Development of Trade (billion CHF)



Swiss FDI (billion CHF)



Employment by Swiss Companies

TOTAL 800

Comment

With a population of just 3.4 million, Uruguay is one of the wealthiest countries in Latin America and the Caribbean. According to the Bertelsmann Transformation Index, it has the highest level of democratic and market-economy development and plays a role as a regional business hub between its much larger neighbors Brazil and Argentina – with which it forms Mercosur, together with Paraguay. Uruguay has been enjoying respectable economic growth for years. Uruguay is only Switzerland's 13th most important trading partner in LAC. In particular, imports are low, while Swiss exports rank seventh and are dominated by chemical and pharmaceutical products (73%), giving Switzerland a trade surplus. The stock of Swiss FDI is considerable, as some Swiss companies have regional hubs and enjoy favorable conditions in various free trade zones. However, employment by Swiss companies remains low. A bilateral investment treaty and a double taxation agreement are in force and functioning well. Within Mercosur, Uruguay is in favor of concluding the process towards a free trade agreement with EFTA as soon as possible.

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 2023 as reported on 14 February 2024) / *Source for Swiss FDI and employment by Swiss companies:* SNB (data for 2022)

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Website: www.swisschamuruguay.org.uy

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*

PANAMA
BIT: 22.08.1985
FTA (EFTA): 29.08.2014

SOUTH AMERICA

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
DBA: 30.09.1953

BOLIVIA
No agreements*

COMMONWEALTH OF NATIONS AND BRITISH OVERSEAS TERRITORIES**
DBA: 30.09.1953

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

*DTA: declaration of intention
(Nicaragua 12.04.1994, Bolivia: 02.04.1993)

**Barbados, Antigua and Barbuda, Belize, Dominica, Grenada, St. Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, BVI und Montserrat

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

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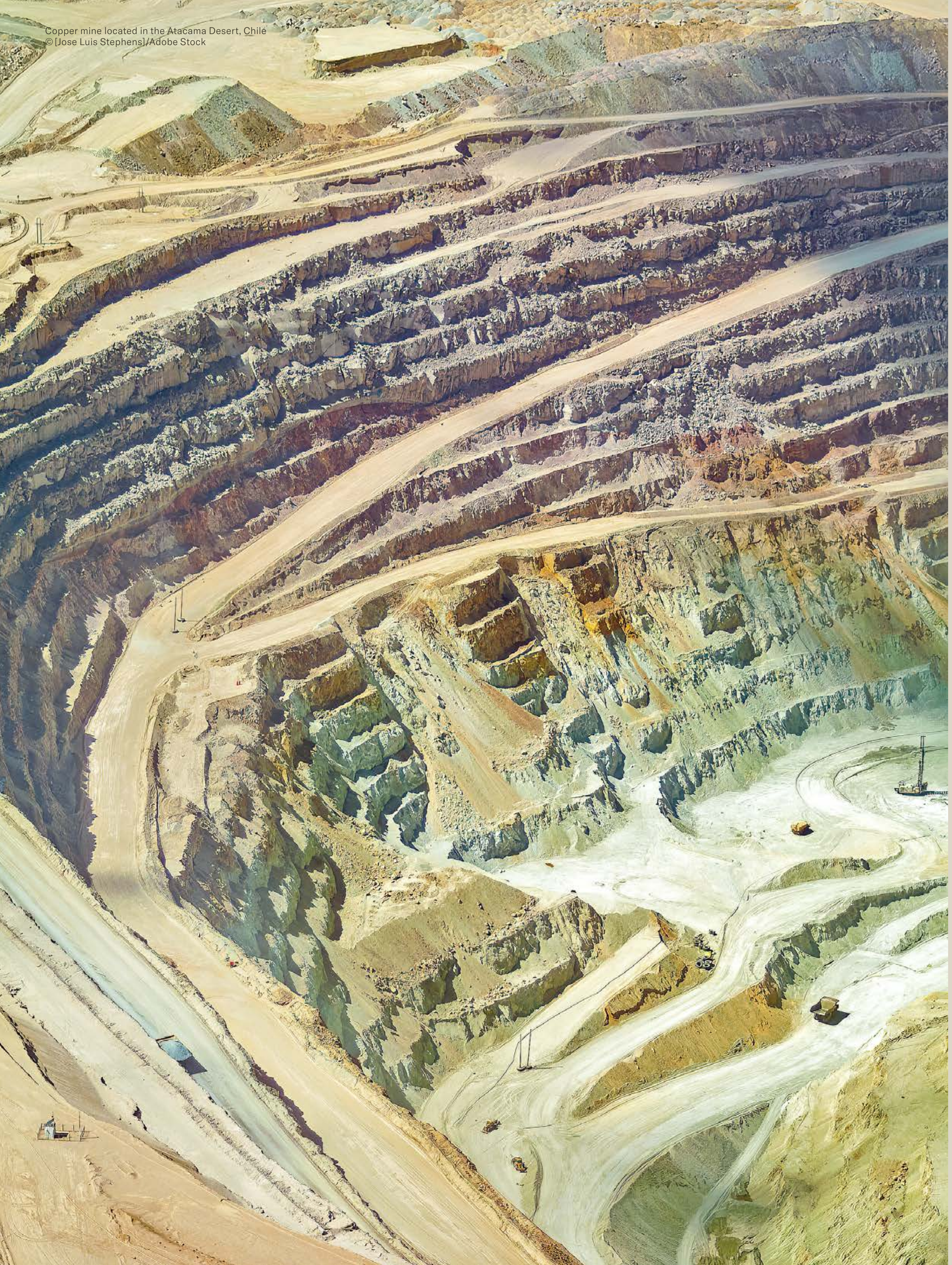

Copper mine located in the Atacama Desert, Chile
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5 ___ COMMODITIES

LATIN AMERICA'S ROLE IN POWERING THE SHIFT TO NET ZERO

Critical minerals have been gaining momentum

The Earth is warming at an unprecedented rate, largely as a result of human activity. While there's no consensus among scientists as to the exact trajectory of global warming, its existence is undisputed and a study by Stanford University found that the planet is likely to cross the 1.5 °C threshold within the next 10 – 15 years.[1] As a result, the focus on the reduction of carbon emissions and the conscious use of resources has intensified, and sustainability and climate-friendly practices are at the center of the global discourse. The Electric Vehicle (EV) market stands as a good example. Several governments have set specific targets for domestic EV sales, most of them to align with the reduction goals of the Paris Agreement and the United Nations 2030 Agenda for Sustainable Development. China has set a 25% target for electric vehicle sales by 2025.[2] In 2022, the European Union decided to ban all sales of new petrol and diesel cars from 2035, meaning that all new vehicles sold in the EU after that date should produce zero CO_2 emissions.[3]

