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Source : Encyclopedia Britannica

Foreword

Dear reader,

2019 proved to be challenging for many countries in Latin America and the Caribbean. This is reflected in nearly zero economic growth for the region overall (+0.1%), worsening difficulties in Argentina, an ongoing severe crisis in Venezuela and large-scale protests in several countries, among them Chile, a country generally renowned in the region for being highly developed and politically stable. Yet Chile, together with most other countries in Latin America, shows high levels of inequality and broad parts of the society suffer more and more from rising costs of living and stagnating wages, as economic growth rates are far below from those during the commodity boom years, which increased expectations of the population.

Renowned economist Augusto López-Claros identified in his analysis "[Latin America under Fire! What is to be done?](#)" inequality as the main driver of the protests and noted that economic growth will reduce poverty, but not necessarily inequality, and inequality engenders political instability. Against this background, López emphasizes the importance of proactive policies against inequality in the areas of taxation, education, health and infrastructure in order to reach inclusive growth. The Chilean government has responded to its situation with various measures, even by launching a process for a new constitution.

Economic growth should not only be inclusive, but also environmentally sustainable. This is especially true for Latin America and the Caribbean, as the region is highly affected by climate change. This year's special chapter illuminates the consequences of climate change for Latin America and the Caribbean and provides insights into efforts in the region towards a green economy. It is shown that investments into renewables and Cleantech can simultaneously promote growth and protect the environment.

Swiss-Latin American trade relations continued to increase in 2019 (+1.6%), although this was mainly due to higher imports of gold by Switzerland. Gold excluded, both exports (-3.3%) and imports (-2.9%) dropped, reflecting lower economic growth on both sides of the Atlantic. An important commercial deal in 2019 was the purchase of 12 Brazilian Embraer aircrafts by Helvetic Airways for USD 730 million, which is not yet reflected in the statistics as the delivery of most planes is pending.

Our prior objective is to constantly strengthen Swiss economic relations with Latin America . In this regard, in August 2019 we reached a milestone with the conclusion in substance of the negotiations between EFTA and Mercosur for a free trade agreement. We hope that the document can be signed in the course of 2020. Several fruitful bilateral economic meetings took place in 2019, namely with Argentina, Mexico and Peru. In addition, Minister Philippe Nell undertook his last missions for SECO to Costa Rica, Guatemala, Uruguay and Paraguay before retiring in September after 15 years as Head of the Americas Unit. He continues to support Swiss-Latin American economic relations as Honorary Ambassador to the Latin American Chamber of Commerce. Hervé Lohr assumed his position, equally engaged to work towards the aforementioned objective.

We wish you an instructive and pleasant read of this year's Report.



Erwin Bollinger
Ambassador, Head of Bilateral Economic Relations
Delegate of the Federal Council for Trade Agreements

Overview

This report first reviews the economic situation in Latin America in 2019. Chapter 2 elaborates on the challenges imposed by climate change in Latin America, but also on the opportunity that it creates to invest in the green economy. Chapter 3 focuses on developments in Swiss-Latin American economic relations with regard to trade, investment and bilateral agreements. The remainder of the chapter offers insights into trends in Latin America's regional and global integration, SECO's economic development cooperation in the region and bilateral visits in 2019.

1. Current Economic Situation in Latin America and the Caribbean

In 2019, following the global downturn trend, **economic growth** in Latin America and the Caribbean (LAC) **decelerated markedly to +0.1%** (+1.0% in 2018; +1.3% in 2017).¹ A challenging global environment (sluggish global growth and decreasing commodity prices), political turmoil (Venezuela's on-going crisis, protests in Chile, Bolivia, Colombia and Ecuador) and sustained economic downturns (notably Argentina as a major market) contributed to this result.

As in the previous year, and despite a common trend for a decreasing growth rate in 2019, there were **strong differences in economic performance** across sub-regions and countries. South America's GDP shrunk by an average of 0.2%, while Central America exhibited a 3.3% increase.² Regarding the two largest markets in LAC, Brazil grew at 1.2% (2018: +1.3%), while Mexico exhibited zero growth (2018: +2.1%). In Argentina, the recession deepened in 2019 (-3.1%; -2.5% in 2018). The economic and humanitarian crisis in Venezuela deteriorated, leading to a 35% fall in GDP. In South America, Bolivia (+3.9%) grew at the fastest pace, despite political turmoil. Colombia managed to increase its growth rate in 2019 (+3.4%, 2018: +2.6%). Peru (+2.6%), Chile (+2.5%), Paraguay (+1.0%) and Uruguay (+0.4%) performed positively too, but on a more modest level, while Ecuador exhibited a negative growth rate (-0.5%). In Central America, Panama (+4.3%), Guatemala (+3.4%) and Honduras (+3.4%) posted strong growth rates, followed by Belize (+2.7%), El Salvador (+2.5%) and Costa Rica (+2.0%). For a second consecutive year, Nicaragua (-5.0%) remained in a recession. In the Caribbean, the Dominican Republic remained on a solid growth trajectory (+5.0%), while Haiti witnessed a major decrease in growth (+0.1%, 2018: +1.5%).³

Regarding **trade**, along the line with global turbulences, there was a significant trend reversal in 2019. **Exports** from the region decreased by 2.4% in 2019, after having strongly increased in 2017 (+12.2%) and 2018 (+8.7%). This result is in line with the evolution of global trade, which shrunk by 3.1% in the same year. In the case of Latin America and the Caribbean, notably a downward trend of the prices of some of the region's main commodity exports (see figure 1 below) as well as stagnating trade volume explain this result. On average, South America (-7.2%) and the Caribbean (-10.9%) witnessed the sharpest declines in exports while they slightly increased in Central America (+1.5%) and in Mexico (+3.3%). The United States (+1.0%) increased their imports from LAC⁴, while exports to the European Union and China both decreased, by 7% and 2.3% respectively. Total **imports** of goods followed the same trend in LAC than exports, decreasing by 3.1%.⁵

¹ IMF, Regional Economic Outlook - Western Hemisphere, 2019a

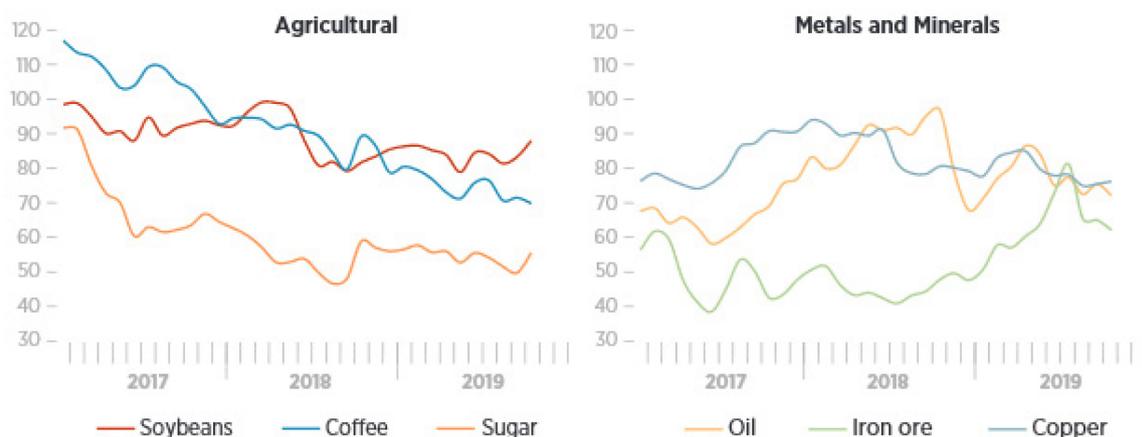
² The estimation for Central America includes the Dominican Republic.

³ IMF, [World Economic Outlook Update](#), January 2020 (Latin America and the Caribbean, Brazil, Mexico); IMF, [World Economic Outlook Database](#), 2019b (rest of countries), gross domestic product, constant price, percent change, accessed 09/01/2020.

⁴ However, this increase was entirely driven by an increase of US imports from Mexico.

⁵ IDB, [Trade Trend Estimates, Latin America and the Caribbean, 2020 version](#), accessed 10.01.2020

Figure 1: Prices of the main export products of LAC (Index: 2010=100, 2017-2019)



Source: IDB, *Trade Trend Estimates, Latin America and the Caribbean, 2020 version*

Average **public debt** levels in the region reached 69.6% of GDP in 2019, a non-trivial increase compared to 2018 (67.8%). Debt levels declined in 10 countries but rose in the other. Venezuela (no reliable data available), Argentina (93.3%) and Brazil (91.6%) had the largest debt to GDP ratio in South America. Paraguay (23.7%) and Chile (27.5%) featured on the other side of the spectrum. In Central America, except for Belize (93.0%) and El Salvador (68.3%), all countries had a debt-to-GDP ratio lower than 60%. In the Caribbean, the debt levels of Barbados (115.4%) and Jamaica (93.5%) declined but still remained considerable.⁶

Inflation rose to 7.2% in 2019 (2018: 6.2%). Venezuela continued steeply on its path of hyperinflation. Argentina (54.4%) and Haiti (17.6%) also featured high inflation rates. Uruguay (7.6%), Mexico (3.8%), Brazil (3.8%), Colombia (3.6%), Paraguay (3.4%), Chile (2.2%) Peru (2.2%) and Bolivia (1.8%) witnessed single-digit price increases. Ecuador, using USD, remained marked by a very low inflation level (0.4%). In Central America, Panama entered a slightly deflationary phase (-0.01%). Elsewhere in Central America, price increases ranged from 0.9% (El Salvador) to 5.6% (Nicaragua).⁷

After having depreciated by around 14% in 2018, **national currencies** in the region weakened again according to the J.P. Morgan Latin America currency index (-8.2%).⁸ Variation in commodity prices exerted depreciating pressures⁹ on the currencies of Brazil (-9.5%), Colombia (-1.9%) and Chile (-10.8%). The Mexican Peso gained 2.5% in value compared to the USD. In Argentina, the financial and economic crisis exacerbated the currency situation, with the Argentinian peso losing approximately 60% of its value relative to the USD. In the week after the primary elections for the Presidency in August, the Peso lost more than 20% of its value.¹⁰

The region's **current account** deficit improved slightly and stood at around -1.6% of GDP (-1.9% in 2018). With the exception of Ecuador (0.1%) and Venezuela (7.0%), all countries in South America exhibited deficits ranging from -0.1% (Paraguay) to -5.0% (Bolivia). Argentina

⁶ IMF, op. cit., 2019b, general government gross debt, percent of GDP, accessed 10/01/2020.

⁷ IMF, op. cit., 2019b, inflation, average consumer prices, percent change, accessed 10/01/2020.

⁸ Bloomberg, J.P. Morgan Latin America currency index. The index is composed of trade-weighted exchange rates for the currencies of Argentina, Brazil, Chile, Colombia, Mexico and Peru, accessed 10/01/2020.

⁹ Bloomberg : USD to local currency, for Brazil, Mexico, Colombia and Chile , accessed on 13/01/2020.

¹⁰ IMF, op. cit., 2019a, p. 13, accessed 10/01/2020.

experienced a reduction in its current account deficit (from -5.3% in 2018 to -1.2%), due to a sharp reversal in its trade balance (2019: + 3.9%, 2018: -0.2%)¹¹. Even though tourism flourished with a stronger US economy, the Caribbean islands continued to record the three largest deficits with Dominica (-33.6%), Guyana (-22.7%) and St. Vincent and the Grenadines (-11.6%).¹²

In 2019, **foreign direct investment** (FDI) increased by an estimated 16% to 170 billion USD, with growth concentrated in South America, where flows grew by 20% to an estimated \$119 billion. Brazil registered a 26% increase to \$75 billion, partly driven by the country's privatization program launched in July as part of the administration's efforts to jumpstart the economy. FDI to Chile, Peru and Colombia also increased significantly, supported by economic growth above the regional average and new public investments into infrastructure and mining (Peru and Chile). In Argentina, with a deepening currency crisis and the application of restrictive measures on international operations FDI inflows were halved. Flows to Central America grew by 4% to an estimated \$46 billion. FDI to Mexico increased by 3% to an estimated \$35 billion; the new trade agreement USMCA lifted expectations for easier economic relations.¹³

In **2020**, growth in the region is predicted to gather new momentum and reach 1.8%.¹⁴ Almost all countries in LAC – 25 of them – are expected to have a higher growth rate in 2020 compared to 2019. In Brazil, more robust investor confidence, together with a gradual easing of lending and labor market conditions, is expected to support an acceleration on the growth trajectory to 2%. Growth in Mexico is anticipated to rise to 1.3% as reduced policy uncertainty might contribute to a pickup in investment. For Argentina, GDP is predicted to contract by 1.3%, i.e. a lower decline compared to 2019 (-3.1%). In South America, Paraguay (+4.0%), Bolivia (+3.8%), Colombia (+3.6%) and Peru (+3.6%) will post strong growth rates, followed by Chile (+3.0%), Uruguay (+2.3%) and Ecuador (+0.5%). In Central America and the Caribbean, Panama (+5.5%), the Dominican Republic (+5.2%) and Dominica (+4.9%) are predicted to be the top three growth performers.¹⁵

¹¹The Economist Intelligence Unit, *Country Report: Argentina*, generated on 10/01/2020.

¹² IMF, op. cit. 2019b, current account balance, percent of GDP, accessed 10/01/2020.

¹³ UNCTAD *Investment Trends Monitor*, January 2020, accessed 23/01/2019

¹⁴ IMF, op. cit. 2019a and The World Bank, *Global Economic Prospects*, January 2020

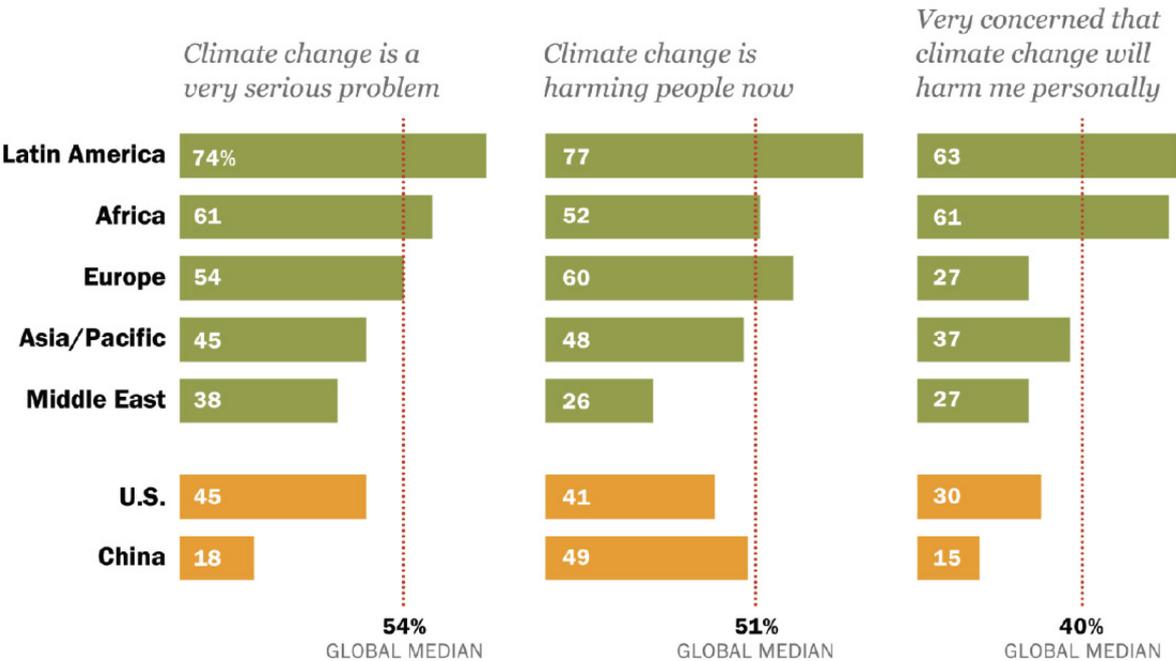
¹⁵ IMF, *World Economic Outlook Database*, 2019b (rest of countries), gross domestic product, constant price, percent change, accessed 09/01/2020.

2. Climate Change and the Green Economy in Latin America

Climate change is one of the biggest challenges of the twenty-first century. Even though scientists have been warning policymakers about negative effects of climate change for a long time (for example, the first report of the IPCC¹⁶ was published in 1990), there is nowadays a stronger sense of urgency for active mitigation and adaptation measures. As underscored in the report of the latest United Nations climate summit, scientific evidence “demonstrates that we must limit global warming to 1.5°C by the end of this century to avoid irreversible and catastrophic impacts. This means that carbon dioxide (CO₂) emissions need to decline by about 45 percent by 2030 and reach net zero in 2050”.¹⁷

Not only have policy makers increasingly been discussing climate change, but public awareness towards this topic has also increased. As it can be seen in the figure below, this is especially true for Latin America.

Figure 2: Regional opinions on climate change



Source: Pew Research Center, Spring 2015 Global Attitudes Survey

The notion “Green Economy” is coined by the United Nations Environment Programme (UNEP), which launched the Green Economy Initiative in 2008. It is characterized by *low carbon, resource efficiency and social inclusiveness* and results in *improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities*. Several sustainable development goals are related to the concept of the green economy and nowadays implementing a sustainable economic model is a top priority for many governments. The concept is not exhaustive and refers to several areas, e.g. renewable energy, green buildings, sustainable transport, water management, waste management, land management, Cleantech and (more recently) green finance.¹⁸

¹⁶ The Intergovernmental Panel on Climate Change (IPCC) is the United Nations body in charge of assessing the science related to climate change. Its goal is to provide policymakers with regular scientific assessments on climate change, its implications and potential future risks.
¹⁷ United Nations, Report of the Secretary-General on the 2019 Climate Action Summit and the way forward in 2020, December 2019.
¹⁸ United Nations Environment Programme (UNEP) (2012). *Briefing Green Economy* and United Nations Environment Programme (UNEP) (2019). *Why does green economy matter?* and Wikipedia (2019). *Green economy*, accessed 14/01/2020

In this chapter, it will be shown that the Latin American and Caribbean region (LAC) is in an asymmetrical position in relation to climate change. The region has made a historically small contribution to climate change yet it is highly vulnerable to its effects and will additionally have to be involved in identifying workable solutions.

Protecting the environment automatically creates short-term costs, as it often requires substantial initial investments for instance in green infrastructure. However, it can also lead to economic benefits – GDP growth, job creation and investment inflows – and helps to avoid significant medium- to long-term costs, and should hence be attractive to governments in LAC. Therefore, this chapter will also focus on concrete initiatives taking place in those countries, which show that investments in the fields of renewables or Cleantech can simultaneously promote growth and protect the environment.

This chapter is structured as follows. In 2.1, the major environmental and socio-economic consequences of climate change in Latin America are presented. In 2.2, the benefits from investing in the green economy are discussed. In 2.3, examples are provided for recent developments in the green economy in LAC. These include positive investments in renewables and Cleantech industries. In 2.4, examples of remaining challenges are underlined.

2.1 Climate change impact in Latin America

Since the so-called pre-industrial revolution period (1850-1900), “*human activities are estimated to have caused approximately 1.0° C of global warming*” (IPCC, 2018). Latin America has historically been responsible for only a small share of the global emissions: Mexico and Brazil, the two largest greenhouse gas (GHG) emitters of the region, are responsible for respectively 2.33 and 1.68 % of global GHG¹⁹. Even though the Paris Agreement showed a worldwide desire to keep global warming “well below” two degrees Celsius in this century and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius, the IPCC estimates with high confidence that “*global warming is reaching 1.5°C between 2030 and 2052 if it continues to increase at the current rate*”.

Because of its location (tropical regions are already vulnerable to extreme natural events such as typhoons, because these latter form over warm water areas), economic structure (reliance on agricultural production) and topographic characteristics (large coastal regions, high-mountain ecosystems), LAC is already highly vulnerable to climate change. In such an environment, small climate distortions can have disastrous consequences for human well-being and economic activities. Due to the remarkable heterogeneity of LAC in terms of climate and ecosystems, it is difficult to report a common pattern of climate change effects throughout the region. However, the latest scientific findings from the IPCC²⁰ on climate change effects in LAC are presented below.

2.1.1 Environmental effects of climate change in Latin America

Shifts in precipitations in LAC have been reported in numerous studies. Even though these shifts differ across LAC, the IPCC reports an overall and clear increase of irregularity in rainfalls. Some regions experience a decline in precipitations (West coast of South America, Central Andes), while other experience the inverse effect and more extreme rainfalls (southeastern South America). Projections report a likely continuation of the already observed trend, with decreases in rainfall in the Andes and an increase in southeastern South America.