But it is not just governments that are looking to change the market, manufacturers also appear willing to make the necessary adjustments. Some of the largest automotive producer groups such as Stellantis, Renault and Ford, have set a target of 100% EV sales by 2030. Others have made clear their intention to gradually increase sales, such as BMW and Volkswagen, which are aiming for EVs to make up 50% and 60% of total sales respectively.[4] Not only is the supply side adapting, but so is demand. After a 60% growth in 2022, EV sales have increased another 31% in 2023 and forecasts expect a sales growth between 25 – 30% for 2024.[5] This trend is also observable in Switzerland: According to the Swiss Federal Statistical Office, there is a trend towards electric and hybrid vehicles. In 2023, the number of fully electric cars in Switzerland increased by 3.6% compared to the previous year. As a result, around 30% of newly bought cars in Switzerland in 2023 were either hybrid plug-ins or fully electric vehicles.[6]

→ **1:** 'low emissions' refer to Sustainable development scenario (SSP) 1 – 2.6. In this scenario emissions are cut significantly and the goal of zero emissions is reached by 2070. It is estimated that the temperature increase from global warming will stabilize somewhere just below 2 °C by 2100. For more information: IPCC (2023): Summary for Policymakers, in: Climate Change 2023: Synthesis Report.
→ **2:** Bloomberg News (2019): China Raises 2025 Electrified-Car Sales Target to About 25%, in: Bloomberg.
→ **3:** European Parliament (2023): EU ban on sale of new petrol and diesel cars from 2035 explained.
→ **4:** Agora (2022): Automobilhersteller und ihre Elektrifizierungsziele.
→ **5:** Carey, N. (2024): Global electric car sales rose 31% in 2023, in: Reuters.
→ **6:** Swiss eMobility (2024): Entwicklung alternativer Antriebe für Personenwagen.

As the market moves towards battery-driven cars, demand for critical minerals used in their production will increase. These metals are also essential for solar panels and wind turbines, which play a key role in the production of green energy and thus the race to net zero. In Switzerland, the amount of energy generated by solar panels has increased steadily each year since 2010, while the sales of photovoltaic modules increased by around 60% in 2022.[7]

Achieving the goal of limiting global warming to 1.5 degrees would mean a 3.5-fold increase in the demand for minerals by 2030.[8] Lithium demand in a net zero scenario, for example, is expected to increase by 454% until 2030. Already during 2021 and 2022, the surge in demand led to a doubling of the number of new critical minerals projects announced worldwide compared to the preceding decade.[9]

Many Latin American countries' soils are particularly rich in the various metals critical to the energy transition, providing major supplies of copper, lithium and nickel.[10] In fact, the region holds 60 – 80% of the world's lithium reserves, 40% of the world's copper and 17% of the world's nickel resources. In 2022, Chile, for example, was the largest single exporter of these critical materials, accounting for 11% of global exports, followed by Peru (6%) among other countries.[11] While no Latin American country is currently considered a major producer of nickel, either in terms of mining or processing,[12] this could change as investment in Brazil's nickel mines and production increases. In 2022, nickel exports from Brazil increased by 8%, and are expected to grow at an average annual rate of 4% between 2022 and 2026.[13] However, exports of copper and lithium will be particularly important for the region: copper as an essential component of electricity grids that need to be strengthened and expanded, and lithium to drive the adoption of electric vehicles and battery storage as more variable renewables are integrated into power systems.

Based on estimates of reserves and current prices for each commodity,[14] the expected values are projected to generate revenues in the hundreds of billions of dollars for several mining countries in Latin America. In 2022, revenues from critical minerals production totaled around USD 100 billion,[15] and in the so-called Announced Pledges Scenario (APS)[16], revenues from critical minerals are expected to overtake those from fossil fuel production by 2050.[17] Looking at the largest reserves of each metal, Lithium in Bolivia alone could be worth more than USD 414 bn at November 2023 prices, while Brazil's nickel reserves would be worth around USD 267 billion.[18] And although Chile is already the world's largest copper exporter, current estimates suggest that its reserves could be worth USD 1.6 trillion.[19] These significant resources therefore could offer an opportunity for Latin America to diversify global supply and deliver economic growth, while helping to enable a global clean energy transition.

Of course, the region's abundance of raw materials crucial to achieving the global goal of a "green transition" presents both challenges and opportunities. How can Latin American countries navigate the promotion of sustainable development, economic growth in the mining sector, and the geopolitical dynamics? And how does this relate to Switzerland and its economic ties to the region?

→ **7:** Hostettler, T. & Hekler, A. (2023): Statistik Sonnenenergie. Referenzjahr 2022, pp. 5 – 7 (Bericht im Auftrag des Bundesamt für Energie).
→ **8:** International Energy Agency IEA (2023): Critical Minerals Market Review 2023.
→ **9:** UNCTAD (2023): World Investment Report 2023. Investing in Sustainable Energy for All.
→ **10:** Critical minerals can be defined as critical resources which prove essential to economy but have supply chains at risk of disruption. Their criticality may vary over time as supply, but also the societal needs, change.
→ **11:** WTO Secretariat (2024): Data Blog. High demand for energy-related critical minerals creates supply chain pressures.
→ **12:** IEA (2022): Ensuring supply reliability and resiliency, in: Introducing the Critical Minerals Policy Tracker.
→ **13:** GlobalData (2023): Global Nickel Mining to 2030.
→ **14:** U.S. Geological Survey USGS (2023): Mineral Commodity Summaries 2023 (U.S. Department of the Interior); Trading Economics (As of November 2023)
→ **15:** The critical minerals referenced here are graphite, bauxite, nickel, zinc, lithium, copper and neodymium. Source: IEA (2023): Latin America Energy Outlook 2023, p. 19.
→ **16:** The APS assumes that all climate commitments made by governments, including nationally determined contributions (NDCs), longer-term net zero targets, and targets for access to electricity will be met in full and on time.
→ **17:** IEA (2023): Latin America Energy Outlook 2023.
→ **18:** At the end of November 2023, lithium was traded at a rate of 19.7 USD/kg. In comparison, nickel was traded at 16.7 USD/kg and copper at 8.4 USD/kg.
→ **19:** For context: 2022 GDP for Bolivia was at USD 44 bn, Brazil was at USD 1'920 bn, and Chile's GDP reached USD 301 bn. IMF (October 2023): World Economic Outlook Database.
→ **20:** IEA (2021): The Role of Critical Minerals in Clean Energy Transitions, pp. 135/139/144.
→ **21:** Clean Energy Institute (n.d.): Lithium-ion batteries (University of Washington).
→ **22:** IEA (2021): The Role of Critical Minerals in Clean Energy Transitions, p. 139 – 140.
→ **23:** Copper Alliance (n.d.): Renewable Energy.
→ **24:** Purdy, C. & Castillo, R. (2022): The Future of Mining in Latin America. Critical Minerals and the Global Energy Transition, p. 4 (Brookings).
→ **25:** World Integrated Trade Solution WITS (2024): Copper ores and concentrates exports by country in 2022 (Worldbank).
→ **26:** IEA (2021): The Role of Critical Minerals in Clean Energy Transitions, p. 135.
→ **27:** Nickel Institute (2021): Nickel. Energizing Batteries, p. 1.
→ **28:** Ferreira, R. & Pinto, F. (2021): Overview of the Nickel market in Latin America and the Caribbean, in: International Nickel Study Group Insight, p. 1.
→ **29:** IEA (2021): The Role of Critical Minerals in Clean Energy Transitions, pp. 143/144.

THE SUPERSTARS OF THE ENERGY SHIFT LITHIUM, COPPER, AND NICKEL

Raw materials are essential to many of today's clean energy technologies due to their unique ability to store and transport it. Copper is needed for the transition and distribution of clean electricity, while nickel is an important element in energy technology providing high storage capacity, for example powering lithium-based rechargeable batteries for electric vehicles. As such, lithium can be described as "the fastest-growing mineral", copper is the most widely used mineral in sustainable technology, and nickel is extremely versatile.[20]

01 Lithium

Lithium is a soft silvery metal with the lowest density of all metals. Its unique properties make it an essential component in rechargeable lithium-ion batteries, electric vehicles, and energy storage systems. The key features of lithium-ion batteries are their high energy density, generally low maintenance and long life.[21] While lithium can be discovered in numerous rocks and various natural brines, its commercial utilization is viable only in select deposits boasting high concentrations. Hence, Lithium is currently sourced mainly from Australia and Chile. The latter together with Argentina and Bolivia forms part of the "lithium triangle", containing between 60 – 80% of the world's lithium reserves. Latin American lithium is usually sourced from arid regions and extracted from brine-filled ponds through a lengthy evaporation process, followed by removal of other elements from the resulting material, leaving only lithium elements in the solvent. The final step is to extract the lithium carbonate and prepare it for distribution.[22]

02 Copper

As a highly recyclable material, copper stands out as an unparalleled conductor of both thermal and electrical energy, playing a pivotal role in a wide spectrum of decarbonization technologies. Its utilization significantly diminishes the energy required for electricity generation.[23] Currently, 40% of the world's copper production originates from Chile and Peru, with an estimated 40% of global reserves situated in Chile, Peru, and Mexico. Other Latin American countries such as Argentina, Brazil, Colombia, and Ecuador boast additional deposits.[24] Chile is the world's largest copper exporter, with total copper exports of 2.8 megatons in 2022.[25] The refinement of copper depends on the type of ore—copper sulfide or copper oxide—utilizing two distinct processes. melting involves crushing the copper sulfide, transforming it into a concentrate, and subjecting it to smelting and electrorefining. The Sx-Ew process, on the other hand, extracts copper from oxide ore using a solvent, with electrowinning separating the copper cathode from the solvent.[26]

03 Nickel

Nickel can be used in a variety of ways and is part of a number of clean energy technologies due to its ability to increase energy density.[27] 17% of the world's nickel reserves are found in Brazil, while other sources include Colombia, Cuba, the Dominican Republic, Guatemala and Venezuela.[28] Refined nickel is categorized into two main types: Class 1 (high-purity, >99.8%) and Class 2 (lower-purity, <99.8%). Class 1 nickel is crucial for battery cathodes, while nickel alloys from Class 2 are essential for renewable energies and hydrogen technologies. The processing and refining methods vary depending on the type of mined ore. Class 1 nickel is typically produced from sulfide ore, using heat and chemical reactions to extract the nickel (pyrometallurgy), or from weathered limonite, dissolving the nickel-containing ore in acid od alkaline solutions to extract it (hydrometallurgy). Class 2 nickel is derived from limonite processed via hydrometallurgy and saprolite processed through pyrometallurgy.[29]

From Latin America through Switzerland to China: International value chains of green metals

Typically, most minerals undergo partial processing locally before being shipped abroad for further chemical processing and eventually reaching the international market as refined goods.[30] In the case of Latin American lithium, Chile ranked as the second largest extractor of lithium (22%) in 2019, behind Australia (52%) and ahead of China (13%). However, the dynamics change when it comes to processing and refinement: China emerges as the dominant player, with a substantial 58% share of global lithium supply being processed and refined within its borders, followed by Chile (29%) and Argentina (10%).[31] Moving along the value chain, China predominantly retains lithium-based battery materials for domestic manufacturing of battery packs before exporting those to major electric vehicle (EV) markets like the US or Germany. Consequently, in 2022, China accounted for 46% of global battery exports.[32]

Similarly, extracted copper concentrates are typically exported to other countries for refinement into marketable products.[33] Chile (28%) and Peru (12%) stand out as the main copper mining hubs. However, processing is primarily concentrated in China, which accounts for 40% of the world's supply, while Chile processes only 10%.[34] Once refined, copper cathodes in China are predominantly utilized within the local manufacturing sector.