¹⁹ International Finance Corporation (2017), *Green Finance Latin America Report 2017*

²⁰ IPCC (2018), *Global Warming of 1.5°C – IPCC Special Report*

Figure 3: Regional Flooding in Asuncion, Paraguay (May 2019)



Source: Daily Mail, *Flooding from torrential rains causes emergency in Paraguay*, published on May 8 2019

LAC was not affected as much as European countries by the heat waves of summer 2019. Still, **heat extremes** are also increasing in frequency in LAC. Except for a slight cooling of the Chilean coast, patterns of warming have been detected throughout Central and South America (around +1°C compared to 1970s). Projections differ on how much heat increase will take place in the future (because of differences in Green House Gases (GHG) emissions scenarios), but it is certain that temperatures will keep increasing in LAC, particularly in South America.

Droughts - a recurrent natural disaster in LAC - are *inter alia* driven by the two aforementioned phenomena. From November 2017 to April 2018, Argentina suffered the worst drought of its history. In 2019, Central America was subject to the same phenomenon, which affected Guatemala, Nicaragua, Honduras, El Salvador, Belize, and the Mexican state of Yucatán. The figure below shows the Standard Precipitation Index²¹ (SPI) for Central America between September 2018 and August 2019.

Figure 4: SPI for the accumulation period September 2018 to August 2019



Source: Global Drought Observatory (GDO), September 2019

²¹ The lower (red areas) the SPI is; the more intense is the drought.

Occurrence of extreme natural disasters: Central America has traditionally been characterized as a region with high exposure to geo-climatic hazards derived from its location and topography. According to the 2019 World Risk Report, Costa Rica (7th), Guatemala (8th), Uruguay (11th), Chile (12th) and El Salvador (15th) all rank among the world’s fifteen nations most at risk from natural disasters. Some recent events confirm this analysis. In October 2017, Colombia faced the deadliest flood in South America. At least 254 people died in the town of Mocoa. Climate change appears to have an effect on the incidence and magnitude of extreme events such as storms, floods and droughts. The IPCC reports a steady increase in extreme events during the past thirty years: “*In the period 2000–2009, 39 hurricanes occurred in the Caribbean basin compared to 15 and 9 in the 1980s and 1990s, respectively*”. According to simulations²², it is in the long term not the frequency of tropical cyclones that should increase the most, but rather their mean intensity as well as the frequency of the most intense tropical cyclones.

Climate change is also impacting particular environmental hotspots of Latin America. **High-mountain ecosystems** are particularly sensitive to climate change. The speed at which tropical glaciers in the Peruvian Andes are retreating is alarming. A recent study²³ found that between 2000 and 2016, tropical glaciers in the Peruvian Andes shrunk by 29%. Furthermore, the scientists observed a rate of retreat for the period 2013 to 2016 almost four times higher than in the years before. In the Andes, glaciers play an important role for water supply during the long summer periods of drought. In the Peruvian city of Huaraz, 65% of water supply comes from glacier meltwater during a normal year. In dry years, this share can increase up to 91%.

Figure 5: Peru: Qori Kalis Glacier – 1978 (left) versus 2011 (right)



Source: Daily Mail, 2017

²² Reyer et al. (2017), “Climate change impacts in Latin America and the Caribbean and their implications for development”, *Regional Environmental Change*, Vol. 17, Issue 6, pp. 1601-1621

²³ Seehaus T., Malz P., Sommer C., Lippl S., Cochachin A. and Braun M., “Changes of the tropical glaciers throughout Peru between 2000 and 2016 – mass balance and area fluctuations”, *The Cryosphere*, 13, pp. 2537–2556

2.1.2 Socio-economic effects of climate change in Latin America

The above-mentioned environmental changes also impact societies and economic activities in LAC. The main socio-economic effects of climate change in LAC are discussed in the following paragraphs.

Agricultural production is highly sensitive to climate conditions and therefore to climate change. This is particularly the case for LAC, where temperatures and water stress are increased by climate change. Agriculture is a key economic sector for LAC. According to the OECD²⁴, 38% of the land in LAC is used for agriculture. On average, agriculture²⁵ accounts for 4.7% of LAC GDP (2015-2017) and 14.1% of the total labor force. For Argentina, Brazil and Mexico, agriculture accounts for 6.1%, 4.4% and 3.4% of their respective GDP. Haiti generates the highest share of its GDP from agriculture among LAC (18.9%), while Aruba, the Cayman Islands and Curacao have the lowest share (0.4%).²⁶

Prolonged droughts, more intense rains and floods as well as changing weather patterns all contribute to reducing output in agricultural production. The example of **coffee**, the second most traded commodity worldwide, is striking. LAC is the largest producer region in the world, with Brazil accounting for 37% of the world's production. *Coffee Arabica*, the species used in 70% of coffee production in LAC, thrives between 18 and 21°C²⁷. Temperatures higher than 23°C can destroy the crops, so that climate change becomes a huge threat for the 14 mio. people relying on coffee production in LAC. According to the Inter-American Development Bank's predictions, land suitable for coffee production will decrease by 50% in LAC by 2050. In Honduras, some coffee producers are already migrating north to the United States, because rain patterns are becoming too unpredictable²⁸. Other crops including wheat, soybeans maize and sugarcane are also expected to be negatively affected by climate change. Irrespective of these differences, climate change will require adaptation strategies (development of new varieties, change in sowing dates) if LAC expects to remain a leader in agricultural supply. Of course, LAC will not be the only region facing this challenge. However, given the importance of agriculture for the region's economy, it will be important to adapt effectively to climate change.

The effect of climate change on within-country **inequality** is an additional important dimension in the case of LAC. Indeed, although income inequality has fallen in recent years, Latin America remains one of the most unequal regions in the world according to the World Economic Forum²⁹. The IPCC has acknowledged the fact that climate change *exacerbates inequalities*. This effect deploys itself through three channels, as shown in the figure on the next page.

²⁴ OECD (2019), FAO Agricultural Outlook 2019-2028

²⁵ This estimate includes agriculture, forestry and fishing.

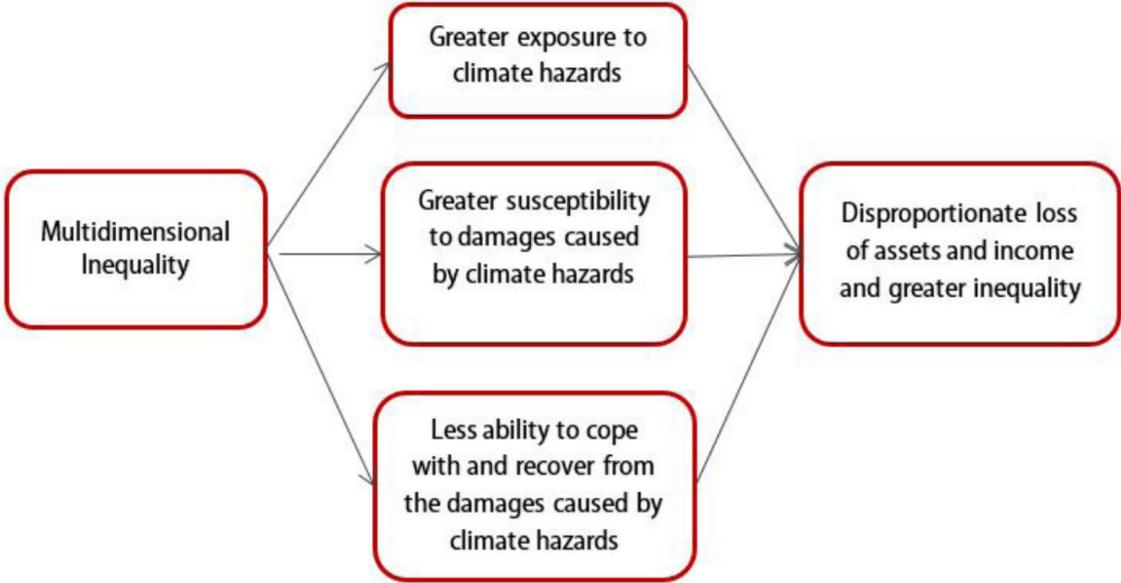
²⁶ World Bank, <https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS?locations=ZJ>, accessed 14/01/2020

²⁷ Pittsburg University, <https://www.panoramas.pitt.edu/health-and-society/coffee-rust-disease-posed-destroy-latin-american-market-and-your-daily-coffee-fix>, accessed 14/01/2020

²⁸ The New York Times, <https://www.nytimes.com/2019/04/13/world/americas/coffee-climate-change-migration.html?auth=login-google&login=google>, accessed 14/01/2020

²⁹ World Economic Forum (2016), <https://www.weforum.org/agenda/2016/01/inequality-is-getting-worse-in-latin-america-here-s-how-to-fix-it/>, accessed 16/01/2020

Figure 6: Three effects of inequality on disadvantaged groups



Source: Islam N. and Winkel J. (2017), “Climate Change and Social Inequality”

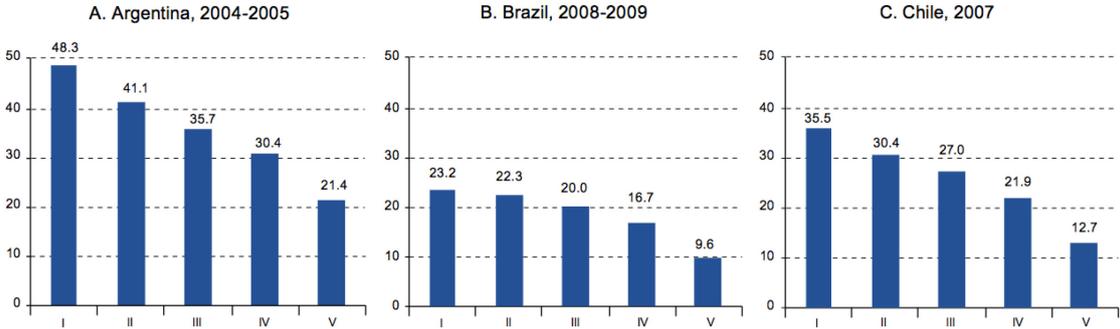
These three channels all create a disproportional burden for low-income households. Therefore, climate change contributes to widening existing inequalities. This mechanism is especially relevant in the case of natural hazards. First, poor individuals in LAC are more exposed than richer ones to such events because the majority of low-income settlements in both urban and rural areas in the LAC region tend to be in inhospitable areas prone to flooding, landslides, or drought. Once an event happens, low-income households are likely to suffer larger damages, because their houses are made of cheaper and lower-quality materials. Moreover, the poor are less likely to be capable of quickly recovering from disastrous events. Indeed, their assets are usually not insured and their income is mainly derived from natural resources, which are destroyed in natural disasters.

Climate change also increases the risk of various **health problems** including malnutrition, temperature-related morbidity, as well as vector-borne and waterborne diseases. Variations in temperature in particular affect the spread of mosquitoes, contributing to a quicker spread of diseases such as dengue or zika. Because of a lack of access to treatments, poorer households again ultimately suffer more from this problem. The likely decrease of agricultural productivity should in the medium term also lead to an increase in **food prices**. As it can be observed in figure 6 for Argentina, Brazil and Chile, low-income individuals spend a larger share of their income on food than richer individuals, sometimes up to 50%. Therefore, an increase in food prices will equally have regressive consequences.

Distributional effects and decreases in agricultural output are two important consequences of climate change in LAC. Numerous other impacts exist³⁰, including negative effects on **tourism** (because of the degradation of touristic destinations such as the Andean glaciers or the coastlines), potential disruptive consequences on **energy supply** (large hydropower infrastructures are dependent on steady inflows of water) and enhanced negative externalities for **cities** (80% of citizens in LAC live in urban areas).

³⁰ Economic Commission for Latin America and the Caribbean (2015), The Economics of Climate Change in Latin America and the Caribbean – Paradoxes and challenges of sustainable development

Figure 7: Proportion of total household expenditure represented by expenditure on food and beverage, by income quintile



Source: Economic Commission for Latin America and the Caribbean (2015), “The economics of climate change in Latin America and the Caribbean”

2.2 Economic benefits of investments in the Green Economy

The costs of climate change for Latin America, even though they remain difficult to estimate, will increase in the future. The Economic Commission for Latin America and the Caribbean (ECLAC) - based on scientific articles - reports that these aggregated costs should amount to between 1.5 and 5 % of the region’s GDP by 2050³¹. In light of these costs, is there nevertheless an economic benefit from investment in green technologies for countries in the LAC region? In the following paragraphs, this question is addressed.

Important economic benefits of transitioning towards a green economy can be summarized as follows:

Employment creation: “The transition to low-carbon, resource-efficient economies will lead to changes in the occupational structure of the economy, with some jobs being destroyed and others created during the transition” (International Labor Organization, ILO). The ILO³² has estimated the effects of staying under the 2°C variation on global employment creation. Job creation is expected to be positive in the Americas³³ (+ 0.45%; + 3m jobs by 2030), which can be explained by the large potential for renewables in the region.

Renewables not only offer a large growth potential for Latin America, but also require a larger labor force. Indeed, renewable supply chains are more labor intensive than the conventional energy sector. The London School of Economics³⁴ points out that the “renewable energy and low-carbon sectors generate more jobs per unit of energy delivered than the fossil fuel-based sector, with solar photovoltaics (PV) creating the most jobs per unit of electricity output”. More recently, the International Renewable Energy Agency (IRENA) reported that “solar photovoltaic system (PV) creates at least twice the number of jobs per unit of electricity generated compared with coal or natural gas”.³⁵

Given the current unemployment rates³⁶ in LAC (7.8% on average in 2018) and in some of its larger countries (9.4% in Argentina, 12.5% in Brazil, 9.8% in Columbia and 9.7% in Costa Rica), this argument could prove to be a key factor to foster public investments in the green economy.

³¹ ECLAC (2015), op. cit.
³² ILO (2018), Greening with jobs: World Employment Social Outlook
³³ Unfortunately, no distinction is made between North, Central and South America.
³⁴ Bowen A. and Kuralbayeva K. (2015), Looking for green jobs: the impact of green growth on employment, Policy Brief
³⁵ IRENA (2016), Renewable Energy Benefits: Measuring the Economics
³⁶ ILO (2018), Labor review : Latin America and the Caribbean

GDP growth: The analysis of the effects of green investments on GDP growth remains until now limited, particularly for the LAC region. Still, there is growing evidence that economic growth and reduction of GHG emissions can take place simultaneously. Indeed, in other regions of the world, environmental policies such as a carbon tax have proven to be effective at both reducing GHG emissions and promoting GDP growth³⁷.

An econometric analysis conducted by IRENA³⁸ estimated the macroeconomic consequences of doubling the global share of renewables in the energy mix by 2030, using a quantitative framework which links energy markets and economic systems. According to this analysis, Brazil and Mexico would experience positive growth rates of 1.1% and 1.3%, respectively, while the rest of Latin America's GDP would decrease by 0.1%³⁹.

The development of renewables contributes to GDP through two effects. First, developing renewables requires large initial investments in infrastructure, which boosts economic activity. In 2018, Mexico has for example attracted 4 billion USD in investments in renewables. Of course, this may also lead to a partial crowding out: "*In general, increased adoption of renewable energies leads to higher investment in the power sector and to reduced investment in the fossil fuel sector*". The second effect is a variation of energy prices. By 2030, some renewable technologies are expected to have lower generation costs than conventional ones, contributing to a decrease in electricity prices as the share of renewable energy grows. Lower energy prices can then increase household consumption and economic activity in energy-intensive sectors.

GDP and employment effects of potential initiatives in Chile and Mexico

Macroeconomic analyses of green investments in LAC remain rare, particularly *ex-post* ones. Nevertheless, two *ex-ante* studies of possible environmental policies in Chile and Mexico provide interesting insights.

Between 2010 and 2013, the government in Chile held discussions on an amendment of the national energy law (*Non-Conventional Renewable Energy Law*). The idea was to mandate that electric utilities with more than 200MW operational capacity should generate 20% of electricity from renewable sources by 2025⁴⁰. In order to assess the potential effects of those measures, the *Natural Resources Defense Council* and the *Asociación Chilena de Energías Renovables* conducted an empirical analysis⁴¹. They found that supplying 20% of electricity from renewables by 2020 would contribute an additional USD 2.3 billion to GDP (+0.6%) and generate 7'800 jobs, while avoiding the emission of 83 million tons of CO₂ equivalent over the period 2011-2028.

The objective of Mexico is to generate 35% of its power from clean energy by 2024. In 2015, *PWC* estimated⁴² the effects of adding 33 GW of clean energy production between 2025-2024, which would allow reaching this objective. They estimated that the required investments (5 billion USD annually) would lead to a cumulative increase of 45 billion USD in GDP (around 3.5% of Mexico's GDP) and create 180'000 jobs.

³⁷ See for instance the province of British Columbia in Canada, <https://www.nytimes.com/2016/03/02/business/does-a-carbon-tax-work-ask-british-columbia.html> .

³⁸ IRENA (2016), op. cit.

³⁹ The authors mention strong regional differences (because of differences in economic structures), without providing further data on country-specific effects.

⁴⁰ The law was reformed in this way on October 2013.

⁴¹ NRDC and ACERA (2013), Beneficios Económicos de Energías Renovables No Convencionales en Chile

⁴² PWC (2015), Estudio sobre las inversiones necesarias para que México cumpla con sus metas de Energías Limpias

Increased economic resilience and diversification are the last major economic benefits of investing in the green economy. As mentioned above, many countries in Latin America still rely strongly on agricultural production. For LAC countries, renewables and the Cleantech sector could prove to be an efficient way to diversify their activities, while reducing dependence on foreign fuel imports. Furthermore, fossil fuel prices are prone to substantial price variation that can have large consequences for developing countries (especially for LAC, which, excluding Venezuela, Mexico and Brazil, is a net importer of oil). In contrast, the price of renewable energy is more stable and tends to decrease because of economies of scale. Lastly, modular systems such as wind turbines or solar arrays are more resilient to natural hazards than large energy-generation plants (fossil-fuel, nuclear, or hydropower)⁴³. In the event of a severe natural disaster, the energy production of entire regions can still be sustained with modular systems. Indeed, even if some parts of the systems have been destroyed, the others (wind turbines or solar arrays) can still generate the energy needed. This is not the case with large centralized plants.

All these mechanisms show that in addition to mitigating the costs presented in the first part, investing in green economy technologies often does not run counter, but is rather aligned with the objective of securing long-term economic growth. Overall, as reported by IRENA, there is empirical evidence that *“economic growth and environmental conservation are fully compatible, and that the conventional consideration of trade-off between the two is outdated and erroneous.”*⁴⁴

2.3 The Green Economy in Latin America: recent achievements

In this third part, some recent developments regarding the green economy in Latin America are presented, with a focus on renewables and Cleantech.

2.3.1 Achievements regarding renewables

According to the 2014 IPCC report⁴⁵, electricity and heat production is the economic sector responsible for the largest share of GHG emissions (25%). Renewables such as wind, solar, geothermal or hydropower energy have the potential to reduce this share and contribute to more sustainable economic growth. Furthermore, those energies – particularly solar and wind – *“have made exponential gains in efficiency in recent years, enough to achieve economic competitiveness and, in an increasing number of cases, grid parity. By 2020, solar photovoltaic is projected to have a lower levelized cost of electricity than coal or natural gas-fired generation throughout the world.”*⁴⁶

Over the last 10 years, Latin America and the Caribbean has positioned itself as one of the most dynamic region in the fields of renewables: *“Latin America’s progress in tackling climate change is excelling and showing that its ambition plans are positioning this region as a new leader in renewable energy.”*⁴⁷

The region has a tremendous natural potential to leverage renewable energies. Historically, renewable energy in the region has been dominated by hydropower, which accounts for around 50% of electricity generation⁴⁸. But more recently, large investments have also been made in wind and solar energy, as it can be seen in figure 8 on the next page.