Nickel sourced in Latin America typically undergoes refining within a locally integrated value chain before being exported globally, reaching countries such as China, the Netherlands, Italy, and the US, among others.[35]

With the five biggest commodity trading firms all having substantial operations in Switzerland,[36] approximately one-third of the world's key minerals are traded through companies based in this country and even around 60% of the world's copper trade is conducted in Switzerland. The commodities super cycle since 2000 and the related revenue rises have increased attention to this sector.

In addition, the value-add created by the commodities trading sector to the Swiss economy was not reflected in Swiss value-added statistics until the Federal Council's decision in November 2023,[37] making it challenging to gauge the sector's significance within the Swiss economy.[38] Nonetheless, it appears that the sector has experienced substantial growth in recent years. When examining the net sales in Swiss transit trade, including non-raw material transit trade, as a percentage of national Gross Domestic Product (GDP), the figures have more than doubled over the past seven years.

In recent years, the mining industry has seen a significant surge in investment. In particular, Chinese investors have started to play an increasingly important role in Latin American mining. In fact, around 60% of Chinese foreign direct investment (FDI) in the region for the period 2000 – 2018 can be attributed to the extractive sector, while between 2005 and 2021, 25% of global investments in Latin America went to the mining sector.[39] These numbers show that Chinese investors disproportionally invest in the mining sector vis-à-vis their international peers.

Chinese companies are currently involved in nickel, lithium and copper mining in Argentina, Bolivia, Chile, Ecuador and Venezuela. Xinjian TBEA, for example, has acquired a 49% stake in a joint venture with Bolivia's state-owned lithium company YLB.[40] The USD 2.3 billion investment will fund lithium mining in the Coipasa and Pastos Grandes salt flats, considered as the world's largest lithium reserves.[41] BYD, another Chinese company, is investing USD 290 million to build a factory in Chile to produce battery components using local lithium.[42] These examples of Chinese investment in the mining of critical minerals in Latin America, combined with its important role in processing and refining the material, demonstrate the country's growing influence on the region's extractive sector, and ultimately on the global supply of critical minerals.

→ **30:** IEA (2021): The Role of Critical Minerals in Clean Energy Transitions.
→ **31:** IEA (2022): Ensuring supply reliability and resiliency, in: Introducing the Critical Minerals Policy Tracker.
→ **32:** UNCTAD (2023): Technical note on critical minerals. Supply chains, trade flows and value addition, p. 8.
→ **33:** IEA (2021): The Role of Critical Minerals in Clean Energy Transitions, p. 135.
→ **34:** IEA (2022): Ensuring supply reliability and resiliency, in: Introducing the Critical Minerals Policy Tracker.
→ **35:** Ferreira, R. & Pinto, F. (2021): Overview of the Nickel market in Latin America and the Caribbean, in: International Nickel Study Group Insight, p. 1.
→ **36:** Leading commodity traders by turnover 2022: Vitol, Trafigura, Glencore, Mercuria, and Gunvor.
→ **37:** Der Bundesrat (2023): Lancierung einer Datenerhebung zum Beitrag des Rohstoffhandels zur Wertschöpfung. .
→ **38:** Transit trade will be included until 2026, when the Federal Council's decision will be re-evaluated.
→ **39:** More information about the growing importance of Chinese FDI in Latin America: SECO (2022): Switzerland – Latin America. Economic Relations Report 2022, pp. 10 – 27.
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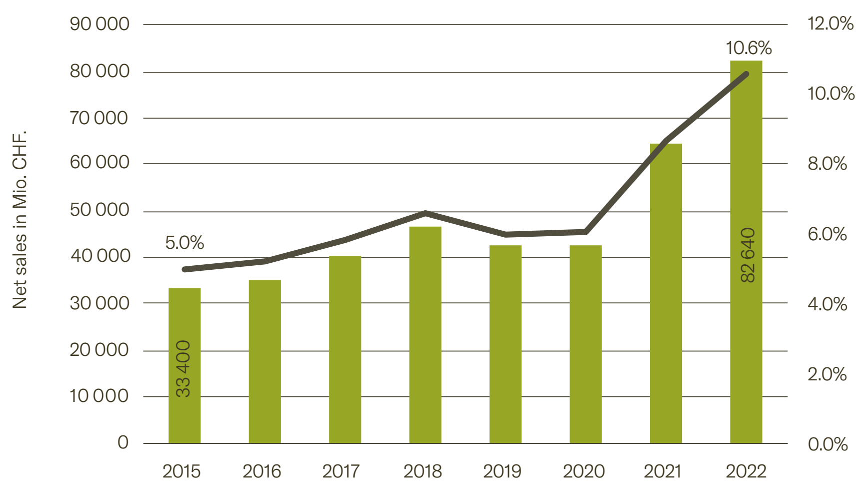
→ **41:** Ramos, D. (2023): Bolivia hikes lithium resources estimate to 23 million tons, in: Reuters.
→ **42:** Attwood, J. & Lara, L. (2023): China's BYD Takes Next Steps on USD 290 Million Lithium Project in China, in: BNN Bloomberg.

Swiss Transit Trade 2015 – 2022



Source: SNB and Federal Statistical Office

Note: Due to the disregard of transit trade in value-added statistics, transit trade-related figures should be interpreted with caution.

Towards a resource race?

China's dominance in the global critical minerals value chains has started to raise attention over the control of commodities markets. With Russia's war of aggression against Ukraine and the subsequent sanctions, worries about global energy security have intensified. Experts of the automotive industry predicted in 2023 that "the war of the future will be a war on metals".[43] Major markets such as China, the European Union and the United States are heavily reliant on critical minerals to meet their defined sustainable development goals while boosting and transforming their economies. Trade restrictive measures on the export and import of raw minerals have increased in recent years, with China imposing export restrictions on certain materials and both the US and the EU implementing industrial policies aimed at protecting and strengthening resilient supply chains for these strategic materials.[44]

Back in 2015, the United States challenged China's export restrictions on rare earths through the WTO dispute settlement mechanism, resulting in their removal.[45] In a subsequent case brought by China, the US invoked national security reasons to justify its own export controls on semiconductors – setting a precedent for trade disputes over strategic resources.[46] By 2023, the US identified China's control of critical minerals as a national threat,[47] and took steps to strengthen its own supply chain resilience through the concept of "friend-shoring" – a term first used by the administration in a 2021 report on resilient supply chains.[48] This included initiatives such as the Mineral Security Partnership (MSP), the Summit on Global Supply Chain Resilience, and the Inflation Reduction Act (IRA), which prioritizes critical minerals sourced from the US or FTA-partners and disqualifies any clean vehicle projects using battery components from "foreign entities of concern" from receiving subsidies.[49] Meanwhile, China has imposed new export restrictions on rare metals that are crucial to technological progress, echoing previous US arguments by justifying the move with national security reasons.[50] In addition, China announced government approval requirements for certain graphite exports in December 2023,[51] which could also further disrupt global supply chains for other materials such as lithium, copper, and nickel.

In response to these developments, the EU unveiled its Green Deal Industrial Plan (GDIP)[52] in February 2023, focusing on enhanced competitiveness and attractiveness to green investors. As part of the GDIP, the Critical Raw Materials Act (CRMA) aims to increase the EU's self-sufficiency along the entire value chain of strategic materials, including the three metals lithium, nickel and copper.[53] It aims to promote the production, processing and recycling of these commodities within the EU.[54] Moreover, the EU has also sought to foster partnerships, such as the Critical Raw Materials Club, aiming to strengthen global supply chains.[55] In July 2023, the EU convened with the *Comunidad de Estados Latinoamericanos y Caribeños* (CELAC) for the first time in eight years. The summit focused on the EU's Global Gateway Investment Agenda, highlighting critical commodity mining projects in Latin America.[56] Notably, Chile and the EU signed a bilateral Memorandum of Understanding (MoU) to promote sustainable commodity value chains,[57] following a similar agreement with Argentina a month earlier.[58] Both of them cover the entire metals value chain and aim to support the creation of local added value in the processing, manufacturing and recycling sectors by facilitating business opportunities and using financial and investment de-risking instruments. These partnerships underline the EU's commitment to strengthening Latin American countries as key players in securing access to raw material, including by increasing their refining capacity. Furthermore, the EU's focus on Latin America is also evident in the recent conclusion of the Advanced Framework Agreement with Chile including a dedicated chapter on energy and raw materials,[59] as well as the still ongoing negotiations towards a Free Trade Agreement with Mercosur.

While cost efficiency has historically been the main factor driving the localization of commodities refining, the abovementioned geopolitical considerations may increasingly influence future investment decisions. Latin American countries have refrained from imposing sanctions in relation to the Russian-Ukrainian war and not being heavily involved in US-China tensions. In addition, the region's relative geographic proximity to the US and Europe, which are seeking to challenge China's dominant role in the global processing of critical minerals and create resilient supply chains, makes it an interesting location for near-shoring or "friend-shoring". By investing in the mining and further processing of critical raw materials within Latin America, locally integrated supply chains could be established that are less vulnerable to global geopolitical tensions. Also, processed and refined critical materials command considerably higher values than their raw counterparts, potentially fostering the growth of downstream industries in countries where these minerals are produced.[60] As such, encouraging local supply chains could boost economic growth by bringing additional value-added activities to the region, increasing local employment and income.

Commodities – A curse or a blessing?

However, the abundance of valuable raw materials comes with its challenges. With critical minerals being at the center of geopolitical tensions and international investments, the resource abundance of many Latin American countries may raise socioenvironmental questions similar to a "commodity curse" – describing a paradox in which countries with an abundance of natural resources experience lower economic growth and higher level of conflict, rent-seeking, corruption and democratic backsliding, among others. Historically, key factors contributing to this phenomenon include high dependence on commodity exports and consequently lower competitiveness of other exports, as well as mismanagement of rents due to a lack of institutional capacity.[61]

→ **43:** Sallier, P.-A. (2023): La dépendance au lithium remplace celle au pétrole, in: Tribune de Genève.
→ **44:** Blakemore, R. (2023): What to make of China's latest restrictions on critical mineral exports, in: Atlantic Council.
→ **45:** WTO (n.d.): DS413: China – Measures Related to the Exportation of Rare Earths, Tungsten and Molybdenum.
→ **46:** WTO (n.d.): DS615: United States – Measures on Certain Semiconductor and other Products, and Related Services and Technologies.
→ **47:** Office of the Director of National Intelligence (2023): Annual Threat Assessment of the U.S. Intelligence Community, p. 9.
→ **48:** The White House (2021): Building Resilient Supply Chains, Revitalizing American Manufacturing, and Fostering Broad-Based Growth, p. 8.
→ **49:** U.S. Department of Energy (2023): Interpretation of Foreign Entity of Concern; Credit Suisse (2022): US Inflation Reduction Act – A tipping point in climate action, p. 9.
→ **50:** Ministry of Commerce of the People's Republic of China (2023): Announcement No. 23 of 2023 of the Ministry of Commerce and the General Administration of Customs on the Implementation of Export Control on Gallium and Germanium related items (transl.).
→ **51:** Benson, E. & Denamiel, T. (2023): China's New Graphite Restrictions, in: Center for Strategic & International Studies.
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→ **53:** European Commission (2023): Proposal for a Regulation of the European Parliament and of the Council COM(2023) 160 final.
→ **54:** European Commission (2023): Critical Raw Materials: ensuring secure and sustainable supply chains for EU's green and digital future.
→ **55:** European Commission (n.d.): Critical Raw Materials Act.
→ **56:** European Commission (2023): Commission presents Global Gateway Investment Agenda with Latin America and Caribbean.
→ **57:** Memorandum of Understanding between the European Union and the Republic of Chile on a strategic partnership on sustainable raw materials value chains (2023)
→ **58:** Memorandum of Understanding on a strategic partnership on sustainable raw materials value chains between the European Union and the Argentine Republic (2023)
→ **59:** EU-Chile Advanced Framework Agreement (2022)
→ **60:** UNCTAD (2023): Technical note on critical minerals. Supply chains, trade flows and value addition.
→ **61:** Ross, M. (2015): What Have We Learned about the Resource Curse? In: Annual Review Political Science (18), pp. 239 – 259.