⁴³ Union of Concerned Scientists (2017), <https://www.ucsusa.org/resources/benefits-renewable-energy-use>, accessed 17/01/2020

⁴⁴ IRENA (2016), op. cit., p. 9

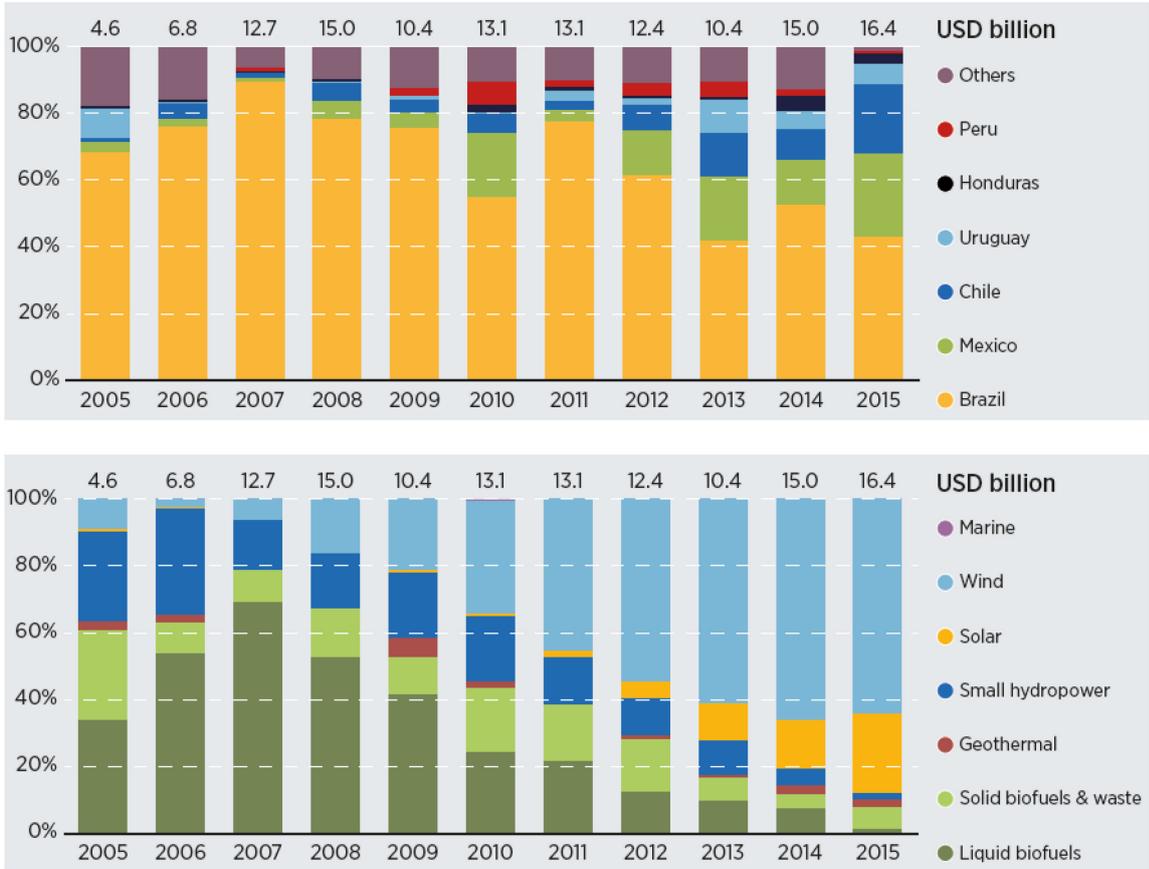
⁴⁵ IPCC (2014), AR5 Synthesis Report: Climate Change 2014

⁴⁶ World Economic Forum (2016): Renewable Infrastructure Investment Handbook: A Guide for Institutional Investors

⁴⁷ Renewable Energy World (2017), <https://www.renewableenergyworld.com/2017/12/12/latin-america-a-new-leader-in-renewable-energy/>, accessed 17/01/2020

⁴⁸ IRENA (2016): Renewable Energy Market Analysis, Latin America

Figure 8: Investment in Renewable Energy in Latin America, by country (top) and technology (bottom)



Source: IRENA (2016), *Renewable Market Analysis, Latin America*

With vast surfaces of available land, long hours of sun as well as strong winds (particularly on small islands), LAC have ideal sub-regions for solar, onshore and offshore wind farms. Furthermore, those sources of energy are complementary to hydropower: “At least in some parts of the region, the winds are strongest during the dry season, precisely when hydroelectric generation is most limited”⁴⁹. In absolute volumes, the investments in renewables are dominated by Brazil and Mexico. In 2017, both countries invested 6 billion USD in renewables, ranking respectively 8th and 9th worldwide⁵⁰.

Many of the countries in LAC have clearly committed to renewables. This commitment is often driven by the negative consequences of climate change (see part 2.1), as well as the desire to diversify economic activities and energy supply. Below and for illustration purposes, three country-specific examples are provided. The list is non-exhaustive and ought to provide insights into the role played by LAC in the renewable energy sector.

It is impossible to discuss renewables in Latin America without presenting the achievements of **Costa Rica**. For five years in a row, the country has generated 98% of its electricity from renewables. The latter’s electricity supply is split between hydropower (78%), wind (10%), geothermal (10%), biomass (1%) and solar energy (1%). In 2018, the country set a record for using electricity generated only from renewables during 300 days. This is the result of strong environmental policies taken as early as 1969, where the government started to offer financial incentives for environmental activities (for instance tax deductions for reforestation). In 2019,

⁴⁹ Harvard University (2015), “Energy: Oil, Gas and Beyond”, *Harvard Review of Latin America*, Fall 2015
⁵⁰ UNEP (2018), *Global Trends in Renewable Energy Investment 2018*

Costa Rica was awarded the United Nations Environment Programme’s *Champions of the Earth award for policy leadership*. In 2019, President Alvarado signed an official decree with the objective to become carbon neutral by 2050. Costa Rica’s plan involves decarbonizing four sectors: transportation, industry, waste management, and agriculture. The country has set different sub targets by the 2050 deadline— including a zero-emission public transportation system by 2035 and an electrical grid entirely powered by renewables by 2030.

Uruguay is also very active in the field of renewables. 97% of its electricity comes from renewables. What is truly impressive is how quickly the country achieved its transition. In 2012, renewables were generating only 40% of the country’s electricity. Even though renewables remain dominated by hydropower (60%), the country has invested massively in wind energy, which now generates around 35% of its electricity.

Figure 9: Top 10 countries on energy system and their rankings dimension scores

System performance		Economic growth and development	Energy security and access	Environmental sustainability	
Rank	Country	Score	Rank	Score	Rank
1	Norway	89%	1	87%	6
2	Sweden	74%	10	92%	1
3	Switzerland	73%	12	87%	3
4	France	70%	23	92%	9
5	Uruguay	67%	35	81%	2
6	Costa Rica	74%	9	81%	5
7	Iceland	81%	5	84%	28
8	United Kingdom	68%	29	91%	18
9	New Zealand	69%	27	88%	21
10	Lithuania	63%	55	90%	20

Source: World Economic Forum (2019), *Fostering Effective Energy Transition: 2019 Edition*

Figure 9 shows the WEF top 10 ranking for energy system performance. Uruguay and Costa Rica are both present. When looking at the sub-indicator “Environmental sustainability”, their performance is even better: Uruguay ranks 2nd, while Costa Rica is 5th.

After China and the United States, **Brazil** is the third largest renewable energy producer and another leader in this field. In 2017, 80% of Brazil’s electricity was generated through renewables⁵¹. As for Costa Rica and Uruguay, the electricity matrix is dominated by hydropower, which in Brazil accounted for 65% of electricity generation in 2017. Nevertheless, it is interesting to analyze the evolution of the Brazilian electricity matrix over the past six years. In 2011, hydropower accounted for 82% of electricity generation. In the meantime, Brazil has invested in other renewables in order to diversify its electric supply. Lately, wind has been the fastest growing energy sector in Brazil. Since 2013, wind power supply increased by 544%. It now represents 6.8% of the Brazilian electricity supply, versus 1.1% in 2013. This progression is the result of large investments from the private sector, the Brazilian government as well as international organizations. Brazil was for instance the largest recipient of World Bank funding in the wind sector between 1995 and 2018 with over 24 billion USD, 30% of the World Bank global investments⁵². Wind energy is expected to keep growing, as numerous investment projects have already been announced. In September 2019, Iberdrola, a multinational energy utility company, pledged its commitment to the Brazilian market by announcing the construction of its largest offshore wind complex in Latin America. This

⁵¹ Deloitte (2018), Brazilian Energy Matrix; The evolution of energy resources in Brazil

⁵² Windpower Engineering Development, <https://www.windpowerengineering.com/world-bank-groups-wind-investments-top-80-7-billion/>, accessed 17/01/2020

project, consisting of 12 offshore wind parks in the northeast of Brazil, will require an investment of 480 million EUR.⁵³

2.3.2 Achievements regarding Cleantech: Case Study “Green Mining” from Chile⁵⁴

The term “Cleantech” refers to technologies, manufacturing processes and services that use available resources efficiently or help protect and maintain natural resources. In Latin America, the implementation of Cleantech is a central theme of climate change policy. Environmental regulations are being strengthened, renewable energies, water management, e-mobility and efficient energy storage are increasingly becoming focal points, and mine operators want to reduce their ecological footprint.

In the following, the role of Cleantech within Latin America is shown by a case study on green mining in Chile. This country is a mining player of international importance. In 2018, over 200'000 workers employed in the sector generated sales of over USD 35 billion. In addition to copper, where Chile is the clear leader with almost 30% of global production, it also mines lithium, molybdenum, gold, silver, lead, zinc and iron. For Chile, copper is the largest economic sector, representing 9% of its GDP, and 55% of its total exports in 2018. Chile’s lithium market accounts for 50% of the world’s reserves, with a production of 16'000 tons in 2018, which represents 19% of world production. It is estimated that by 2025 the demand for this element will grow at an annual rate of 8%, supported mainly by batteries and their use in electric cars.

Chile is in a privileged position to contribute to the fulfillment of the goals against climate change. Its role in the extraction of copper and lithium combined with its unique solar resources allow them to capture a significant portion of the emerging global market related to green energy. Based on the increased demand for cleaner technologies for storing energy (e.g. electric cars), the demand for lithium is expected to grow from the current 210'000 tons to 1 million tons by 2027. In the case of copper, electric cars use around 80-85 kg of this mineral, versus 20-25 kg in traditional automobiles. Thus, the demand associated with e-mobility could reach 1.74 million tons per year by 2027 and thereby a third of the demand for refined copper by 2035.

Innovations in the Cleantech industry in areas such as energy, water, waste, mobility and automation not only reduce environmental impacts, but also production costs for mine operators, where the demand for supplies is enormous. At the same time, commodity companies are introducing more sustainable production to meet the growing demands of their customers, such as Nestlé and Apple, who want to offer products that are as climate friendly as possible. BMW signed a contract with the Chilean global market leader CODELCO in 2018, which commits the company to responsible mining of copper supplied to the German carmaker. Copper promoter Antofagasta Minerals signed a contract in July 2018 to supply 550 gigawatt hours of green electricity annually, thereby creating Chile’s first 100% renewable energy mine. Chile has created a support network for strategic projects in the pre-investment stage, together with a program of innovation in strategic business and the creation of different investment funds and incentives for the promotion of high-tech projects, operating even in remote parts of the country.⁵⁵

⁵³ Evwind (2019). <https://www.evwind.es/2019/09/20/wind-power-in-brazil-iberdrola-will-install-566-6-megawatts/70976>, accessed 20/01/2020

⁵⁴ The content on Cleantech has been realized by Switzerland Global Enterprise (S-GE). S-GE is the official trade promotion agency of Switzerland. Since 2016, S-GE has a specific focus on Cleantech. Within a mandate of the Swiss Federal Office of Energy, the Swiss Federal Office for the Environment and the State Secretariat for Economic Affairs, S-GE supports Swiss Cleantech companies in their export and internationalization topics.

⁵⁵ S-GE (2019). [Chile’s multi-billion-dollar sector aspires to become greener – Potential of cleantech in copper mining](#)

Swiss and Latin American companies operating in the Cleantech sector are strongly interested in obtaining insights into each other's markets. S-GE is at their disposal for advice, both in obtaining information and establishing contacts. The example of Chile illustrates this very well. Currently, Switzerland Global Enterprise and its Trade Point Chile are supporting Swiss Cleantech companies in entering the Green Mining business in Chile by providing the following services:

- Information events about Green Mining projects in Chile and how Swiss companies can contribute.
- Organization of a visit by Chilean copper mining companies in Switzerland.
- Regular networking events between representatives from the Chilean mining industry and Swiss Cleantech companies that are already active in Chile.
- Organization of a fact finding mission for Swiss companies to Chile.
- Individual consulting of Swiss Cleantech companies interested in the Chilean mining industry.
- Swiss Pavilion at the two most important trade fairs in Chile related to the mining industry: ExpoMin and Edifica.

2.4 Challenges

As just presented, many countries in LAC are in the process of making a substantial contribution to the green economy. Nevertheless, important challenges remain for the region. Below we highlight two of them, which relate to the predominant role of fossil fuels and the open question of funding.

The first one is the large use of fossil fuels in the **mobility sector**. Transportation, which in average accounts for 39% of total final energy consumption in LAC, still relies mainly on oil products. With large urban populations (80% of people live in cities in LAC) and “*deficits of mass transportation*”, it is not surprising to report that “*the region's vehicle fleet is expanding faster than any other in the world*”⁵⁶. In Argentina, Brazil and Mexico, car ownership rates have been increasing at around 5% per year since the early 2000s⁵⁷. Over the next 25 years, the region's vehicle fleet may well triple⁵⁸. In addition to contributing to climate change, urban traffic exacerbates the problem of air pollution within cities, a recurrent issue in Latin America.

This challenge affects all countries, even those strongly committed to environmental policies. In Costa Rica, the transportation sector is responsible for 42% of all energy-related carbon emissions. However, governments have also taken note of this issue and are developing interesting new mobility policies. Continuing with the example of Costa Rica, the national Energy Plan 2015-2030 sets out three lines of development: improving the environmental efficiency of private cars, developing sustainable public transport and incorporating cleaner energy. In many other countries, gradually substituting fossil fuel cars and buses with either hybrid or electric vehicles is at the center of environmental policies. In 2018, Chile announced the gradual introduction of 200 electric buses in Santiago and the objective to exceed 2000 electric buses by 2025. Chile also offers “*electric vehicles exemptions from environmental tax and traffic restrictions, as well as subsidies and fast-track licensing to taxi drivers who switch to more energy efficient cars*”⁵⁹. In 2017, Argentina reduced tariffs on imports of

⁵⁶ UN Environment (2018), <https://www.unenvironment.org/news-and-stories/story/latin-america-and-caribbean-hop-electric-mobility>, accessed 17/01/2020

⁵⁷ D. Roque, H. Masoumi (2016), “An analysis of car ownership in Latin American Cities: a Perspective for Future Research”, *Periodica Polytechnica Transportation Engineering*, 44(1), pp. 5-12

⁵⁸ UN Environment, op. cit.

⁵⁹ Reuters (2018), <https://www.reuters.com/article/us-chile-environment-electricvehicles/chile-drives-electric-vehicle-rollout-in-latin-america-idUSKBN1O80HZ>, accessed 17/01/2020

electric and hybrid cars and also installed 200 electric car chargers in Buenos Aires and Las Platas.

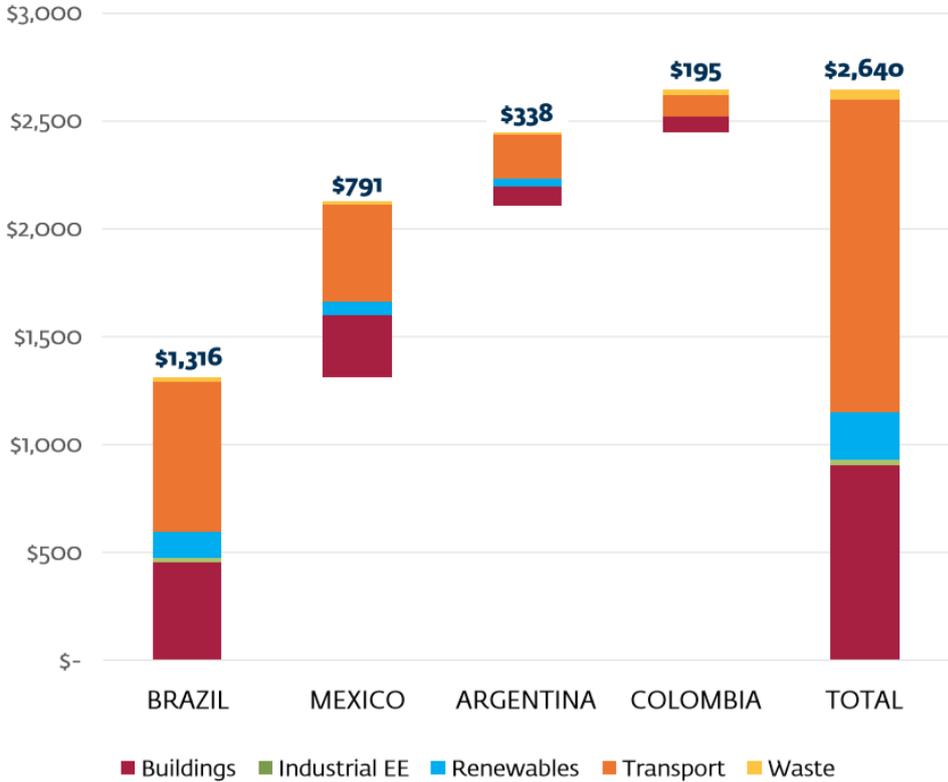
Further improvements in this sector will require additional infrastructure investments (public transports as well as charging stations), improving the perception of public transports and ensuring that sufficient electricity is available if large parts of the mobility sector are electrified.

Swiss authorities, Switzerland Global Enterprise and Swiss companies contribute to a greener mobility in LAC: During 2019, two delegations from LAC visited Switzerland to learn more about the solutions in place relating to reducing the impact of mobility as a contributor to climate change and to meet innovative Swiss companies. During the visits, the delegations were able to experience the Swiss public transport system and the integration that exists between different modes of transport (rail, tram, bus, sharing and individual mobility solutions). They met with representatives of applied research to reinforce the link that exists in Switzerland from research and innovation to spin-offs. The integration of energy production, especially from renewable sources and where possible those in the urban environment to local usage, were highlighted as important features of the future mobility landscape. At a more theoretical level the work of the ETH Zurich Institute for Transport Planning and Systems was presented, illustrated by key research projects aimed at reducing the impact of traffic. Key to the visits were pitching sessions for Swiss companies to the delegations allowing them to explain their product to the visiting groups. The companies ranged from start-ups to larger SMEs.

The second important challenge will be to attract enough **investments** in order to finance large projects, particularly in renewables and mobility. In a study published in 2016, the International Finance Corporation (IFC) - based on nationally determined contribution of Argentina, Brazil, Colombia and Mexico - estimated that “*the region’s total climate-smart investment potential is over \$2.6 trillion by 2030*”⁶⁰. As it can be seen in the figure 10 on the next page, “*almost 60 percent of this amount is for improvements and new investments in transport infrastructure (\$1.5 trillion), while a third (\$901 billion) will go towards developing new green buildings for Latin America’s future sustainable cities*”. These amounts are a great opportunity to boost economic growth and foster job creation. Nevertheless, they will require strong involvement from both the private and the public sector.

⁶⁰ IFC (2016), Climate Investment Opportunity in Emerging Markets, An IFC Analysis

Figure 10: Climate-Smart Investment Potential in Latin America 2016-2030 (USD billion)



Source: International Finance Corporation (2016), *Climate Investment Opportunity in Emerging Markets, An IFC Analysis*

Regarding public support for green investment, multiple examples have been provided above. Recently, much attention has also been placed on another policy instrument that could foster investments: carbon pricing policies⁶¹. They allow to “create incentives for individuals or firms to voluntarily change their behavior”⁶². In Latin America, Argentina, Colombia, Chile and Mexico have already implemented a carbon tax. Prices have been set at relatively low level (for example, 3.5 USD per ton of CO₂ in Mexico, 10 USD per ton of CO₂ in Argentina), but already contribute to making green investments more cost-competitive. Colombia and Mexico are, in turn, contemplating the introduction of emission trading system. On the other hand, many governments in LAC still offer subsidies for fossil fuels activities, which distort energy prices.⁶³ However, this issue is equally problematic in the case of developed countries, not only in LAC.

Lastly, new financial instruments (loans, mortgages, leasing) can promote investments in green products or services. Green bonds, by avoiding fluctuation in interest and currency rates, have become an important part of funding for large projects in renewables. For example, in 2018, the Colombian renewable energy company Celsia issued green bonds worth 145 million USD in order to finance four solar farms projects. With nearly 8 billion USD in issuances in 2017, Latin America's green bond market has doubled the total bond issuance in the region⁶⁴. Moreover, in 2017, the International Finance Corporation conducted a survey among banking institutions in Latin America. Interestingly, they reported that only a few financial institutions offered products in sustainable agriculture. This is an area of potential growth for the green investments.

⁶¹ Carbon pricing policies include both carbon taxes as well as emissions trading system (ETS).
⁶² Perman R., Ma Y., McGilvray J. and Common M. (2003), *Natural Resource and Environmental Economics (Third edition)*, Pearson education.
⁶³ Climate Transparency (2019), *Accelerating the energy transition in Latin America*, policy paper
⁶⁴ International Finance Corporation (2017), *Green Finance Latin America Report 2017*

2.5 Conclusion

Climate change generates large socio-economic costs for Latin America and the Caribbean, through – amongst others - negative effects on agricultural production, inequality, energy supply, health conditions and tourism revenues. Overall, these costs are expected to reach between 1.5% and 5.0% of the region's GDP by 2050.

For a long time, protecting the environment was perceived as a contradiction to economic growth. In this chapter, we explored that this is not necessarily the case. Rather, investing in the green economy might create new economic opportunities for Latin America. With its large potential for developing renewables, Latin America could attract new foreign investment. Concrete examples, such as green mining in Chile, perfectly emphasize how green investments can lead to a reduction of GHG emissions, while contributing to job creation, GDP growth and much-needed economic diversification in economies traditionally sensitive to commodity prices.

Some countries in Latin America have achieved striking results and are being praised by the international community. Costa Rica - the latest recipient of the UN Environment Programme *Champions of the Earth award for policy leadership* for generating 98% of its electricity out of renewables - is an important example. However, the region and its members must still take considerable steps in order to meet the objectives of the Paris Agreement. This will require strong efforts to decarbonize both the mobility sector and housing infrastructure. Latin America is not alone in this challenge: only a collective international effort, both by developed and developing countries, will allow meeting the goals of the Paris Agreement.

The engagement of SECO's Economic Development Cooperation regarding climate change and green economy in LAC is presented in chapter 3.5 on p. 39.



Itaipu Dam, Brazil/Paraguay

3. Bilateral Economic Relations

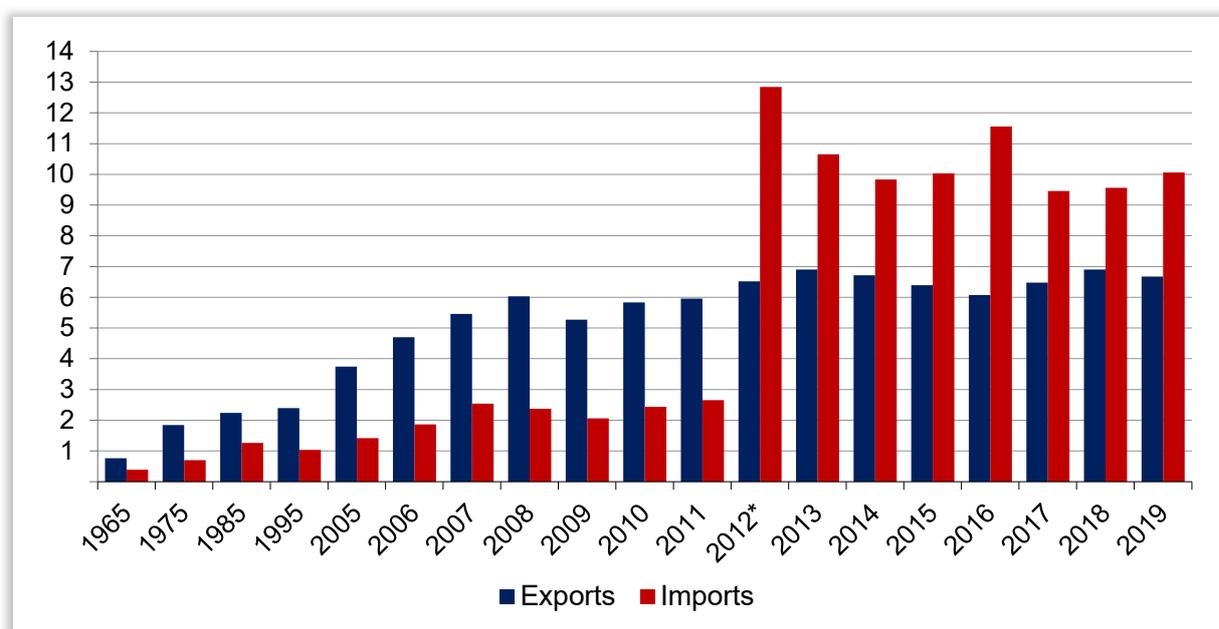
3.1 Trade⁶⁵

Switzerland's bilateral trade volume with Latin America and the Caribbean (LAC) rose by 1.6% in 2019 (*gold excluded: -3.6%*). This increase was driven by the Caribbean (+125.1%, see p. 27 for more details) (-1.4%), while trade with South America rose by 1.1% (-4.3%) and decreased by 10.9% (-2.1%) with Central America. Trade with LAC constitutes 2.8% (1.9%) of total Swiss trade, the biggest part of which (2.1%) is accounted for by trade with South America (*gold excluded: 1.3%*). Trade notably increased with the Dominican Republic (+221.6%), Ecuador (+130.1%), Nicaragua (+48.7%), Chile (+28.5%) and Argentina (+7.1%), while it decreased with Venezuela (-38.8%), Uruguay (-13.6%), Mexico (-12.8%), Brazil (-9.4%), Colombia (-9.0%) and Guatemala (-7.0%).

Total Swiss external trade rose by 1.8% in 2019 (*without gold: +2.8%*). Bilateral trade with the European Union, Switzerland's most important trading partner, increased by 4.3% (+1.5%). Commerce with Africa rose again strongly by 14.3%, (-3.0%), as did with the Middle East (+15.6%, +7.8%) and North America⁶⁶ (+2.0%, +7.0%). Trade with Asia declined (-4.5%, +5.8%), commerce with Oceania witnessed an increase of 0.5% (-9.9%).

Traditionally, Switzerland registers a large trade deficit with LAC, which is mainly owed to gold imports. These account for 76.8% of total imports from the region (see also Table A.8., p. 54 and Figure A.5., p. 54 for individual countries' share).

Figure 11. Switzerland - Latin America and the Caribbean: Trade in Goods 1965 - 2019 (in CHF billion)



Source: Swiss Federal Customs Administration (FCA), Bern.

* Following a Federal Council decision, the FCA now includes gold, silver and coins in the trade statistics, which have been backdated to 2012

⁶⁵ The Federal Customs Administration compiles two types of trade statistics: Business Cycle and General Total, the latter including precious metals (incl. gold), precious stones and gems, works of art and antiques. In Latin America, gold imports account for most of the difference between Business Cycle and General Total. Figures 6-8 and relevant data in chapter 3.1 use the General Total. Numbers in brackets indicate Business Cycle data.

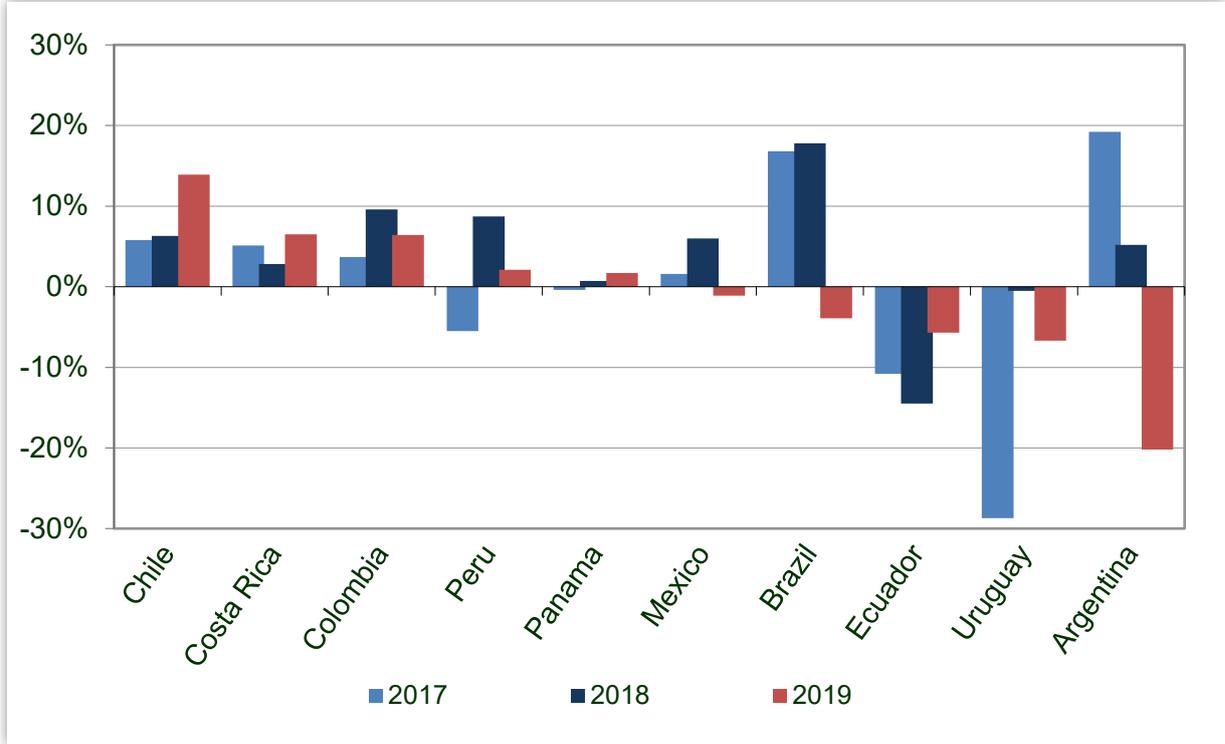
⁶⁶ without Mexico

In absolute numbers, **Swiss exports** to Latin America amounted to CHF 6.67 billion (*without gold: CHF 6.63 billion*) in 2019. Sales to Latin America constituted 2.1 % of total Swiss exports in 2019. Swiss exports to LAC declined in 2019 by 3.4% (*without gold: -3.3%*), after having grown by 6.5% in 2018 and 6.8% in 2017. This fall was mainly driven by an export drop to South America (-4.6%), while exports to Central America (-0.5%) and the Caribbean (+0.4%) remained stable.

In comparison, exports to Asia (-17.6%, *without gold: +3.3%*, 2018: +5.1%), the Middle East (-13.6%, *without gold: -0.7%*, 2018: +11.2%) and to Oceania (-4.4%, *without gold: -3.91%*, 2018: +12.6%) were also marked by a negative development, while exports to the EU (+15.3%, *without gold: +2.8%*, 2018: +1.2%), to North America (+9.4%, *without gold: +8.9%*, 2018: +10.2%) and to Africa (+2.1%, *without gold: +2.1%*, 2018: +5.6%) experienced a positive trend.

Brazil, Mexico and Argentina remain the biggest export markets for Swiss goods (69% of Swiss exports to LAC), but exports to all three countries decreased in 2019; to Mexico by 1.1%, to Brazil by 3.9% and to Argentina even by 20.2%, reflecting the difficult economic situation in this country. Pharmaceutical products are the most important export category to all three countries (Argentina: 64.9% of total exports to the country; Brazil: 53.4%; Mexico: 34.0%), but these exports also declined in 2019: in Argentina by 14.8%, in Brazil by 10.7% and in Mexico by 5.4%. Other countries with a significant drop in Swiss exports were Venezuela (-39.4%), Cuba (-33.5%), Nicaragua (-24.1%), Guatemala (-10.6%), Uruguay (-6.7%) and Ecuador (-5.7%). Strong export growth was registered with Honduras (+17.6%), Chile (+13.9%), Costa Rica (+6.5%), Colombia (+6.4%) and St. Vincent and the Grenadines (606%). For absolute figures, shares and variations of Swiss exports see Table A.3. on page 49.

Figure 12. Switzerland - Latin America: Change in Exports, Main Exp. Partners 2017-2019 (percentage change)



Source: Swiss Federal Customs Administration, Bern

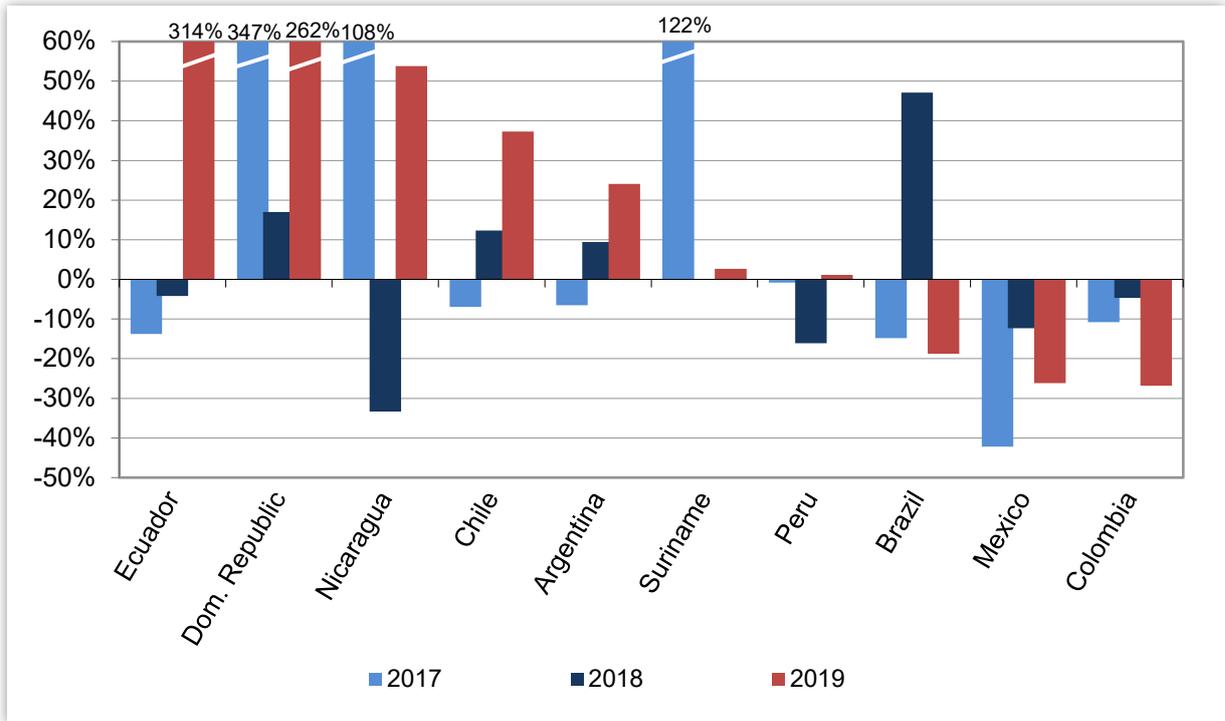
After a slight increase in 2018, **Swiss imports** from LAC rose more strongly in 2019, by 5.2% (*without gold: -2.9%*), amounting to CHF 10.1 billion (*without gold: CHF 2.0 billion*), which corresponds to 3.7% of total Swiss imports. This trend was mainly driven by an import increase from the Caribbean (+171%), based on a significant leap in gold imports from the Dominican Republic by 304%. Imports from South America rose by 4.8%, while those from Central America fell by 22.5%.

The development of imports from other world regions varied: while imports from the Middle East (+43.4%; *without gold: +17.8%*), Asia (+19.8%; *without gold: +8.8%*), Africa (+18.6%, *without gold: -11.4%*) and Oceania (+11.9%; *without gold: -41.7%*) accelerated, those from North America (-12.3%; *without gold: -1.2%*) and the EU (-4.5%; *without gold: +6.9%*) declined.

An important share of total Swiss imports from Latin America and the Caribbean consists of gold (2019: 76.8%)⁶⁷. Of the major import partners, only for Costa Rica (0%), Mexico (28%) and Colombia (38%) gold constitutes less than half of imports. Virtually all imports from Suriname and Guyana (99.98%, resp. 99.6%) are gold. Its share in total imports is also very important for the Dominican Republic (96%), Peru (93%), Chile (91%), Argentina (90%), Nicaragua (79%) and Ecuador (78%); it is less significant for Brazil (57%) and Panama (53%). Gold imports from Latin American countries reached 758 tons in 2019, roughly the same (+0.1%) with respect to the previous year. The value of gold imports however increased by 7.3% to CHF 7.7 billion due to rising gold prices. For further information, see Table A.8., p. 54.

For absolute figures, shares and variations of Swiss imports see Table A.4., p. 50.

Figure 13. Switzerland - Latin America: Change in Imports, Main Imp. Partners 2017-2019 (percentage change)



Source: Swiss Federal Customs Administration, Bern

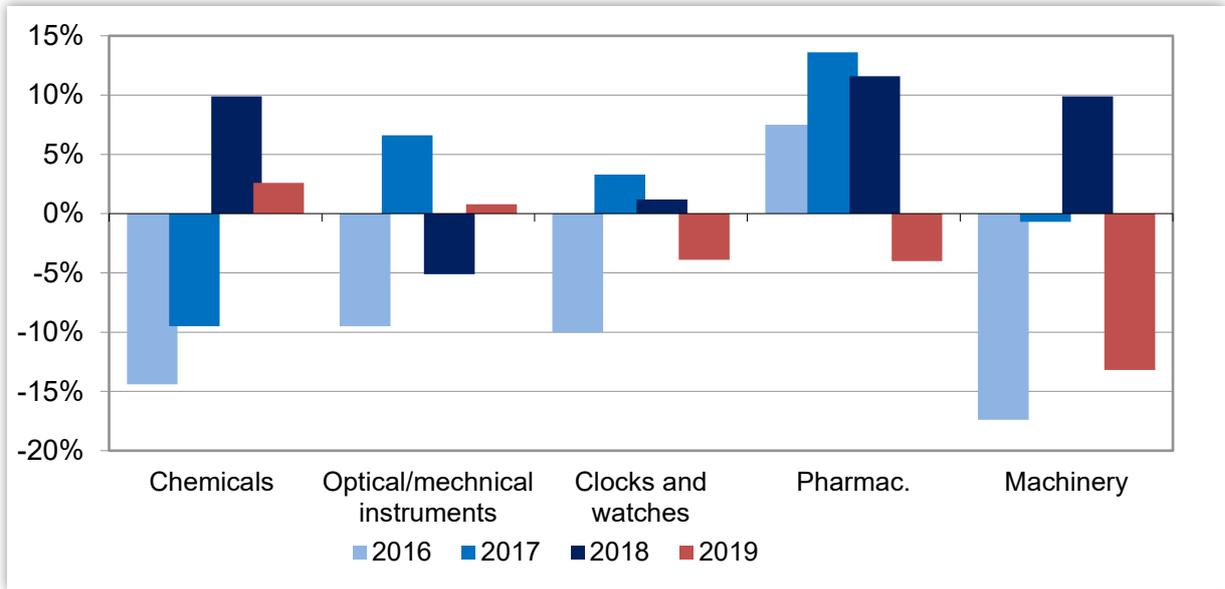
⁶⁷ Gold is the subchapter 7108 of chapter 71 of the Harmonized System (precious stones, metals and jewellery).

Switzerland's **main export goods** to Latin America in 2019 were composed of pharmaceuticals (48%), chemicals (18%), machinery (12%), watches (6%) and optical and medicinal instruments (5%). Since 2000, pharmaceutical exports have almost quadrupled. In 2019, they declined by 4%, after strong increases in the previous years (2018: 12%, 2017: 14%). For many of Switzerland's main trading partners in the region, the bulk of exports consists of pharmaceuticals, namely Panama (78%), Uruguay (77%), Ecuador (68%), Colombia (66%), Argentina (65%), Costa Rica (63%), Chile (56%) and Brazil (53%).⁶⁸

Chemical exports, ranking second in Switzerland's export portfolio to the region and having increased by 20% since 2000, continued their positive trend in 2019 and increased by 3%, although less than in 2018 (+10%). Brazil remains the biggest export market, with 20% of chemical exports to the region. The countries for which chemical exports constitute an important share of total Swiss exports are Suriname (24%), Brazil (24%), Guatemala (19%), Trinidad and Tobago (16%), Argentina (14%), Mexico (12%), El Salvador (12%) and Colombia (11%).⁶⁹

Machinery exports rank third and currently constitute 12% of exports to the region. They decreased by 13% in 2019 and have overall declined by 26% since 2000, when they still constituted the biggest part of Swiss exports to the region. The main destination is Mexico, accounting for a third of exports (33%), followed by Brazil (33%) and Argentina (6%). All these countries witnessed a decrease in 2019, Mexico by 12%, Brazil by 9% and Argentina by 60%.⁷⁰

Figure 14. Switzerland - Latin America: Change in Exports, Main Product Groups 2016 – 2019



Source: Swiss Federal Customs Administration, Bern.