According to UNCTAD, 42% of all economies in Latin America are dependent on export commodities. For example, in 2022, the mining sector alone accounted for 14% of Chile's GDP, while mining exports made up 58% of the country's total exports. Similarly, in Peru, mining accounted for 10% of GDP and 60% of exports. Heavy reliance on a single industry, such as natural resource extraction, could have a negative impact on other sectors through currency appreciation and neglect of economic diversification, making other sectors' exports less competitive on the global market – a phenomenon commonly known as "*dutch disease*".[62] And the diagnosis would not be a first: according to some experts, Venezuela's oil boom has caused lasting damage to the wider national economy.[63]

Another challenge associated with dependence on commodity exports is vulnerability to commodity price fluctuations, which leads to difficult fiscal management. Given the importance of the materials to the energy transition and their scarcity, the increase in demand has led to an overall increase in prices and thus the opportunity for increased profits for supply chain participants. This is also in line with developments in the markets that use the metals, such as the EV market, which has been growing steadily in recent years.[64] All three metals experienced a significant price increase from around 2021, peaking in 2022.[65] By now, lithium prices, for example, have again plunged by a staggering 80% from their 2022 peak, and metals prices in general are expected to fall this year, largely due to a substantial increase in supply.[66] To better withstand fluctuations, some politicians in Argentina, Bolivia, Brazil and Chile have reportedly even begun discussing the creation of an OPEC-style organization to control global lithium prices.[67]

The mining industry, amid rising mineral demand and governance issues, also grapples with environmental and social impacts that vary by location, commodity, and extraction method. When it comes to the environment, key concerns include high greenhouse gas emissions and strain on water resources. Greenhouse gas (GHG) emissions are among the major concerns related to global warming, but also to the general health of the population. It is estimated that around 4 – 7% of GHG emissions can be attributed to the mining industry, encompassing activities from extraction until transportation.[68] In fact, it is somewhat paradoxical that the extraction of critical minerals to power

Electrification is key to decarbonization, so the industry is developing critical technologies such as charging stations and trolley systems for mining trucks. In Chile, for example, ABB is collaborating with mining companies and truck manufacturers to navigate the complexities associated with transitioning to fully electric mining operations. A first project, similar to the e-trucks shown here in a copper mountain mine in Canada, is expected to be completed by early 2025.

Photo: Copper Mountain Mining, Canada. ABB Group.

the energy transition and accelerate the 'race to net zero' is highly polluting. As an example, the approximately 28'000 large mine haul trucks in use, predominantly diesel-powered, account for 30 – 50% of a mine's emissions.[69]
Further, high water consumption in certain mining processes, such as lithium extraction through evaporation in Argentina and Chile, poses a significant concern.[70] It's estimated that extracting one kilogram of lithium requires around 1900 liters of water, with electric vehicle batteries, typically containing 8 kg of lithium, requiring over 15,000 liters of water per battery.[71] Tesla stands as an exception, with its Model S battery containing 63 kg and thus, using almost eight times the water input.[72] The situation is similar for copper mining in Chile's Salar de Atacama, which accounts for 68% of total water consumption in the regional capital Antofagasta, thus further exacerbating the local water shortage.[73] The vulnerability of battery metals to potential substitution by more readily available materials, like sodium,[74] highlights the need for the development of less resource-intensive extraction and manufacturing processes also from a market-driven perspective. As critical minerals are recyclable, unlike other commodities such as fossil fuels,[75] the sustainability focus lies also on the potential of creating a circular economy. Especially with the ambition to reduce dependencies, also Switzerland could capitalize on its recycling capacities. The Swiss Federal Institute of Technology (ETH) and the Federal Laboratories for Materials Testing and Research (EMPA), for example, are continuously researching and developing technology and procedures to maximize the use of critical minerals.[76]

Extensive water use not only harms the environment but also impacts local populations, particularly indigenous communities heavily reliant on water for survival and cultural practices.[77] In regions like Argentina's Salinas Grandes, where lithium mining occurs, groundwater depletion and environmental degradation have forced many communities to abandon their ancestral lands, exacerbating existing challenges posed by historic

→ **62:** See: Ebrahimzadeh C. (n.d.): Dutch Disease: Wealth managed unwisely (IMF).
→ **63:** Cheatham, A. & Roy, D. (2023): Venezuela: The Rise and Fall of a Petrostate, in: Council on Foreign Relations.
→ **64:** IEA (2022): Global EV Outlook 2022. Securing supplies for an electric future, p. 14.
→ **65:** Trading Economics (n.d.): Copper compared to lithium and nickel.
→ **66:** World Bank Blogs (2023): Metal prices forecast to decline as supply improves.
→ **67:** Nugent, C. (2023): What Would Happen if South America Formed an OPEC for Lithium, in: Time.
→ **68:** Global Data (2022): Total GHG Emissions of Major Metals and Mining Companies Worldwide by Revenue in 2021.
→ **69:** Muralidharan, R., Kirk, T. & Koch Blank T. (2019): Pulling the Weight of Heavy Truck Decarbonization. Exploring Pathways to Decarbonize Bulk Material Hauling in Mining, p. 4 (Rocky Mountain Institute).
→ **70:** IEA (2021): The Role of Critical Minerals in Clean Energy Transitions, p. 139.
→ **71:** Reuters (2023): Lithium key element for electric vehicle ramp up, in: Reuters.
→ **72:** Lambert, F. (2016): Breakdown of raw materials in Tesla's batteries and possible bottlenecks, in: Electrek.
→ **73:** Lorca, M. et al. (2022): Mining indigenous territories: Consensus, tensions and ambivalences in the Salar de Atacama, in: The Extractive Industries and Society, Vol. 9.
→ **74:** Hook, L., Dempsey, H. & Nugent, C. (2023): The new commodity superpowers, in: Financial Times.
→ **75:** International Renewable Energy Agency IRENA (2023): Geopolitics of the energy transition: Critical materials.
→ **76:** See EMPA for more information on the recycling of conventional lithium-ion batteries, or ETH for the development of lithium-ion solid-state batteries.
→ **77:** En el nombre del litio (2021).

droughts.[78] In additional, land grabbing – the acquisition or appropriation of land, often through coercion or exploitation, for mining activities – displaces local communities, encroaches on indigenous territories, and disrupts ecosystems. This can lead to the loss of livelihoods and environmental degradation, triggering social conflict and legal disputes. According to an international NGO, in 2022 at least 177 people were killed worldwide while defending land and the environment.[79] Colombia tops the list with at least 60 deaths linked to environmental and land defenders, followed by Brazil and Mexico. In 2023, 'mining and extractives' was identified as the second most common cause of death amongst land and environmental defenders by the NGO.[80]
Further, especially in illegal mining, workers may face unsafe working conditions with limited access to labor rights and protection. Tensions between mining companies, governments and local communities hence frequently escalate into social conflicts leading to unrest and protest, reflecting anger regarding the impact on ecosystems and local communities, and on how the spoils are being divided.