⁶⁸ According to “nature of goods” (06.2.1 Pharmaceuticals, vitamins, diagnostics). Calculable under <https://www.gate.ezv.admin.ch/swissimpex/>

⁶⁹ According to “nature of goods” (Chemicals correspond to 06 minus 06.2.1).

⁷⁰ According to “nature of goods” (09 - Machines, appliances, electronics).

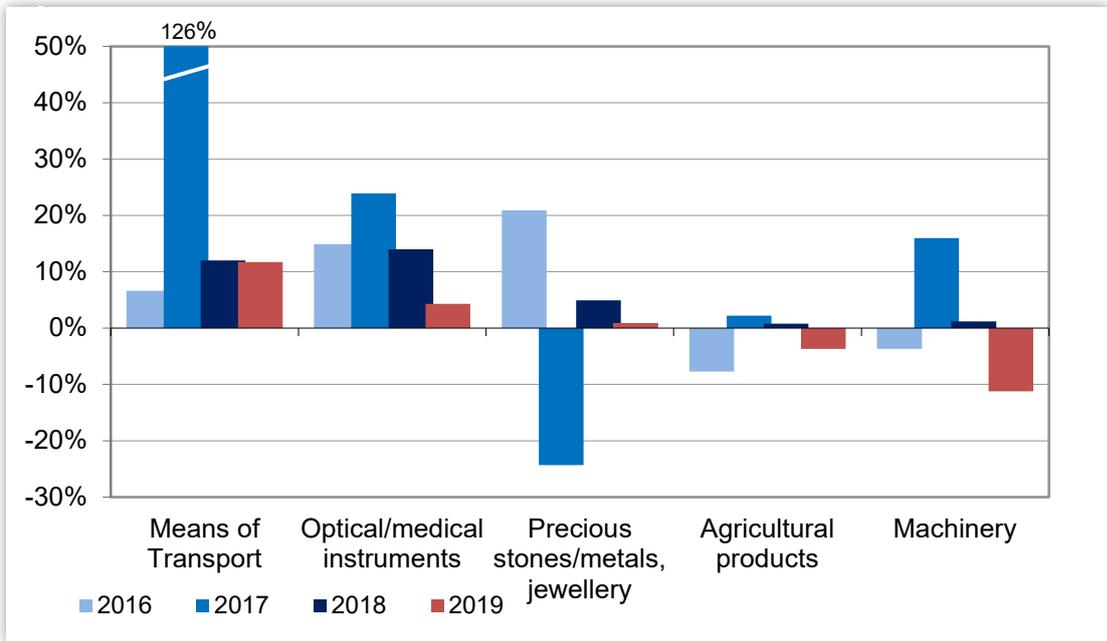
Apart from gold (77%), **major import categories** in 2018 were agricultural products (11%), means of transport (3%), machinery (2%) and optical and medicinal instruments (1%). Gold imports rose by 7% in 2019, after a rise of 5% in 2018. The main origin countries were Peru, Argentina, Suriname, all with values above CHF 1 billion, followed by Brazil (CHF 784 million), the Dominican Republic (CHF 735 million) and Chile (CHF 674 million).⁷¹

Imports of agricultural products, ranking second after gold, decreased by 4% in 2019. Almost one third (32%) came from Brazil; the other main import countries were Colombia (13%), Peru (8%), Costa Rica (7%), Ecuador (6%), Mexico (5%), Argentina (5%), Chile (4%) and Guatemala (4%).⁷² The relative importance of agricultural imports to the total imports of Switzerland is especially high for Cuba (96%), Guatemala (94%), Paraguay (93%), Honduras (92%), Costa Rica (79%), Bolivia (75%), Uruguay (73%), Venezuela (63%) and several small states of the Caribbean.

Means of transport ranked third in imports and increased by 12% in 2019. They are almost exclusively originating from Mexico (76%) and Brazil (24%) and represent a quarter of Swiss imports from Mexico.⁷³

Imports of machinery decreased by 11%. Mexico accounted for 80% of machinery imports, a decline by 5%. No. 2 was Brazil with 10% and with a strong decline by 30%.⁷⁴ The last relevant import category, optical and medical instruments, exhibited an increase of 4%, after already having augmented by 14% in 2018.

Figure 15. Switzerland - Latin America: Change in Imports, Main Product Groups 2016 – 2019



Source: Swiss Federal Customs Administration, Bern.

⁷¹ See table A.8. on p. 54 for more details.
⁷² According to “nature of goods” (01 - Forestry and agricultural products, fisheries).
⁷³ According to “nature of goods” (10 - Vehicles).
⁷⁴ According to “nature of goods” (09 - Machines, appliances, electronics)

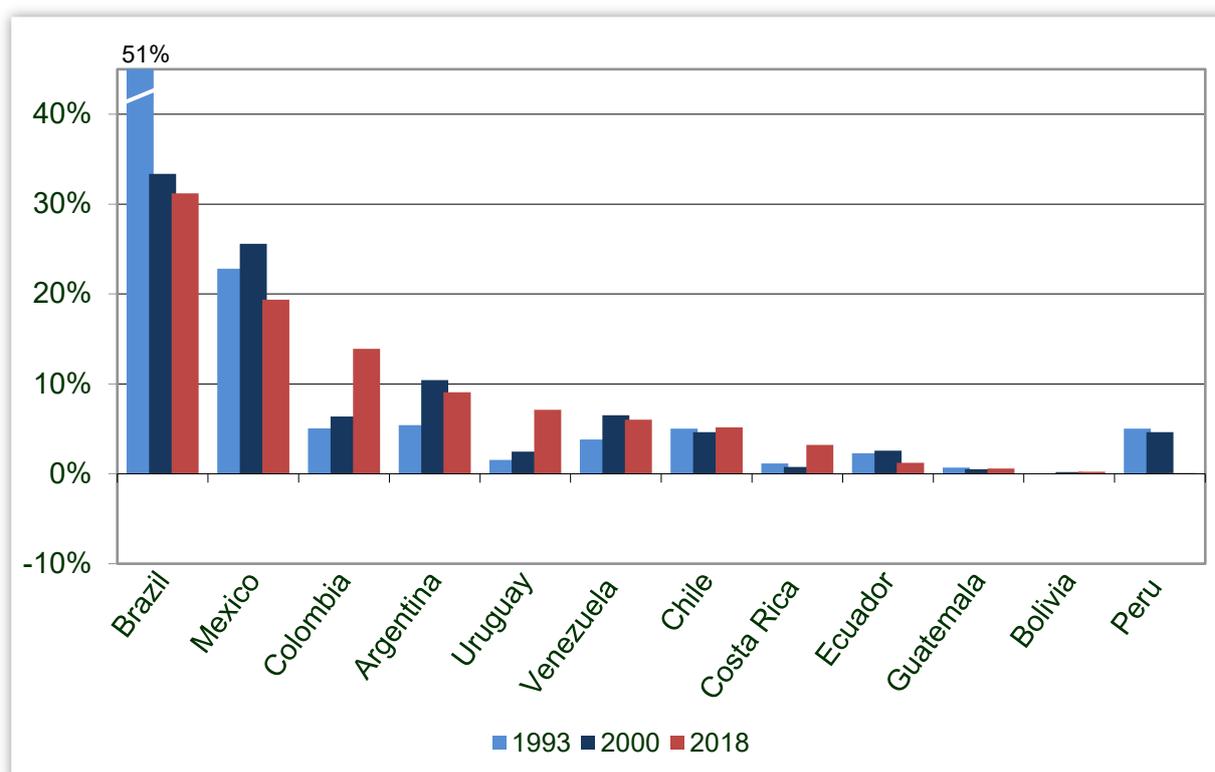
3.2 Swiss Foreign Direct Investment⁷⁵

In 2018, Latin America accounted for 2.3% of the overall Swiss FDI stock with a total of CHF 33.6 billion. Together with FDI in offshore financial centers (OFC; CHF 106'206 billion), the subcontinent's share constituted 9.5% of the total Swiss FDI stock.

With CHF 10.5 billion (31.2%), Brazil attracts the biggest share of Swiss FDI (OFCs excluded), followed by Mexico with CHF 6.5 billion (19.3%) and Colombia with CHF 4.7 billion (13.9%). Figure 16 shows the main destination countries for Swiss FDI in Latin America. For detailed data, see Table A.7., p. 53.

At the end of 2018, Swiss firms employed 176'597 people in Latin America, the majority of which in Brazil (62'226), Mexico (38'203), Chile (17'869), Colombia (13'105) and Argentina (11'320). Swiss firms also had a large number of staff in Peru (7'572), Ecuador (6'482), Venezuela (3'150), Panama (2'491), Costa Rica (2'353), Guatemala (1'860) and Uruguay (1'108).

Figure 16. Switzerland - Latin America: Foreign Direct Investment by Main Partners 1993 - 2018 (% of total Swiss FDI stock in Latin America)



Source: Swiss National Bank, Zurich

⁷⁵ [Swiss National Bank](#) (2019)

Box 1. Focus: Nestlé's investment in Paraguay

In February 2019, Nestlé inaugurated its Business Services Latam centre in Asuncion, Paraguay, in the presence of President Abdo Benítez. The centre will provide support in the areas of human resources, accounting and finances to other Nestlé offices in Latin America. The Paraguay bid won the call for proposals to host this office due to the availability of a qualified young work force, especially with regards to linguistic skills and the favourable labour regulations. The USD 2.2 million investment will lead to the creation of 200 new jobs. It is hence in line with the commitments made at the Nestlé Mercosur Youth Summit to create employment for young professionals.



Box 2. Focus: Zürich Airport's investment in Brazil

In March 2019, FLUGHAFEN ZÜRICH AG (Zurich Airport) was awarded the operation of the airports of Vitória (state of Espírito Santo) und Macaé (state of Rio de Janeiro) in the southeast of Brazil. Zurich Airport, which holds 100% of the two airports, will operate them for a concession period of 30 years, and plans to invest about CHF 170 million for their expansion. On 29 September, Zurich Airport also inaugurated the new airport of Florianopolis (state of Santa Catarina), which it operates since 2017. The construction work was completed before schedule - in only 14 months - and the investments, which amounted to CHF 138 million, include a new terminal that doubles the handling capacity up to 8 million passengers and allows two long-haul aircraft to dock simultaneously, as well as an adjacent shopping center.



Box 3. Focus: SICPA's investment in the Dominican Republic

In November 2019, SICPA Dominicana inaugurated its new offices in Santo Domingo. SICPA-Latin America, with its head offices in Santiago de Chile for the Americas, was able to win the tender of the Dominican Republic for labeling all imported and exported alcoholic beverages and tobacco products. The Dominican Republic is famous for its rum and cigar production and also imports internationally known wines, liquors, whiskeys, etc. The Dominican tax authority DGII (Dirección General de Impuestos Internos) has the aim to improve and to increase tax revenues as well as the traceability of such products. After winning the tender, SICPA set up its operations in the Dominican Republic in 2019. It invested around 15 million Swiss francs and by the end of 2020 it will have created up to 50 jobs in order to be able to fulfill the government contract.



3.3 Bilateral Economic Agreements and Joint Economic Commissions

Agreements on the Promotion and Reciprocal Protection of Investments (BITs)⁷⁶

BITs are important for Switzerland. They ensure legal security, improve the investment climate of signatory countries and encourage foreign investment. Switzerland has concluded BITs with more than 120 countries around the globe.

In Latin America, Switzerland has BITs with most countries, except for the Bahamas, Belize, Bolivia, Brazil, Ecuador, Haiti, Suriname and some small Caribbean islands states. The most recent BIT on the continent is the one with Guyana, which has entered into force in May 2018.

The Congress of Brazil has never ratified the BIT signed with Switzerland in 1994. The reason lies in the provisions on international arbitration for investor-state dispute settlement cases. Brazil has proposed an alternative BIT model to Switzerland, which would make provisions for disputes to be settled with an ombudsperson and a joint committee that includes representatives of the investor's home state and the host country, as well as the investor himself.

Ecuador and Bolivia have denounced their BITs with Switzerland, the former ended on 11 September 2018, the latter on 19 May 2019. The provisions of these BITs continue to be effective for a ten-year period for investments made before the date of termination. However, these BITs do not apply to new investments made after the date of termination. Ecuador has presented Switzerland an alternative template for a new BIT.

Taxation

a) Double Taxation Agreements (DTAs)

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

Brazil and Switzerland signed a DTA in May 2018. The agreement was approved by the Swiss parliament in 2018, but must still be approved by parliament in Brazil.

b) Automatic exchange of information in tax matters

In 2014, the OECD Council adopted the new global standard for the **international automatic exchange of information in tax matters (AEOI)**,⁷⁷ to which over 100 countries have thus far committed. This came in response to the global financial crisis, and to combat tax evasion worldwide.⁷⁸ In Switzerland, the introduction of AEOI requires parliamentary approval on a country-by-country basis to become effective.

⁷⁶ For more information on the nature and purpose of BITs visit:
https://www.seco.admin.ch/seco/fr/home/Aussenwirtschaftspolitik_Wirtschaftliche_Zusammenarbeit/Wirtschaftsbeziehungen/Internationale_Investitionen/Vertragspolitik_der_Schweiz.html

⁷⁷ For more information on AEOI visit:
https://www.sif.admin.ch/sif/en/home/multilateral/steuer_informationsaust/automatischer-informationsaustausch/automatischer-informationsaustausch1.html

⁷⁸ <http://www.oecd.org/tax/automatic-exchange/news/over-2500-bilateral-relationships-in-place-for-the-exchange-of-crs-information.htm>, accessed 16/01/2018

Referring to Latin America, data has started to be collected in the course of 2018 and was exchanged in 2019 for the first time on a reciprocal basis with Argentina, Brazil, Chile, Colombia, Mexico and Uruguay. In the Caribbean, the AEOI was for the time being implemented on reciprocal basis with Barbados, Saint Kitts and Nevis and Saint Lucia. Although the AEOI was activated with other countries and territories in 2018, the implementation is subject to some delay, which is the case for Antigua and Barbuda, where the Convention on administrative assistance in tax matters entered into force on 1 February 2019.

Some countries must implement a Global Forum action plan on confidentiality and data security. In these instances, there will be no reciprocal exchange of data with Switzerland until the action plan has been successfully implemented. Swiss financial institutions must however already collect the relevant data from the time of activation of the AEOI and forward it to the Federal Tax Administration by the specified deadline. In Latin America and the Caribbean, the Global Forum action plan needs to be implemented by Aruba, Belize, Costa Rica, Curacao, Grenada, Montserrat, Dominica, Saint Vincent and the Grenadines, Sint Maarten and Trinidad and Tobago.

Some other jurisdictions (including Anguilla, the Bahamas, Bermuda, Cayman Islands, Turks and Caicos and British Virgin Islands) have declared themselves "permanent non-reciprocal jurisdictions". This means that they will supply account information on a permanent basis but will not receive any data.

In 2019, the AEOI was activated with Panama, meaning that the first exchange of financial account information should take place in 2020. In 2020, the AEOI entered into force with Antigua and Barbuda and Dominica. The first exchange of financial account information with these countries should take place in 2021. Furthermore, the Federal Council intends to extend the AEOI to Peru, Sint Maarten and Trinidad and Tobago. The parliament adopted the corresponding federal decrees in 2019. As these countries do not yet meet the conditions of the global standard, the activation of the AEOI has been postponed for an indefinite period.

Table A9 (p. 55) presents an overview of the main economic agreements between Switzerland and Latin American countries.

Joint Economic Commissions

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

Commissions have been established with Argentina, Brazil, Chile⁷⁹, Mexico⁸⁰, Peru⁸¹ and Venezuela. The following meetings were held in 2019:

Swiss-Argentine Joint Economic Commission

The third meeting of the Swiss-Argentine Joint Economic Commission (JEC) was held on June 13th 2019, through videoconference. The meeting was co-chaired by Ambassador Erwin Bollinger, Delegate of the Federal Council for Trade Agreements and Head of the Bilateral Economic

⁷⁹ Official denomination of the committee: Bilateral Economic Dialogue.

⁸⁰ Official denomination of the committee: Consultative Group on Trade and Economic Cooperation.

⁸¹ Official denomination of the committee: Bilateral Economic Meeting.



Relations Division at the State Secretariat for Economic Affairs and Ambassador Horacio Reyser, Secretary of International Economic Relations, Ministry of Foreign Affairs and Worship. Representatives from other Swiss and Argentine government agencies participated in the discussion, as well as the Swiss private sector in the last part on business environment. The exchange covered the economic situation in both countries, the FTA negotiations between EFTA and Mercosur, the diversification of bilateral trade as well as some sector-specific topics.

Swiss-Peruvian Bilateral Economic Meeting

The third Swiss-Peruvian Bilateral Economic Meeting was held on September 5, 2019 in Bern. The meeting was co-chaired by Ambassador Erwin Bollinger, Delegate of the Federal Council for Trade Agreements and Head of the Bilateral Economic Relations Division at the State Secretariat for Economic Affairs and Ambassador Mario Juvenal López Chávarri, General Director for Economic Affairs at the Ministry of Foreign Affairs of Peru. Representatives from other Swiss government agencies as well as from the Peruvian Embassy in Bern also participated in the meeting. Discussions included the economic situation in both countries, the current state of several bilateral economic agreements, such as the free trade agreement and the air service agreement, the automatic exchange of fiscal information, SECO's economic development cooperation as well as investment opportunities in Peru. The Swiss private sector also had the opportunity to join the discussions in the last part on business environment.

Swiss-Mexican Consultative Group on Trade and Economic Cooperation

The Swiss-Mexican Consultative Group on Trade and Economic Cooperation held its ninth meeting on September 18, 2019 in Mexico City under the Chairmanship of Lydia Antonio de la Garza, Director General for the Implementation and Administration of Trade Agreements at the Mexican Secretaría de Economía (SE), and Minister Philippe G. Nell, Deputy Head of the Bilateral Economic Relations Division at the



Swiss State Secretariat for Economic Affairs (SECO). Cecilia Jaber Breceda, Ambassador of Mexico to Switzerland (by phone), Eric Mayoraz, Ambassador of Switzerland to Mexico, representatives from other government agencies and the Swiss-Mexican Chamber of Commerce and Industry also participated in the meeting. The discussions covered amongst others the modernization of the Mexico-EFTA free trade agreement as well as trade and investment promotion. A number of private sector topics, including the protection of intellectual property, framework conditions for innovation and market access were equally addressed. Prior to the Consultative Group, the Swiss delegation held discussions with representatives of the International Finance Corporation, the Banco de México, the OECD Centre in Mexico, as well as Swiss companies with operations on the ground.

3.4 Latin American Integration: Recent Trends and Developments

Inter-American Integration

Mercosur: Mercosur, officially Southern Common Market, is a trade bloc including Argentina, Brazil, Paraguay and Uruguay. It was established by the Treaty of Asunción in 1991. Bolivia, Chile, Colombia, Ecuador, Guyana, Peru and Suriname are associated states. In recent years, Mercosur has launched new initiatives to deepen economic ties with the Pacific Alliance. As presented further below, Mercosur was very active in developing its FTA-network during 2019.⁸²

Pacific Alliance: The Pacific Alliance was founded in 2011 by Chile, Colombia, Mexico and Peru with the purpose to gradually achieve a free movement of goods, services and persons. Following the immediate removal of 92% of tariffs between members, the remainder is to be phased out by 2020. Thus far, the integration has progressed on several fronts, notably the abolition of visas setting up a platform for student and academic mobility, a grouping of stock exchange markets into a single one, and progress in the homologation of health and regulatory certifications.⁸³

As one of 60 observer countries, Switzerland has offered collaboration in the areas of innovation, vocational and professional education, water footprint as well as customs management. Following the 1st Cooperation Forum in April 2019 in Lima, which proposed a range of projects to the observer states, Switzerland is in the process of preparing targeted cooperation proposals.

Community of Latin American and Caribbean States (CELAC): CELAC is a regional bloc of 33 states founded in 2011 as an intergovernmental platform for political dialogue, for the first time bringing together all Latin American and Caribbean countries. CELAC is the formal successor to the Rio Group and CALC⁸⁴. The last CELAC summit took place in January 2020 in Mexico.⁸⁵

Latin American Integration Association (LAIA)⁸⁶: Founded in 1980 with the Montevideo treaty, LAIA's objective is the establishment of a common Latin American market based on a network of regional treaties and preferential tariffs. Headquartered in Montevideo, its member countries comprise over 510 million citizens.⁸⁷

System of the Central American Integration (SICA)⁸⁸: Established in 1993, SICA aims to advance regional integration in Central America and to promote peace, freedom, democracy and development in the region. Headquarters are in Panama.⁸⁹

Union of South American Nations (UNASUR): UNASUR was established in 2008 based on the Treaty of the Union of South American Nations and aims to achieve further integration in the cultural, economic, social and political areas. Amid growing tensions with Venezuela, six countries⁹⁰ withdrew their membership in 2018 and 2019 and Peru suspended it. The remaining members are Bolivia, Guyana, Suriname, Uruguay and Venezuela.⁹¹

⁸² <https://es.wikipedia.org/wiki/Mercosur>, accessed 08/01/2020

⁸³ https://es.wikipedia.org/wiki/Alianza_del_Pacifico, accessed 08/01/2020

⁸⁴ Cumbre de las Americas

⁸⁵ https://es.wikipedia.org/wiki/Comunidad_de_Estados_Latinoamericanos_y_Caribeños, accessed 08/01/2020

⁸⁶ Asociación Latinoamericana de Integración, ALADI in Spanish; Member states are Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela. Nicaragua is currently in the accession process.

⁸⁷ https://es.wikipedia.org/wiki/Asociación_Latinoamericana_de_Integración, accessed 08/01/2020

⁸⁸ Sistema de la Integración Centroamericana. Member states are Belize, Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

⁸⁹ https://es.wikipedia.org/wiki/Sistema_de_la_Integración_Centroamericana, accessed 08/01/2020

⁹⁰ Argentina, Brazil, Chile, Colombia, Ecuador and Paraguay

⁹¹ <https://es.wikipedia.org/wiki/Unasur>, accessed 08/01/2020

The Forum for the Progress and Development of South America (PROSUR): PROSUR was initiated in 2019 by the presidents of Chile and Colombia. This new forum aims at being a South American coordination mechanism for public policies, in defense of democracy, the independence of powers, the economy of markets, and the social agenda, with sustainability and due application, thereby replacing UNASUR. The first PROSUR summit took place in Santiago in March 2019. Eight countries⁹² signed the *Declaration of Santiago for the renewal and strengthening of South America*, which formally created PROSUR.⁹³

Latin American - Europe Relations

Latin America - European Union: EU-CELAC ministerial meetings are held to strengthen the bi-regional dialogue. The latest one was held in July 2018, when the foreign affairs ministers from the EU and CELAC met in Brussels. The meeting focused on consolidating multilateralism and strengthening cooperation in global fora. The delegations discussed the rules-based global order, the Paris Climate Agreement, the 2019 Global drug policy review and the Global Compact for Migration.⁹⁴

Mercosur - European Union: On June 20, 2019, the European Union and Mercosur reached a political agreement for a comprehensive trade agreement. It will remove duties on over 90% of bilateral trade of goods. Furthermore, it includes important chapters, among others on food safety, environmental protections and labour conditions. The EU is Mercosur's second biggest trade in goods partner, accounting for 20.1% of the bloc's total trade in 2018.⁹⁵ The agreement is now under legal revision, and will then have to be ratified by the parties.

Andean Community (CAN) - European Union: The EU has a comprehensive trade agreement with Colombia and Peru since 2013. Ecuador has joined the agreement on 1st January 2017. Bolivia, a member of the Andean Community, also has the possibility to solicit accession to the agreement.⁹⁶

Central America - European Union: A comprehensive Association Agreement between the six Central American countries⁹⁷ and the EU was signed in June 2012 with the purpose of furthering political dialogue, enhancing cooperation and trade and contributing to economic growth, democracy and political stability in the region. The EU and Central America have a long history of cooperation dating back to the former's support of the peace process in the region in the 1980s. The 2012 Agreement supplants the region's preferential access to the EU under the generalized system of preferences (GSP).

Latin America - EFTA⁹⁸

Mercosur - EFTA: Two years after starting the negotiations on a free trade agreement, EFTA and Mercosur reached an agreement in substance during the tenth round of negotiation (August 2019). The text is under legal revision and expected to be finished by mid-2020. Each party will then have to sign and ratify the agreement. In addition to chapters on tariff reduction, rules of origin or trade in services, the agreement also includes a chapter on trade and sustainable development, where the

⁹² Argentina, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay and Peru

⁹³ https://es.wikipedia.org/wiki/Foro_para_el_Progreso_de_América_del_Sur, accessed 08/01/2020

⁹⁴ <https://www.consilium.europa.eu/en/meetings/international-ministerial-meetings/2018/07/16-17/>, accessed 08/01/2020

⁹⁵ <https://ec.europa.eu/trade/policy/countries-and-regions/regions/mercosur>, accessed 08/01/2020

⁹⁶ <http://ec.europa.eu/trade/policy/countries-and-regions/regions/andean-community/>, accessed 08/01/2020

⁹⁷ Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama

⁹⁸ The members of the European Free Trade Association (EFTA) are: Iceland, Liechtenstein, Norway and Switzerland.

parties reaffirm their commitment to multilateral agreements and principles regarding environmental and labor standards. Due to the fires in the Amazon in September 2019, the conclusion of the agreement was met with critiques in Switzerland.

Central America - EFTA: A broad-based free trade agreement with Costa Rica and Panama was signed in 2013 and is in force since 2014. Following the signature of an Accession Protocol with Guatemala (2016), the Guatemalan parliament finally ratified it in February 2020 and entry into force should take place in spring 2020. Negotiations with Honduras are on hold. The agreement remains open to the other Central American states.⁹⁹

Chile - EFTA: The FTA between EFTA and Chile has been in force since 2004 and is currently being modernized. The first round of negotiations took place in Santiago in September 2019.¹⁰⁰

Ecuador - EFTA: A free trade agreement was signed on 25 June 2018. The ratification procedures are currently ongoing and the entry into force is pending (possibly in June 2020). It is a broad-based agreement and it covers trade in goods, services, investment, intellectual property rights, government procurement, competition, trade and sustainable development and cooperation.¹⁰¹

Mexico - EFTA: Following the launch of negotiations between EFTA and Mexico to modernize the EFTA-Mexico Free Trade Agreement in January 2016, four rounds of negotiations have been held so far, the latest in June 2017 in Mexico City. Divergent positions notably on market access for goods remain a key obstacle to move decisively forward, however.¹⁰²



⁹⁹ <http://www.efta.int/free-trade/free-trade-agreements/central-american-states>, accessed 08/01/2020
¹⁰⁰ <https://www.efta.int/free-trade/free-trade-agreements/chile>, accessed 08/01/2020
¹⁰¹ <https://www.efta.int/free-trade/Free-Trade-Agreement/Ecuador>, accessed 08/01/2020
¹⁰² <http://www.efta.int/free-trade/free-trade-agreements/mexico>, accessed 08/01/2020

Latin America - Other Regions

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP): Negotiations for the Trans-Pacific Partnership (TPP), which includes Chile, Mexico and Peru amongst the twelve signatories,¹⁰³ were concluded in 2015 after seven years of talks. Following the United States' withdrawal in January 2017 from the TPP, the remaining members made several adjustments and called the new arrangement the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The agreement was signed in March 2018 in Santiago de Chile. As six initial signatories have already ratified the agreement,¹⁰⁴ it has entered into force for them. Brunei, Chile, Malaysia and Peru must still ratify the agreement. It is designed as an open platform, with the possibility for third countries and other trading blocs to join.¹⁰⁵

United States-Mexico-Canada Free Trade Agreement (USMCA): On November 30, 2018, the presidents of the United States, Canada and Mexico signed the United States-Mexico-Canada Free Trade Agreement (USMCA) at the G20 summit in Buenos Aires. It is a revised version of the North American Free Trade Agreement (NAFTA), featuring inter alia adapted rules of origin in the automobile sector as well as a formalized review of the agreement every six years. In the meantime, the agreement has been ratified in the Mexican Parliament (2019) and, after a longer period of domestic negotiations and the signing of a Protocol of amendment among the three countries, US Congress (early 2020). Ratification is still pending on Parliament Hill in Ottawa.¹⁰⁶



The Zocalo, Mexico

¹⁰³ Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States and Vietnam.

¹⁰⁴ Australia, Canada, Japan, Mexico, New Zealand and Singapore.

¹⁰⁵ https://en.wikipedia.org/wiki/Comprehensive_and_Progressive_Agreement_for_Trans-Pacific_Partnership, accessed 09/01/2020

¹⁰⁶ https://en.wikipedia.org/wiki/United_States-Mexico-Canada_Agreement, accessed 09/01/2020

3.5 Economic Development Cooperation: SECO's engagement with regard to climate change and Green Economy in LAC

Infobox:

SECO's Economic Cooperation and Development division's mandate is to plan and implement economic cooperation and development projects and initiatives in developing countries. In Latin America, the division focuses mainly on Colombia and Peru and seeks to support inclusive and sustainable economic development in these countries.

The division also coordinates Switzerland's relations with the World Bank Group, the regional development banks and the relevant economic organisations in the United Nations system. The Swiss foreign economic strategy and the Federal Council's Dispatch on Switzerland's International Cooperation 2017–2020 provide its strategic orientation at the national level. The UN 2030 Agenda for Sustainable Development provides the corresponding international framework.

Making cities greener

Today, LAC is the most urbanized region on earth, with 80% of the population living in urban areas. Cities and its inhabitants are particularly vulnerable to the effects of climate change: e.g. in Barranquilla (Colombia), flash floods destroy infrastructure, shut down the city for thirty days and kill 11 people each year on average. Hence, climate change is forcing cities to think more strategically about their infrastructure investments.

Therefore, SECO supports the Global Cities Program, implemented by the International Finance Corporation (IFC). In Colombia, IFC worked together with the city council of Bogotá to address environmental and social concerns for two critical **transport** projects in the capital: a cable car providing marginalized neighbourhoods with economic and social infrastructure, as well as a major bus rapid transit corridor. In Cali, the project assists the city in the transition from diesel-powered to electric buses – a project example that shows that cities are not only vulnerable to climate change, but play also an important role in reducing greenhouse gas emissions.

Historically, urban infrastructure has mainly been financed by the public sector. But by 2050, the built area is expected to double due to high population growth and urbanization trends. While public finance will continue to play a key role, the magnitude of financing required and the complexity of technology solutions mean that new ways to secure financing need to be found. There is a major opportunity to leverage the private sector to complement scarce public-sector resources. Private participation enables cities not only to finance the needed infrastructure projects, but it also allows innovating and achieving efficiency in service provision. One example are investments in **green buildings**: Buildings generate 19% of energy-related greenhouse gas emissions and consume 40% of electricity in emerging markets. With the increasing adaptation and mitigation needs with regard to climate change, private sector finance is now crucial to make buildings greener.

In Colombia, construction companies build 200'000 new housing units annually. The construction sector is booming and fast urbanization often leads to scarcity and thus higher prices for energy and water. As a result, well-designed urban policies, particularly in the construction sector, can

have significant economic, environmental and social impact. Therefore, SECO supported a Program, implemented by IFC, to help the construction sector in Peru and Colombia (and other countries outside LAC) in designing certified sustainable buildings. The Program provided seed capital for a green building certification system for emerging markets - called “Excellence in Design for Greater Efficiencies (EDGE)”. Indeed, while sustainable standards (such as "Minergie" in Switzerland) are applied in developed countries, a realistic and cost-efficient standard is missing for emerging market countries. The Program resulted in an upward trajectory of certified buildings in Colombia and Peru, where 5.5 million square meters of floor space have been either registered or certified. Certification leads to more investments into green buildings, often at lower interest rates.

One of the main sources of energy consumption in buildings in the LAC region is air conditioning. One way of making the production of air conditioning cleaner and more efficient is to build **Energy Districts**.¹⁰⁷ SECO supports the promotion of Energy Districts in Colombia to improve energy efficiency in buildings and substituting individual coolers. A new district cooling can completely eliminate the use of Ozone depleting substances and allow for a reduction of 25% of energy use and 30% of greenhouse gas emissions.

Creating resilient and diversified agricultural value chains

Climate change poses not only problems to urban areas, but is also a challenge for rural regions and its inhabitants. Farmers in the LAC region notice changes in the climatic conditions of their territories: In Peru, the rainy season has become unpredictable, the months without rain have extended and when it rains, it does so in greater quantities, causing soil erosion and the appearance of plagues and diseases.

Hence, climate change has a large impact on **agricultural production**. One example is coffee: In Peru, the coffee value chain involves more than 220,000 families and generates exports of more than USD 670 million. Production covers more than 11 regions. It is estimated that between 13% and 40% of the coffee area in the northeast will no longer be suitable for coffee due to the impact of climate change (Helvetas 2017¹⁰⁸). These areas need to develop adaptation strategies to cope with this challenging situation; this may also include diversification by planting other crops to generate additional sources of income.

To **strengthen competitiveness** by developing knowledge and capacities for the adaptation to the challenges posed by climate change, SECO together with Helvetas developed the SeCompetitivo Program. Besides the coffee sector, the Program strengthens competitiveness in agro-processing, tourism and the cocoa sector. In San Martin (Peru), the Program works with the regional government, to support strategies and policies for the mitigation and adaptation to climate change. The promotion of agroforestry – a multifunctional system where woody perennials (like cocoa) are used on the same plot as other crops – is just one example. Such a system allows for a more efficient land use, soil protection, higher yield and income and biodiversity conservation. Moreover, it provides the farmer with timber, fruits, wood and hence strengthens the diversification of their production and finally their competitiveness.

¹⁰⁷ Energy districts are composed of a centralized collective thermal generation plant and pipelines of hot/cold water, which supply thermal energy to one or more buildings of a district. Energy districts allow important economies of scale, the use of different established technologies and locally available (renewable) resources (e.g. gas, water, earth temperature, industry waste heat).

¹⁰⁸ [https://www.helvetas.org/Publications-PDFs/Latin-America/Peru/Desarrollo%20económico/impacto cambio climatico cadena de valor cafe.pdf](https://www.helvetas.org/Publications-PDFs/Latin-America/Peru/Desarrollo%20económico/impacto%20cambio%20climático%20cadena%20de%20valor%20café.pdf)



«Cacao Fino» - San Martín, Peru

Strengthening financial resilience to natural disasters

Not all risks related to the effects of climate change can be mitigated. The above-mentioned example of regular floods in the region of Barranquilla in Colombia illustrate this fact. Middle-income countries have been the most adversely affected by natural disasters in economic terms over the last two decades (direct losses as a percentage of GDP). They are particularly impacted because risk management measures such as building codes and land-use zoning cannot keep pace with their rapidly expanding assets at risk (growth in infrastructure and economic activities).

In this context, middle-income countries have a growing interest in sovereign **disaster risk financing and insurance** to help them be better financially prepared when disasters strike. Most middle-income countries still rely heavily on post-disaster financing through budget reallocation, post disaster borrowing or tax increases. These funds may take time to mobilize, causing potential delays in disaster response and impacting long term economic development. Sovereign disaster risk financing and insurance can help countries secure adequate funds *ex-ante* and execute those funds efficiently and transparently post disaster.

Therefore, SECO supports the Disaster Risk Financing and Insurance Program, implemented by the World Bank. Since the start of the Program in 2011, results show that in Colombia and Peru, the quality and coverage of insurance of public assets has improved. The program helped prepare the issuance of catastrophe bonds that collectively provide USD 1.36 billion in earthquake protection to Chile, Colombia, Mexico and Peru. This is the largest sovereign risk insurance transaction ever and the second largest issuance in the history of the catastrophe bond market. It is the first time that Chile, Colombia, and Peru access the capital markets to obtain insurance for natural disasters (World Bank 2018¹⁰⁹). Following the magnitude 8 earthquake in Peru in May 2019, the Bond made a USD 60 million payout just weeks after the earthquake.

¹⁰⁹ <http://documents.worldbank.org/curated/en/590781533884356379/pdf/129369-WP-PUBLIC-WBSECODRFIAnnualReportFY.pdf>

3.6 Notable Bilateral Meetings 2019

San Jose, 5-8 May 2019: Philippe G. Nell, Minister, Head of the Americas Unit at the State Secretariat for Economic Affairs, visited Costa Rica in order to review and strengthen the bilateral economic relations between Switzerland and Costa Rica. Accompanied by the Swiss Ambassador to Costa Rica, Mirko Giulietti, Minister Nell met with the Minister of Economy, Industry and Trade, Victoria Hernández Mora, and with the President of the Central Bank, Rodrigo Cubero Brealey.

Guatemala City, 8-10 May 2019: After his departure from Costa Rica, Philippe Nell travelled to Guatemala to meet a number of Guatemalan officials. Among others, he held discussions with José Ramón Lam, Vice-Minister of Economy. Meetings with the Swiss-Guatemalan Chamber of Commerce as well as a Swiss firm were also organized. Mr. Nell was accompanied by Hans-Ruedi Bortis, Swiss Ambassador to Guatemala.



Lecture at the Chamber of Commerce, from left to right: Philippe Nell, Chamber President Siegfried Brand and Ambassador Hans-Ruedi Bortis

Bern, 13 June 2019: The Swiss-Argentine Joint Economic Commission held its third meeting. For more information, see section 3.3.

Quito, 1-2 July 2019: Kevin Kienast, Country Officer South and Central America at the State Secretariat for Economic Affairs, had the opportunity to participate at the Political Consultations between Switzerland and Ecuador in Quito, led by Ambassador Bénédicte de Cerjat, Head of the Americas Division at the Federal Department of Foreign Affairs and Ambassador Augusto Saa, Undersecretary for North America and Europe at Ecuador's Foreign Ministry. Furthermore, the delegation held talks with Foreign Trade Minister Ivan Ontaneda, Deputy Foreign Trade Minister Diego Caicedo, Deputy Economic Minister Esteban Ferro, the President of the Chamber of Commerce and Industry, representatives of the World Bank and CAF and representatives of Swiss companies. Economic topics such as the new free trade



The delegations during the Political Consultations

Affairs and Ambassador Augusto Saa, Undersecretary for North America and Europe at Ecuador's Foreign Ministry. Furthermore, the delegation held talks with Foreign Trade Minister Ivan Ontaneda, Deputy Foreign Trade Minister Diego Caicedo, Deputy Economic Minister Esteban Ferro, the President of the Chamber of Commerce and Industry, representatives of the World Bank and CAF and representatives of Swiss companies. Economic topics such as the new free trade

agreement EFTA-Ecuador, a possible new bilateral investment treaty, boosting the Ecuadorian economy under the new administration and company issues played an important role on this mission.

Montevideo, 29 July – 2 August 2019:

Minister Philippe Nell, alongside with Martin Strub, Swiss Ambassador to Paraguay and Uruguay, travelled to Uruguay in order to strengthen bilateral economic relations. The focus of the discussion was on the EFTA-Mercosur FTA negotiations, which were concluded in substance on the 23 of August. Mr. Nell met with Ricardo Baluga, General Director for Integration and Mercosur, as well as members of the Parliament. Other meetings, such as two discussion panels on innovation, contacts with international development banks and think-tanks provided a good overview of Uruguay's economic potential.



Philippe Nell and Ambassador Martin Strub meeting with members of the Uruguayan parliament

Asuncion, 5-8 August 2019: Philippe Nell, accompanied by Martin Strub, Swiss Ambassador to Paraguay and Uruguay, concluded his visit in South America with a second stop in one of the Mercosur countries: Paraguay. He reviewed bilateral economic relations with Liz Cramer, Minister for Industry and Trade, Didier Olmedo, General Director for Economic Policy and Jorge Vergara, Director for Strategic Projects. The EFTA-Mercosur agreement was at the center of the discussions, alongside infrastructure projects in Paraguay and the WTO reform.