Some Latin American mining countries are responding proactively to these challenges, recognizing their potential in the energy market, but also the challenges that come with it. Chile has published its National Mining Policy for 2050, which outlines economic, institutional, social, and environmental objectives.[81] All other major mining nations are also publishing guidelines and strategies on responsible and sustainable mining practices,[82] reflecting a global trend towards greater environmental responsibility in the industry. Not only have mining countries begun efforts to make mining more sustainable, some are also seeking greater control over their national resources – sometimes alarming international investors with the prospect of the seizure of mining assets. Bolivia's 2009 constitution, for example, asserts direct state control over natural resources, including minerals.[83] Mexico announced in April 2022 the nationalization of its lithium reserves, which was confirmed in February 2023 when the President signed a decree transferring responsibility for the reserves to the Secretariat of Energy.[84] However, not all models are the same: Chile's new National Lithium Strategy,[85] for example, increases the role of the state without confiscating private assets, even earning a favorable review by international rating agencies. In Argentina, the provinces autonomously govern their natural resources and have actively pursued mining investments. With openness to private investment and uncertainty about policy developments in other countries, Argentina managed to attract roughly 10 billion USD in lithium investment over the past years – despite triple-digit inflation and dried up investments in other sectors.[86]

Multilateral efforts to promote responsible mining are also gaining traction, with organizations like the OECD spearheading initiatives. In Chile, for instance, the *Mining Strategy of Well-being for the Region of Antofagasta 2023 – 2050* tackles issues such as unemployment, income inequality, and water scarcity, aiming to enhance regional economic diversification and quality of life.[87] Similarly, the Economic Commission for Latin America and the Caribbean (CEPAL) hosted a workshop in June 2023 focusing on sustainable mining opportunities and challenges in the Andean region.[88]

In parallel, the mining industry itself has also taken significant steps to become more climate-friendly. A multi-billion-dollar sector that is striving to become greener offers many opportunities for clean technology providers. For example, the transformation towards greener mining is evident in the low-carbon trucks and excavators already introduced,[89] and the ongoing efforts and research into zero-emission mining e-dumpers. With the support of the Swiss Federal Office of Energy, the world's largest electric vehicle was unveiled in a Swiss quarry in 2018 – a world-record technology that has since been adapted for use in mining in Latin America ever since with the support of the Swiss Battery Technology Center. Recognized as the most innovative country in the world,[90] Switzerland has the potential to further contribute to the mining's race to net zero by providing high-quality and innovative cleantech technology and services, not only in electrification (e-mobility, renewable energy systems, transport & storage, etc.), but also in water resources and waste management and engineering.
In addition to equipment manufacturers, major mines and operators have also announced an increased focus on sustainability. All of the 'top 5' mining companies have introduced decarbonization plans with strategies to continuously reduce total emissions and achieve "net zero" by 2050. In addition, a number of mines have announced targets to minimize their greenhouse gas emissions and commit to carbon neutrality within the same timeframe. Some mines are credible pioneers and leading the way, with production already powered entirely by renewable energy, such as Antofagasta Mineral's copper mine.[91]

And Switzerland?

The growth of the sector and Switzerland's multi-faceted involvement as a trading hub, technology provider, and demander of critical minerals and its end-products – among others – brings additional responsibilities. It Is important to ensure that the conduct of companies headquartered in Switzerland does not run contrary to positions taken and supported by Switzerland in the fields of development policy, human rights, and social and environmental standards.

Since 2021, mining companies headquartered in Switzerland are due to divulgate their payments to governments worldwide; the Federal Council has the possibility to include traders should international developments dictate it. Since 2022, due diligence and reporting requirements are enshrined in national law and mandate non-financial reporting on environmental protection and human rights for Swiss multinationals and SMEs operating in areas and sectors with high risks of child labor or activities involving conflict minerals.[92] Further, by confirmation of the Federal Council, Swiss legislation is evolving to align with EU regulations, ensuring updated rules on responsible business conduct for Swiss companies.[93]

In 2020, the Federal Council adopted the revised CSR action plan, which provides

→ **78:** UNCTAD (2020): Developing countries pay environmental cost of electric car batteries.
→ **79:** Global Witness (2023): Standing firm. The land and environmental defenders on the frontlines of the climate crisis.
→ **80:** Global Witness (2023): Standing firm. The Land and environmental defenders on the frontlines of the climate crisis.
→ **81:** Chilean Ministry of Mining (2022): Decree 2 approves National Mining Policy 2050.
→ **82:** For more information see: Argentine Ministry of Economy (n.d.): Mining; Bolivian Ministry of Mining and Metallurgy (2022): Institutional Strategic Plan 2021 – 2025 (transl.); Brasilian Ministry of Mining and Energy (n.d.): Sustainable Development in Mining; Colombian Mining Association (n.d.): Sustainable Mining Standard; Ecuadorian Ministry of Environment, Water and Ecological Transition (n.d.): Ecuador towards Sustainable Mining; Mexican Ministry of Economy (n.d.): Guidelines and Protocols for sustainable mining; Peruvian Ministry of Energy and Mining (n.d.): Peru: Sustainable Mining.
→ **83:** Constitution of the Plurinational State of Bolivia (2009), Art. 348
→ **84:** Mexico's Lopez Obrador orders ministry to step up lithium nationalization | Reuters
→ **85:** National Lithium Strategy – for Chile and its People (2023). https://www.gob.cl/litioporchile/en/
→ **86:** Hook, L., Dempsey, H. & Nugent, C. (2023): The new commodity superpowers, in: Financial Times.
→ **87:** OECD (2023): Mining Regions and Cities in the Region of Antofagasta, Chile: Towards a regional mining strategy (OECD Rural Studies).
→ **88:** Comisión Económica para América Latina y el Caribe CEPAL (2023): CEPAL realizó en la Paz el Taller de Expertos "De la minería tradicional hacia la minería sostenible: un enfoque integral".
→ **89:** Liebherr (2021): Liebherr Mining advances Zero Emission Program.
→ **90:** According to the Global Innovation Index (GII), Switzerland was the most innovative country in 2023 for 13 consecutive years. More information: World Intellectual Property Organization WIPO (2023): Global Innovation Index 2023. Innovation in the face of uncertainty.
→ **91:** Copper Alliance (n.d.): Antofagasta's Copper Production Powered by 100 Percent Renewable Energy.
→ **92:** Federal Office of Justice BJ (2020): Gegenüberstellung der KVI und Gegenvorschlag zur KVI.
→ **93:** The Federal Council (2023): Berichterstattung zur nachhaltigen Unternehmensführung: Bundesrat beschliesst Eckwerte.