Bern, 5 September 2019: Prior to the Swiss-Peruvian Bilateral Economic Meeting (for more information see section 3.3), Marie-Gabrielle Ineichen-Fleisch, Swiss State Secretary for Economic Affairs, met with Jaime Antonio Pomareda Montenegro, Peruvian Vice-Minister of Foreign Affairs. They were both accompanied by a small delegation. Discussions covered the SECO cooperation with Peru, bilateral coordination to promote trade diversification, Peru's adhesion process to the OECD and both countries' National Action Plan on UN Guiding Principles for Business and Human Rights.



Discussions between the Swiss and Peruvian delegation, led by State Secretary Marie-Gabrielle Ineichen-Fleisch and Peruvian Vice-Minister of Foreign Affairs Jaime Pomareda

Mexico City, 18 September 2019: The Swiss-Mexican Consultative Group on Trade and Economic Cooperation held its ninth meeting. For more information, see section 3.3.

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Granada, Nicaragua

Table A.1. Switzerland-Latin America - Share of Goods Exports and Imports, Trading Partners 2018-2019
(CHF million and percentage change)

	Exports			Imports			Share in reg. imp. in %	Trade balance 2019
	2018	2019	Var. (%)	2018	2019	Var. (%)		
SOUTH AMERICA	4'851.0	4'625.6	-4.6	7'531.0	7'892.6	4.8	78.5	-3'267.0
Brazil	2'617.1	2'514.2	-3.9	1'679.7	1'364.1	-18.8	13.6	1'150.1
Argentina	833.3	665.4	-20.2	1'345.4	1'669.1	24.1	16.6	-1'003.7
Colombia	534.0	568.2	6.4	462.6	338.5	-26.8	3.4	229.8
Chile	323.9	368.8	13.9	542.0	744.1	37.3	7.4	-375.3
Peru	168.1	171.6	2.1	2'257.5	2'282.7	1.1	22.7	-2'111.1
Uruguay	169.9	158.6	-6.7	50.7	32.0	-36.9	0.3	126.6
Ecuador	106.6	100.5	-5.7	73.3	313.5	327.7	3.1	-213.0
Venezuela	49.1	29.6	-39.7	3.5	2.6	-26.1	0.0	27.0
Bolivia	23.5	22.9	-2.8	6.8	7.2	6.2	0.1	15.6
Paraguay	21.3	20.6	-3.5	24.8	23.5	-5.5	0.2	-2.9
Suriname	2.9	3.5	22.7	1'053.2	1'081.5	2.7	10.8	-1'078.0
Guyana	1.4	1.9	28.5	31.4	34.0	8.2	0.3	-32.1
CENTRAL AMERICA (including Mexico)	1'940.4	1'930.8	-0.5	1'721.3	1'333.6	-22.5	13.3	597.2
Mexico	1'449.9	1'434.5	-1.1	1'264.0	933.1	-26.2	9.3	501.3
Panama	229.1	233.0	1.7	187.7	99.4	-47.0	1.0	133.6
Costa Rica	184.9	196.9	6.5	108.7	105.5	-3.0	1.0	91.4
Guatemala	32.6	29.1	-10.6	50.1	47.8	-4.6	0.5	-18.7
Honduras	16.3	19.2	17.6	32.5	29.1	-10.2	0.3	-9.9
El Salvador	14.1	12.2	-13.6	2.4	2.8	15.0	0.0	9.5
Nicaragua	5.3	4.0	-24.1	75.3	115.8	53.8	1.2	-111.8
Belize	8.3	2.0	-76.2	0.6	0.1	-83.1	0.0	1.9

Source: Federal Customs Administration, Bern.

Table A.1. (cont.)

Switzerland – Latin America: Share of Goods Exports and Imports, Trading Partners 2018 - 2019
(CHF million and percentage change)

	Exports			Imports			Trade balance 2019		
	2018	2019	Var. (%)	Share in reg. exp. in %	2018	2019		Var. (%)	Share in reg. imp. in %
CARIBBEAN	113.1	113.5	0.4	1.7	307.6	833.7	171.0	8.3	-720.2
Dominican Republic	39.1	39.9	2.0	0.6	212.2	768.2	262.0	7.6	-728.4
Bahamas	19.6	21.4	9.3	0.3	1.3	4.2	224.8	0.0	17.2
Jamaica	14.6	12.4	-15.4	0.2	2.2	1.5	-30.0	0.0	10.9
St. Vincent	1.6	11.0	605.1	0.2	26.5	11.1	-58.0	0.1	-0.1
Cuba	14.4	9.6	-33.5	0.1	37.2	38.7	3.9	0.4	-29.1
Barbados	4.5	5.9	32.4	0.1	19.1	0.6	-96.7	0.0	5.3
Trinidad & Tobago	8.7	4.9	-43.4	0.1	0.8	1.4	82.9	0.0	3.6
St. Kitts and Nevis	2.0	2.7	35.0	0.0	0.3	0.4	50.0	0.0	2.3
St. Lucia	2.7	2.2	-19.1	0.0	0.1	0.0	-80.0	0.0	2.2
Antigua	1.7	1.5	-11.5	0.0	0.1	0.0	-20.0	0.0	1.5
Haiti	1.9	1.3	-30.9	0.0	8.0	6.1	-23.3	0.1	-4.8
Dominica	2.1	0.6	-72.2	0.0	0.0	0.0	0.0	0.0	0.6
Grenada	0.3	0.2	-25.0	0.0	0.1	1.4	1'172.7	0.0	-1.2
TOTAL LATIN AMERICA	6'904.5	6'669.9	-3.4	100.0	9'560.0	10'059.9	5.2	100.0	-3'390.0
COMPARATIVE NUMBERS									
Asia	103'866.9	86'120.4	-17.1	27.6	54'203.5	64'912.6	19.8	23.6	21'207.9
EU	135'081.5	155'706.2	15.3	49.9	170'733.7	163'081.9	-4.5	59.3	-7'375.7
Africa	3'683.9	3'760.9	2.1	1.2	10'477.8	12'424.2	18.6	4.5	-8'663.3
TOTAL SWISS FOREIGN TRADE	303'885.8	311'912.2	2.6	100.0	273'389.1	275'237.1	0.7	100.0	36'675.0

Source: Federal Customs Administration, Bern.

**Table A.2. Switzerland – Latin America: Export and Import of Goods
1965 - 2019**
(CHF million and percentage)

	Exports	Imports	Balance	Share of Latin America in total Swiss trade (%)	
				Exports	Imports
1965	762	385	377	5.9	2.4
1970	1'286	634	652	5.9	2.3
1975	1'847	696	1'151	5.5	2.1
1980	2'100	1'063	1'037	4.4	1.9
1985	2'242	1'260	982	3.3	1.8
1990	2'082	1'995	87	2.4	2.1
1991	2'346	1'893	453	2.7	2.0
1992	2'666	1'674	992	2.9	1.8
1993	2'574	1'174	1'400	2.8	1.3
1994	2'736	1'000	1'736	2.9	1.1
1995	2'393	1'032	1'361	2.5	1.1
1996	2'671	1'008	1'663	2.7	1.0
1997	3'243	1'057	2'186	2.9	1.0
1998	3'694	1'262	2'432	3.2	1.1
1999	3'500	1'166	2'334	2.9	1.0
2000	3'960	1'742	2'218	2.9	1.2
2001	4'143	1'607	2'536	3.0	1.1
2002	3'622	1'673	1'949	2.7	1.3
2003	3'400	1'228	2'172	2.5	0.9
2004	3'678	1'185	2'493	2.5	0.9
2005	3'750	1'416	2'334	2.4	0.9
2006	4'700	1'869	2'831	2.5	1.1
2007	5'463	2'542	2'921	2.7	1.3
2008	6'032	2'370	3'662	2.8	1.2
2009	5'275	2'058	3'217	2.8	1.2
2010	5'838	2'441	3'397	2.9	1.2
2011	5'955	2'655	3'300	2.9	1.4
2012*	6'521	12'843	-6'322	2.2	4.6
2013	6'902	10'653	-3'751	2.1	3.6
2014	6'714	9'837	-3'123	2.4	3.9
2015	6'392	10'034	-3'642	2.3	4.1
2016	6'071	11'555	-5'484	2.0	4.2
2017	6'482	9'454	-2'972	2.2	3.6
2018	6'904	9'560	-2'656	2.3	3.5
2019	6'670	10'060	-3'390	2.1	3.7

Source: Swiss Federal Customs Administration, Bern.

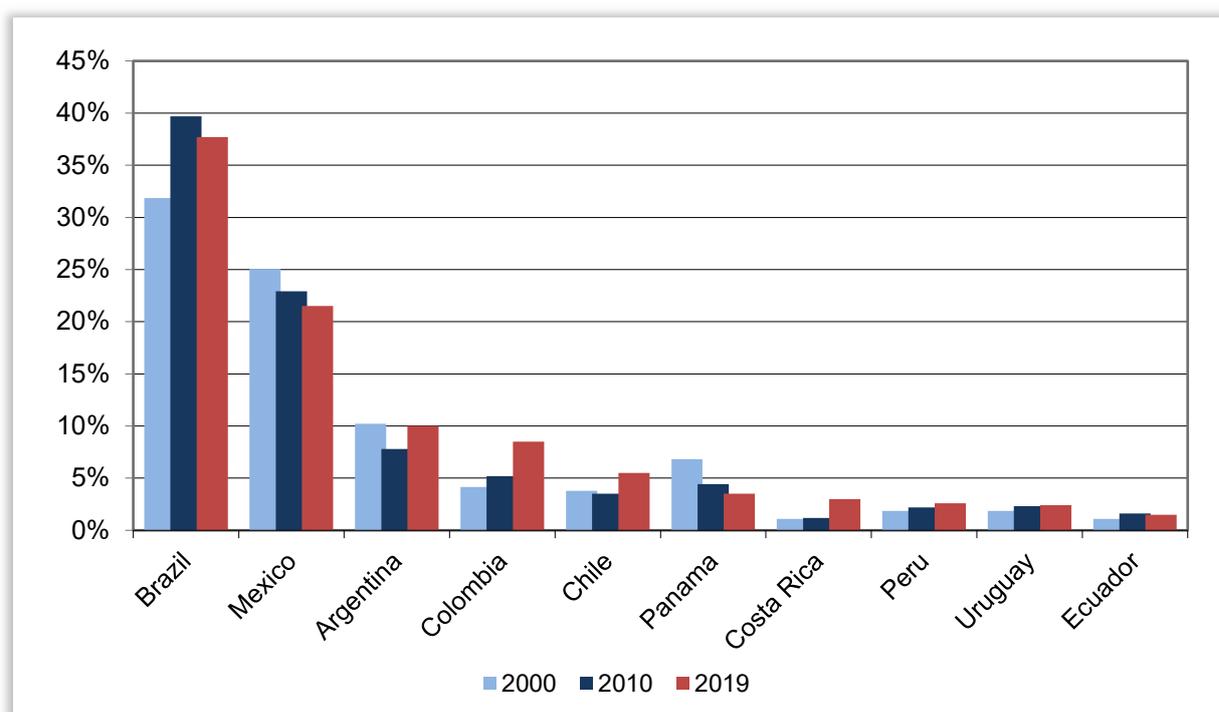
** Following a Federal Council decision, the FCA now includes gold, silver and coins in the trade statistics, which have been backdated to 2012

Table A.3. Switzerland - Latin America: Main Export Destinations for Goods 1990 – 2019
(CHF million and percentage share)

	1990	2000	2010	2018	2019	Var. in % 2019/2018	Share in % 2019
Brazil	536	1'262	2'317	2'617	2'514	-3.9	37.7
Mexico	458	992	1'338	1'450	1'434	-1.1	21.5
Argentina	177	405	455	833	665	-20.2	10.0
Colombia	154	164	303	534	568	6.4	8.5
Chile	104	150	206	324	369	13.9	5.5
Panama	135	270	259	229	233	1.7	3.5
Costa Rica	17	43	68	185	197	6.5	3.0
Peru	61	74	128	168	172	2.4	2.6
Uruguay	31	74	136	170	159	-6.5	2.4
Ecuador	65	43	95	107	100	-6.5	1.5
Others	344	483	533	287	259	-9.8	3.9
Total	2'082	3'960	5'838	6'904	6'670	-3.4	100.0

Source: Swiss Federal Customs Administration, Bern

Figure A.1. Switzerland - Latin America: Share of Goods Exports, Main Trading Partners 2000 - 2019
(% of total Swiss exports to Latin America)



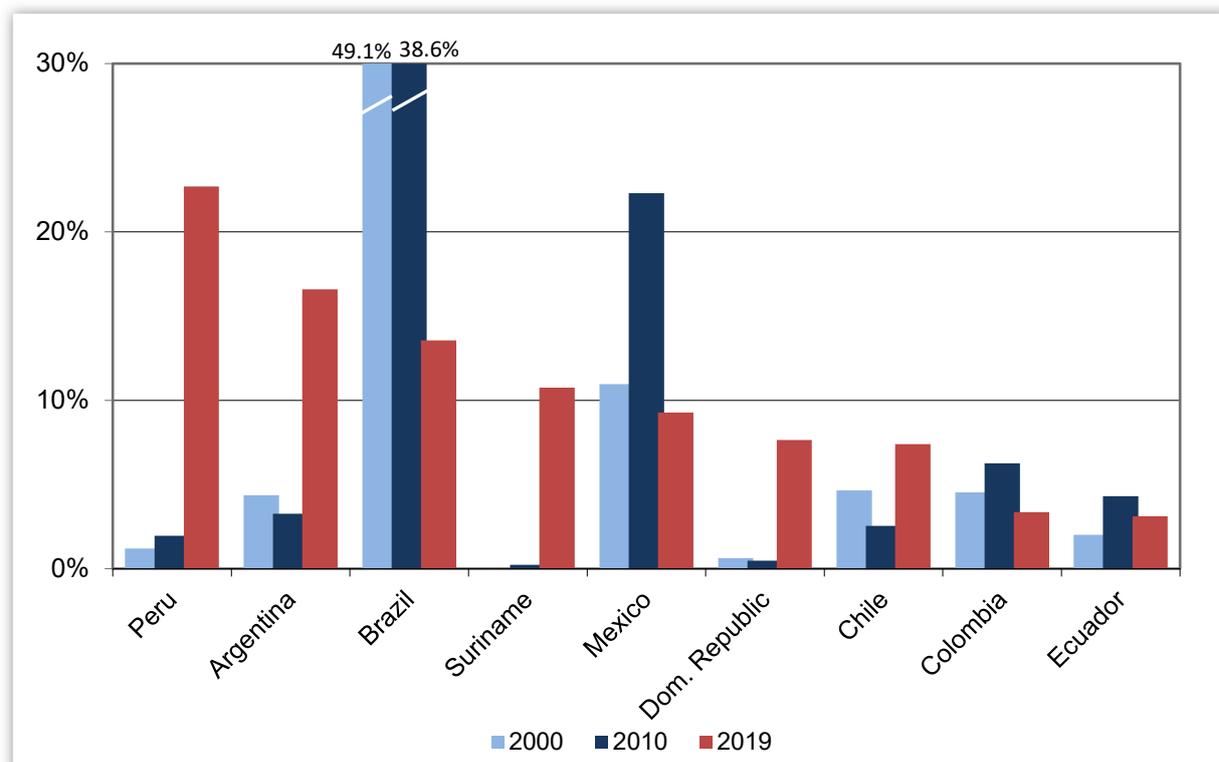
Source: Swiss Federal Customs Administration, Bern

Table A.4. Switzerland - Latin America: Main Countries of Origin for Goods, Imports
1990 - 2019
 (CHF million and percentage)

	1990	2000	2010	2018	2019	Var. in % 2018/2019	Share in % 2019
Peru	29	21	43	2'258	2'283	1.1	22.7
Argentina	118	76	72	1'345	1'669	24.1	16.6
Brazil	345	856	849	1'680	1'364	-18.8	13.6
Suriname	0.1	0.4	5	1'053	1'082	2.8	10.8
Mexico	54	191	491	1'264	933	-26.2	9.3
Dom. Rep.	2	11	11	212	768	262.0	7.6
Chile	36	81	56	542	744	37.3	7.4
Colombia	71	79	138	463	339	-26.8	3.4
Ecuador	12	35	95	73	313	328.8	3.1
Others	1'328	392	442	671	565	-15.7	24.5
Total	1'995	1'742	2'202	9'560	10'060	5.2	100.0

Source: Swiss Federal Customs Administration, Bern

Figure A.2. Switzerland - Latin America: Share of Goods Imports, Main Trading Partners, 2000 - 2019
 (% of total Swiss imports from Latin America)



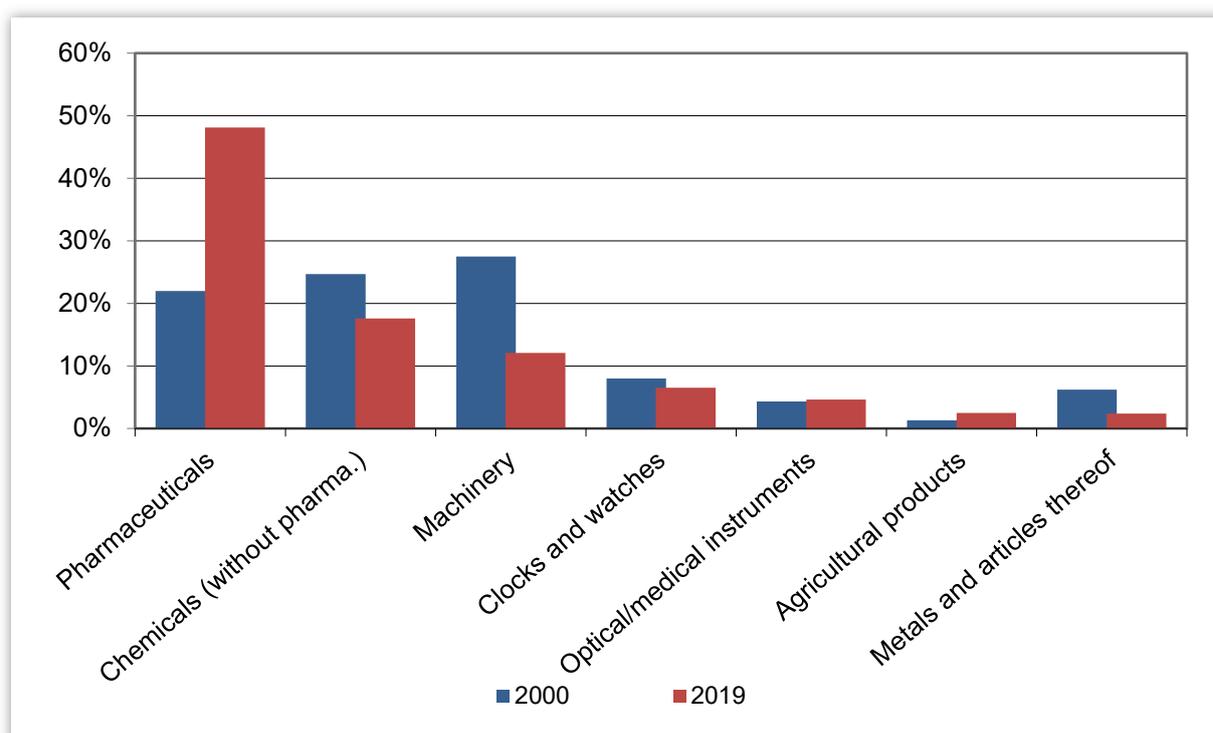
Source: Swiss Federal Customs Administration, Bern

Table A.5. Switzerland - Latin America: Goods Exports by Product Groups
2000 - 2019 (CHF million, percentage)