information on the Federal Council's expectations towards companies and the Confederation's activities in relation to CSR. Companies based or operating in Switzerland are expected to fulfil their responsibilities in accordance with internationally recognized CSR standards such as the OECD Guidelines for Multinational Enterprises for responsible business conduct in all their activities in Switzerland and abroad. As such, Switzerland attaches high importance to the responsible business conduct. The Swiss State Secretariat for Economic Affairs (SECO) hosts a National Contact Point (NCP) under OECD guidelines, facilitating discussions and problem resolution related to Swiss companies' activities.[94] The Swiss NCP has held several mediations with Swiss multinational companies linked to mineral extraction and trade.

Switzerland is also one of the first countries with a strategy to promote coherence between business activities and human rights,[95] and this National Action Plan (NAP) for the implementation of the United Nations Guiding Principles (UNGP) on Business and Human Rights, adopted in January 2020, will be updated in the 2024 – 2027 legislative period. Its aims to scale up human the implementation of human rights due diligence in the global operations of Swiss-based companies, particularly in the commodity and extractive sector. As the UNGPs provide a valuable framework for achieving a just transition to a net-zero economy in practice, the national action plan's goal is also to support companies in implementing an integrated and coherent approach to climate action and human rights.

As part of its development cooperation engagement, Switzerland is actively involved in initiatives such as the Extractive Industries Transparency Initiative (EITI),[96] which promotes good governance and transparency in the extractive sector, and the Extractives Global Programmatic Support (EGPS),[97] where it is also a partner in the Climate-Smart Mining Initiative, along with other governments and private sector companies.[98] Switzerland is home to a long-established bilateral initiative known as Swiss Better Gold, which is currently active in Latin America. This initiative is a collaborative effort between SECO and the Swiss Better Gold Association. Its primary objective is to establish value chains from mining to marketing, with the aim of alleviating poverty and enhancing social and environmental conditions within the realm of small-scale and artisanal gold mining.
The global nature of the minerals and metals value chain means that challenges and responsibilities are shared across actors, from those who extract resources to those who trade and consume them. Finding sustainable solutions therefore requires an unprecedented level of international cooperation, including public-private partnerships and cross-sector innovation.

From reliance to resilience

Latin America stands at a pivotal moment, poised to capitalize on its abundant natural resources to drive economic growth in the region and make an important contribution to the global energy transition. With a wealth of critical commodities at its disposal that attract geopolitical interest, there is a unique opportunity to bolster the primary sector by integrating various parts of the value chain, creating resilient supply chains and at the same time, local employment and revenue. The OECD has even gone so far as to describe the green transition as a potential "*economic and social game changer*".[99] This optimism comes after the region's difficult period during the '*Decada Perdida*', which was preceded by an economic boom driven by another commodity – petroleum.[100]

However, half a century later, several long-term trends favor Latin America. As the world runs towards "net zero" and buys more EVs, solar panels, and batteries, demand for critical mineral inputs has been increasing. Geopolitical rivalry means that governments are scrambling to secure key metals to protect their own vital industries, driving interest in the region's resources. With the majority of Latin America's countries already crediting commodities for over half their export revenues, they are well positioned to profit from a future mining boom. The abundant availability of clean energy resources gives the region a competitive advantage for building a low-carbon mining sector – and some countries have started to embark on this route.

However, as the Spanish writer Miguel de Cervantes Saavedra expressed with his timeless wisdom in the 16th century: "*the gratification of wealth is not found in mere possession or in lavish expenditure, but in its wise application*". An insight that resonated during Spain's later era of newfound access to abundant natural resources, notably gold from the Americas, while encompassing the adverse effects of substantial increases in the nation's income.
To navigate between a "*commodity curse*" and maximization of the benefits of its mineral resources, international stakeholders along the whole value chain must form strategic partnerships and cooperate to prioritize sustainable development strategies and effective governance to ensure equitable distribution of wealth, maximize the social and economic opportunities, and minimize negative environmental and social impacts in the Latin American region. This concept of a "*just transition*" is key, in order to maintain social peace and further improve good framework conditions for international investment. Challenges and risks identified in the extraction of other materials by international stakeholders – such as precious metals – should be avoided and mitigated, for the region to address inequalities not only between different countries, but also between socio-economic groups, generations and gender. Creating favorable and stable framework conditions by balancing social, environmental and business interests is therefore essential to seize the moment for transitioning from reliance to resilience by integrating value-added activities to foster socioeconomic prosperity. At the national and multilateral level, Switzerland can play a role to continue working with both producer and consumer countries to address these challenges and enable Latin America to develop its valuable resources in a sustainable manner that brings socioeconomic benefits to all, while supporting the global clean energy transition.

→ **94:** SECO (n.d.): National Contact Point for Responsible Business Conduct.
→ **95:** Federal Council (2016): Report on the Swiss strategy for the implementation of the UN Guiding Principles on Business and Human Rights.
→ **96:** For more information, please refer to: SECO (n.d.): Extractive Industries Transparency (EITI)
→ **97:** For more information, please refer to: SECO (n.d.): Extractive Industries Transparency (EITI)
→ **98:** For more information, please refer to: The World Bank (n.d.): Climate-Smart Mining Initiative.
→ **99:** OECD (2022): Latin America and the Caribbean: The green transition can be an economic and social game changer, says new report.
→ **100:** Spanish expression marking the 'lost decade' in Latin America during the 1980s, where many countries were not able to service their respective foreign debt. For more information consult e.g. Rodríguez, E. (1991): Década perdida en crisis, in: CIID informa, 19(2).

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