Chapters of the Harmonized System	Value			Var. in %	Share in %
	2000	2018	2019	2019/2018	2019
1-24 Agricultural products	52.0	153.8	167.3	8.8	2.5
25-26 Mineral products	0.7	0.3	0.3	0.0	0.0
27 Mineral fuels	13.0	1.0	1.2	20.0	0.0
28-38 Chemicals (without pharma.)	976.7	1'146.3	1'175.6	2.6	17.6
30 Pharmaceuticals	872.2	3'342.5	3'208.7	-4.0	48.1
39-40 Plastic, rubber	54.4	81.8	78.2	-4.4	1.2
41-43 Skins, leather and products thereof	3.0	3.0	3.6	20.0	0.1
44-46 Wood	1.6	7.8	5.4	-30.8	0.1
47-49 Paper and articles thereof	25.6	17.9	13.1	-26.8	0.2
50-63 Textiles, clothing	34.0	15.2	14.1	-7.2	0.2
64-67 Shoes, umbrellas, etc.	2.4	2.0	2.2	10.0	0.0
68-70 Stone, glass, ceramic articles	31.6	22.4	21.8	-2.7	0.3
71 Precious stones, metals and jeweller	98.3	67.7	51.9	-23.3	0.8
72-83 Metals and articles thereof	101.8	152.8	162.2	6.2	2.4
84-85 Machinery	1'089.4	928.0	805.1	-13.2	12.1
86-89 Means of transport	95.2	116.2	121.8	4.8	1.8
90 Optical and medical instruments	168.9	301.6	303.9	0.8	4.6
91 Clocks and watches	318.0	448.4	430.9	-3.9	6.5
93 Weapons and ammunition	1.3	1.2	0.2	-83.3	0.0
94 Furniture, bedding etc.	6.8	4.7	3.2	-31.9	0.0
95-97 Toys, sports articles, etc.	13.3	15.3	14.3	-6.5	0.2
Unspecified	-	74.6	84.9	13.8	1.3
Total Swiss exports: Latin America	3'960.2	6'904.5	6'669.9	-3.4	100.0
Total Swiss exports: World	136'014.9	303'885.8	311'912.2	2.6	---

Source: Swiss Federal Customs Administration, Bern

Figure A.3. Switzerland - Latin America: Goods Exports, Main Product Groups
2000 - 2019 (% of total Swiss exports to Latin America)



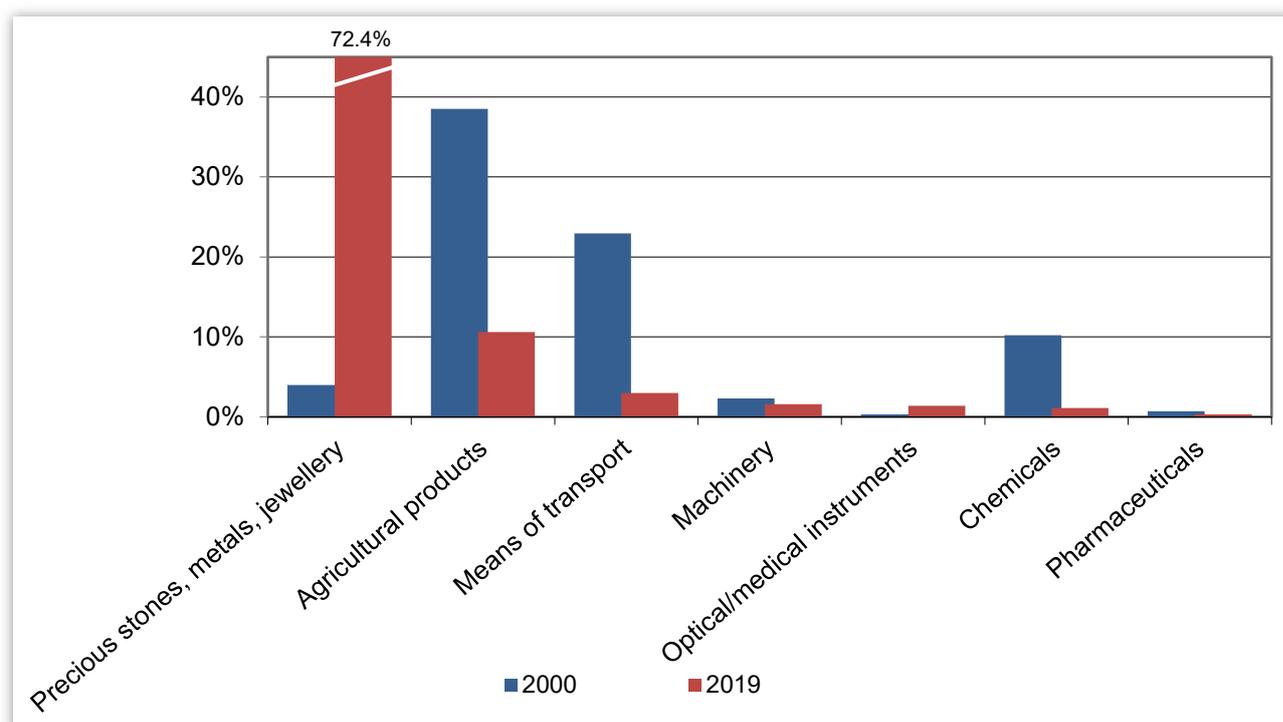
Source: Swiss Federal Customs Administration, Bern.

Table A.6. Switzerland - Latin America: Goods Imports, Product Groups
2000 - 2019
 (CHF million, percentage)

Chapters of the Harmonised System	Value			Var. in % 2019/2018	Share in % 2019
	2000	2018	2019		
1-24 Agricultural products	670.3	1'109.1	1'067.7	-3.7	10.6
25-26 Mineral products	2.5	0.7	0.9	28.6	0.0
27 Mineral fuels	0.2	0.2	0.1	-50.0	0.0
28-38 Chemicals (without pharma.)	178.2	117.1	114.3	-2.4	1.1
30 Pharmaceuticals	11.6	72.1	31.2	-56.7	0.3
39-40 Plastic, rubber	6.3	19.0	17.1	-10.0	0.2
41-43 Skins, leather and articles thereof	4.5	2.6	2.7	3.8	0.0
44-46 Wood	1.5	4.3	5.8	34.9	0.1
47-49 Paper and articles thereof	66.7	15.0	12.5	-16.7	0.1
50-63 Textiles, clothing	17.1	20.6	21.0	1.9	0.2
64-67 Shoes, umbrellas, etc.	3.5	9.1	9.2	1.1	0.1
68-70 Stone, glass, ceramic articles	3.5	4.9	4.9	0.0	0.0
71 Precious stones, metals and jeweller	70.4	7'221.0	7'284.1	0.9	72.4
72-83 Metals and articles thereof	191.5	33.4	14.0	-58.1	0.1
84-85 Machinery	39.7	181.7	161.3	-11.2	1.6
86-89 Means of transport	400.2	270.3	302.0	11.7	3.0
90 Optical and medical instruments	5.5	133.9	139.6	4.3	1.4
91 Clocks and watches	5.7	22.9	17.5	-23.6	0.2
93 Weapons and ammunition	0.2	1.0	0.6	-40.0	0.0
94 Furniture, bedding, etc.	1.6	2.2	3.0	36.4	0.0
95-97 Toys, sports articles, etc.	61.6	17.5	18.5	5.7	0.2
Unspecified	-	272.7	831.9	205.1	8.3
Total Swiss imports: Latin America	1'742.3	9'560.0	10'059.9	5.2	100.0
Total Swiss imports: World	139'402.2	273'389.1	275'237.1	0.7	--

Source: Swiss Federal Customs Administration, Bern

Figure A.4. Switzerland - Latin America: Goods Imports, Main Product Groups
2000 – 2019 (% of total Swiss imports from Latin America)



Source: Swiss Federal Customs Administration, Bern.

**Table A.7. Switzerland - Latin America: Foreign Direct Investment, Main Destinations
1993 - 2018**

(Total FDI stock at the end of year in CHF million, excluding offshore financial centres)

	1993	2000	2017	2018
Brazil	4'214	5'707	10'795	10'487
Mexico	1'872	4'377	5'670	6'516
Colombia	414	1'092	1'221	4'677
Argentina	443	1'782	3'925	3'045
Uruguay	126	421	2'267	2'391
Venezuela	315	1'116	1'750	2'026
Chile*	413	790	-1'958	1'742
Costa Rica	96	130	917	1'079
Ecuador	189	441	317	411
Guatemala	58	88	189	191
Bolivia	n.a.	31	68	74
Peru	413	790	323	27
Others	n.a.	335	929	957
Total	8'211	17'100	26'413	33'623

Source: Swiss National Bank, Zurich.

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



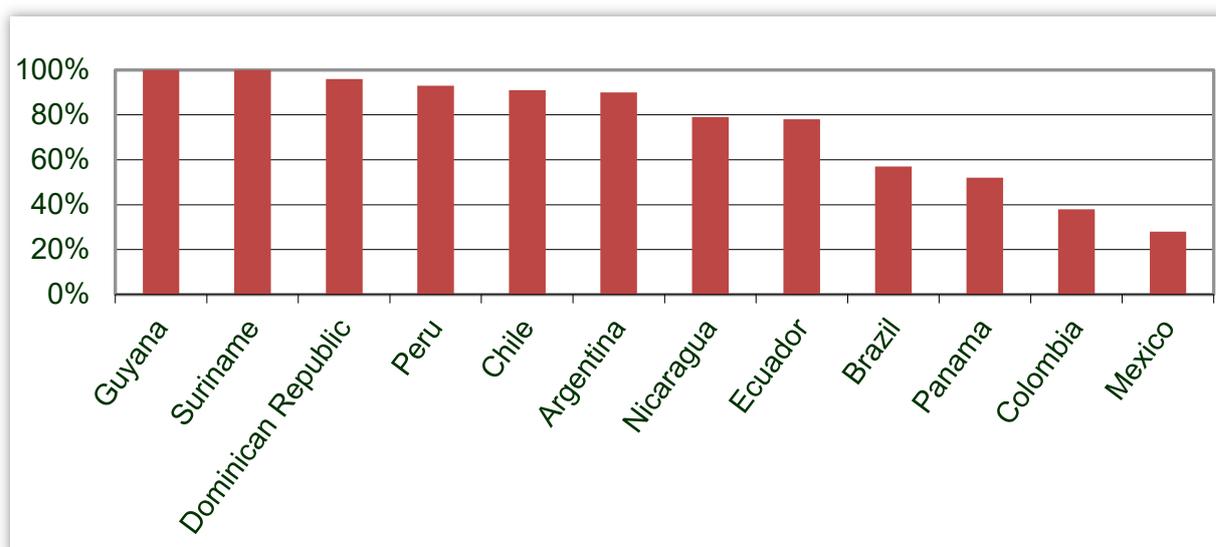
Salto Angel, Venezuela

Table A.8. Switzerland - Latin America: Gold Imports, Main Countries of Origin
2019 (CHF million)

	Gold Imports	Total Imports	Share of gold in total Imports (in %)
Peru	2'115	2'283	93%
Argentina	1'510	1'669	90%
Suriname	1'081	1'082	100%
Brazil	784	1'364	57%
Dominican Republic	735	768	96%
Chile	674	744	91%
Mexico	264	933	28%
Ecuador	244	313	78%
Colombia	130	339	38%
Nicaragua	91	116	79%
Panama	53	99	53%
Guyana	34	34	100%

Source: Swiss Federal Customs Administration, Bern.

Figure A.5. Switzerland – Latin America: Share of Gold Imports, Main Countries of Origin
2019 (% of total imports)



Source: Swiss Federal Customs Administration, Bern.

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

South America		Central and North America	
Argentina*	Trade agreement BIT DTA	26.11.1957 06.11.1992 27.11.2015	19.11.2002 initialised March 2006, adaptation under way 29.08.2014
Bolivia	DTA	declaration of intention: 02.04.1993	15.07.1954 16.09.1996
Brazil*	Trade agreement BIT DTA	01.08.1936 (provisory) signed 11.11.1994; not adopted by the Brazilian parliament DTA signed on 03.05.2018	11.04.1955 03.05.2005 protocol of accession signed: 22.06.2015
Chile*	Trade agreement BIT FTA (EFTA) DTA	31.01.1899 02.05.2002 01.12.2004 05.05.2010	31.08.1998
Colombia*	Trade agreement BIT DTA FTA (EFTA)	02.10.1909 06.10.2009 11.09.2011 01.07.2011	02.09.1950 14.03.1996 08.09.1994; modifying protocol: 23.12.2010 01.07.2001
Ecuador	Trade agreement DTA FTA (EFTA)	21.10.1941 22.12.1995; modifying protocol signed on 26.07.2017, entered into force on 17.4.2019 Signed on 25.06.2018	02.05.2000 declaration of intention: 12.04.1994
Guyana	BIT	02.05.2018	22.08.1985 29.08.2014
Paraguay	Trade agreement BIT	12.12.1969 28.09.1992	22.12.1995
Peru	Trade agreement BIT DTA FTA (EFTA)	21.10.1941 23.11.1993 10.03.2014 01.07.2011	14.04.1954 07.11.1997
Uruguay*	Trade agreement BIT DTA	21.10.1941 22.04.1991 28.12.2011	23.12.1936
Venezuela	BIT DTA Framework agreement on cooperation	30.11.1994 23.12.1997 06.05.2009	21.11.1991 27.12.1995 30.05.2006 04.07.2012 20.03.1974

*AEOI: Automatic Exchange of Information (details in chapter 3.3)

BIT: Agreement on the Protection and Promotion of Investments

DTA: Double Taxation Agreement

FTA: Free Trade Agreement

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

Chambers of Commerce in Switzerland	
Latin American Chamber of Commerce in Switzerland (Latcam)	
Kasernenstrasse 11 CH-8004 Zurich	
Tel.:	+41 44 240 33 00
President:	Ramon Esteve
Director:	Tatjana Gaspar
Honorary Ambassador	Dr. Philippe G. Nell
E-mail:	latcam@latcam.ch
Website:	www.latcam.ch
Swiss-Cuban Chamber of Commerce and Industry (SwissCubanCham)	
SwissCubanCham Hirschmattstrasse 25 6002 Luzern	
Tel.:	+41 41 227 04 07
President:	Andreas Winkler
E-mail:	info@swisscuban.org
Website:	www.swisscuban.org
Chambers of Commerce in Latin America	
Argentina	Cámara de Comercio Suizo Argentina
	Av. Leandro N. Alem 1074 Piso 10 C1001AAS Buenos Aires, Argentina
	Tel.: +54 11 4311 7187
	President: Dr. Rodolfo Dietl
	General Manager: Cecilia Dibárbora
	E-mail: info@suiza.org.ar
	Website: www.suiza.org.ar
Brazil	Câmara de Comércio Suíço-Brasileira
	Av. das Nações Unidas, 18.001 04795-900 São Paulo, Brazil
	Tel.: +55 11 5683 7447 / +41 44 586 37 41
	President: Philip Schneider
	Executive Director: Stefania Moeri Hertach
	E-mail: swisscam@swisscam.com.br
	Website: www.swisscam.com.br
Chile	Cámara Chileno-Suiza de Comercio (CCHSC) A.G.
	Antonio Bellet 77 – Of. 104 Providencia, Santiago de Chile
	Tel.: +56-2-2244 1901
	President: Gonzalo Rojas
	General Manager: Constanza Cardenas
	E-mail: constanza.cardenas@swisschile.cl
	Website: www.swisschile.cl

Colombia	<p>Cámara de Comercio Colombo-Suiza Calle 98, No 15 – 17, Oficina 402 Bogotá, Colombia</p> <p>Tel.: +57 1 6018787 / 6017681 / 6017684 President: Eric Wildhaber Executive Director: Silvia Gutierrez Díaz E-mail: direccion@colsuizacam.com colsuizacam@colsuizacam.com Website: www.colsuizacam.com</p>
Cuba	<p>Swiss-Cuban Chamber of Commerce and Industry Centro de Negocios Miramar Edo. Jerusalem. Of. 214 Ave. 3ra, Esq. 80 Miramar, Playa, La Habana</p> <p>Tel.: +53 7 204 9020 Fax.: +53 7 204 2029 President: Andreas Winkler E-mail: andreas.winkler@swisscuban.org info@swisscuban.org Website: www.swisscuban.org</p>
Dominican Republic	<p>Cámara de Comercio y Turismo Dominicano-Suiza Plaza Universitaria, Local 22A, primer piso Av. Sarasota #19 Esq. Av. Enrique Jiménez de Moya Bella Vista, Zip 10108 Santo Domingo, República Dominicana</p> <p>Tel.: +1 809 475 1721 / +1 849 295 5040 Fax: +1 809 412 7828 President: Gaetan Bucher E-mail: g.tahan@camaradominicosuiza.org Website: www.camaradominicosuiza.org</p>
Ecuador	<p>Cámara de Industrias, Comercio y Servicios Ecuatoriano - Suiza Av. Eloy Alfaro N35-09 y Portugal Ed. Millenium Plaza Quito Quito, Ecuao</p> <p>Tel.: +593 – 2 333 20 48 ext. 107 President: Sofia Almeida Moreno E-mail: comunicacion@ahkecuador.org.ec</p>
Guatemala	<p>Cámara de Comercio Suizo-Guatemalteca 16 Calle 0-55 zona 10 Torre Internacional nivel 14 01010 Ciudad de Guatemala, Guatemala, C.A</p> <p>Tel.: +(502) 23 67 55 20 President: Siegfried Brand E-mail: info@camaradecomerciosuizoguatemalteca.org.gt Website: https://camaradecomerciosuizoguatemalteca.org.gt</p>

Mexico	<p>Asociación Empresarial Mexicano-Suiza, A.C. Av. Oaxaca 96, Col. Roma Norte, Delegación Cuauhtémoc, C.P. 06700, México, CDMX</p> <p>Tel.: + 52 1 55 5543 7862 President: Alexandre Rodel Secretary: Marleen Van Outrive E-mail: inesblaser.aems@gmail.com Website: www.aems.mx/</p>
	<p>Cámara Suizo-Mexicana de Comercio e Industria, A.C. (SwissCham) Lago Alberto 319, Piso 12, Col. Granada, Delegación Miguel Hidalgo, C.P. 11320 Ciudad de México, México</p> <p>Tel.: +52 (55) 5081 1893 President: Fernando J. Cruz Director General: Christian Michel-Casulleras E-mail: info@swisscham.mx Website: http://swisscham.mx/</p>
Panama	<p>Cámara de Comercio Suizo Panameña (CCSP) Edificio Casa Blanca Avenida Justo Arosemena y Calle 44 Bella Vista Panamá, RP de Panamá</p> <p>Tel.: +507 210 8900 President: Andreas Eggenberg Executive Director: In process of elaboration E-mail: swisschamberpanama@gmail.com Website: In process of elaboration</p>
Paraguay	<p>Cámara de Comercio Paraguayo-Suiza Dr. Juan Eulogio Estigarribia 5086 Asunción, Paraguay</p> <p>Tel.: +595 076 388 790 President: Sebastián Campos Cervera Executive Director: Lucía Yakusik E-mail: info@swisschamperu.com Website: http://swisschamperu.com/</p>
Peru	<p>Cámara de Comercio Suiza en el Perú Av. Salaverry 3240, Piso 1 Lima 27, Peru</p> <p>Tel.: +51 1 264 35 16 President: Felipe Antonio Custer General Manager: Corinne Schirmer E-mail: info@swisschamperu.org Website: www.swisschamperu.org</p>

Uruguay	<p>Cámara de Comercio Suizo-Uruguaya Pablo de María 1065 11200 Montevideo, Uruguay</p> <p>Tel.: +59 82 419 33 85 President: Graciela Reybaud Secretary: Helga Ringeltaube E-mail: info@swisschamuruguay.org.uy Website: www.swisschamuruguay.org.uy</p>
Venezuela	<p>Cámara Venezolano-Suiza de Comercio e Industria Torre Europa, Piso 6, Ofc. 6-A Av. Francisco de Miranda, Campo Alegre, Chacao Apartado postal 1060 A Caracas 1060, Venezuela</p> <p>Tel.: +58 212 953 51 55 / +58 212 953 37 85 President: Claudio Petrini Executive Director: Fini Otero E-mail: info@camarasuiza.org Website: www.camarasuiza.org</p>

Swiss Business Hubs and swissnex	
Brazil	<p>Swiss Business Hub Brazil c/o Consulado Geral da Suíça Av. Paulista 1754, 4º andar Edifício Grande Avenida 01310-920 São Paulo</p> <p>Tel.: +55 11 3372-8200 Director: Philippe Praz E-mail: philippe.praz@eda.admin.ch Website: www.s-ge.ch</p>
Brazil	<p>swissnex c/o Consulado Geral da Suíça Rua Cândido Mendes, 157, 12 andar Rio de Janeiro / RJ 20241-220</p> <p>Tel.: +55 21 3806 2141 CEO: Maria Conti E-mail: maria.conti@swissnexbrazil.org Website: www.swissnexbrazil.org</p> <p>swissnex c/o Consulado Geral da Suíça Av. Paulista 1754, 10º andar 01310-920 São Paulo SP</p> <p>Tel.: +55 21 3806 2100 E-mail: ask@swissnexbrazil.org Website: www.swissnexbrazil.org</p>

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