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REPORT 2007

Bern, June 2008

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Acknowledgements

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Foreword

The objective of this *Report* is to present a synthesis of the economic relations between Switzerland and Latin America. Swiss presence is significant and results from ties established during the past centuries through Swiss immigration and Swiss firms participation in the regions's economic and social development. Our economic relations are presently characterized by three key factors.

First, a continuous strengthening of our institutional ties. Switzerland has taken significant initiatives with the economic strategies adopted by the Federal Council for Brazil (2006) and Mexico (2007). They have led to a Memorandum of Understanding establishing a Joint Commission on Trade and Economic Relations with Brazil and to an intensified dialogue with Mexico. The finalisation of the negotiations for free trade agreements with Colombia and Peru, the ratification of Double Taxation Agreements with Chile and Colombia and of an Investment Promotion and Protection Agreement with Colombia will give new impulses to our economic ties.

Second, strong trade data. After several years of erratic pattern, 2007 confirmed the vigorous growth initiated in 2004. This owes to sound macro-economic policy, open economies and domestic demand fuelled by local expansion and high commodity prices. We should aim at doubling our trade in the coming years in order to regain Latin America's share in Swiss trade of the early 70s.

Third, a mixed picture for investment. On one hand, Switzerland has a good position in the region based on a longstanding presence of its major firms. On the other, conditions for doing business, security and the political situation in several countries imply that small- and medium-sized Swiss firms are very cautious toward starting operations. In addition, major Swiss firms have faced recently nationalisations in Bolivia (mining) and Venezuela (cement), denunciation of concessions in Ecuador (inspection services) and destruction of industrial property in Colombia (food). This affects the overall investment climate in a continent in close competition with other parts of the world.

The special section of this *Report* is devoted to free trade zones in Latin America. All the key relationships are highlighted with their degree of liberalisation. Integration has brought significant benefits and may provide additional sources of growth provided the large number of free trade arrangements could be linked together in a single free trade system.

This year's *Report* introduces also a new feature elaborated by the Swiss Embassy in Uruguay with key website addresses for business on trade and investment in Latin America.

Monika Rühl Burzi
Ambassador, Head of Bilateral Economic Relations
State Secretariat for Economic Affairs

Introduction

This *Report* first reviews the economic situation in Latin America. Section II presents an analysis of the major free trade arrangements in the region with their degree of liberalisation and perspectives. Section III focuses on Swiss-Latin American relations in 2007 with the evolution of trade and investment flows, bilateral agreements, SECO's development programs and bilateral official visits; new developments in Latin American integration are also briefly presented.

I. Economic situation in Latin America in 2007[1]

A recent report of the Inter-American Development Bank (IDB) entitled "*All That Glitters May Not Be Gold*" cautiously reflects the economic situation of Latin America and addresses the need to remain vigilant and tackle important issues by saying: "*After all, it is often the case that fragilities are both generated and easily missed in good times*."[2]

With 5.6%, the Latin American economy continued to grow at a high pace in 2007. The best performances were realised by Panama (11.2%), Peru (9.0%), Argentina (8.7%) and Venezuela (8.4%). As in previous years, this positive development was driven by strong foreign and domestic demand. In particular, domestic investment (+11.6%) and private consumption (+6.8%) increased sharply. Domestic demand - investment and consumption - was an important vector of growth pursuing on a trend which led the average purchasing power to increase by 22% since 2003, as the region moved toward sustained growth. So far, the Latin American economy appears to be more resistant to external shocks. The U.S. financial crisis has had only a marginal influence on the region's banking system and bond prices.

Regarding the external sector, current accounts registered a surplus of 0.7% of GDP. This result is lower (-1%) than in 2006 and reverses a five-year trend. In 2007, Latin America's total exports grew by 12.3% and imports by 18%. The latter reflects a strong increase in domestic demand. The terms of trade[3] improved by 2.6% resulting from higher international prices for primary products exported from the region. Remittances represented about 2% of GDP and generated large inflows of foreign exchange. Remittances, trade surpluses,

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[1] Sources: ECLAC (2007): *Preliminary Overview of the Economies of Latin America and the Caribbean*, United Nations Publications, December; ECLAC Notes (2008), January, No. 56; Inter-American Development Bank (2008): *Annual Report 2007*, Washington; ECLAC (2008): *Latin America and the Caribbean Will Grow 4.7% in 2008*, Press release, April 23.

[2] Inter-American Development Bank (2008): *All That Glitters May Not Be Gold*, April,Washington,D.C.

[3] The terms of trade express the relative prices of a country's exports to imports.

increased inflows of foreign direct investments as well as the weakness of the USD and higher inflation led to an appreciation of many Latin American currencies.

On the domestic side, the fiscal situation started to deteriorate in several countries due to pro-cyclical financial policies. Government expenditures grew more rapidly than revenues, in spite of the favourable economic environment. Nevertheless, the region registered a primary surplus[4] of 2.2% of GDP (2006: 2.6%). Taking interests payments on public debt into account this figure drops to –0.1% (2006: 0.1%).

Inflation climbed up to 6.1% in 2007 (2006: 5.0%), due to pressure from higher international food and energy prices and strong domestic demand. The gradual decrease registered at the regional level since 2002 was reversed; Bolivia (11.9%) and Venezuela (20.7%) had the highest rates.

Investment remained dynamic, although less than in Asia, and accounted in 2007 for 20% of the region's GDP. Most countries reported increased inflows of private capital. Foreign direct investment (FDI) into the region increased by 34%, reaching a new record (2.3% of GDP). This exercised pressure on exchange rates and contributed to the accumulation of international reserves (3.5% of GDP).

According to the IDB, continued growth and low inflation led to a declining poverty rate, from 36.5% in 2006 to 35.1% in 2007; extreme poverty decreased from 13.4% to 12.7%. The first Millennium Development Goal for 2015, to reduce extreme poverty by half of its 1990 level, is now in sight for most of the region's countries.

The economic outlook for 2008 remains positive although with a slight slowdown. Regional GDP growth is projected between 4 and 4.5%, taking into account slower growth in the USA - affecting mainly Mexico and Central America - as well as possible price moderation for export commodities. Inflation should continue its upswing, current account surpluses should further diminish and more than half of the region's governments should increase expenditures. The IDB explicitly points out a lack of competitiveness in the global economy. Albeit the improvement of macroeconomic conditions in the region, there remains a performance gap with respect to Asia and more recently to emerging Eastern Europe. Furthermore, the resurgence of populism and authoritarianism in some countries could put at risk the hard earned progress made in re-establishing democracy and transforming to market friendly economies.

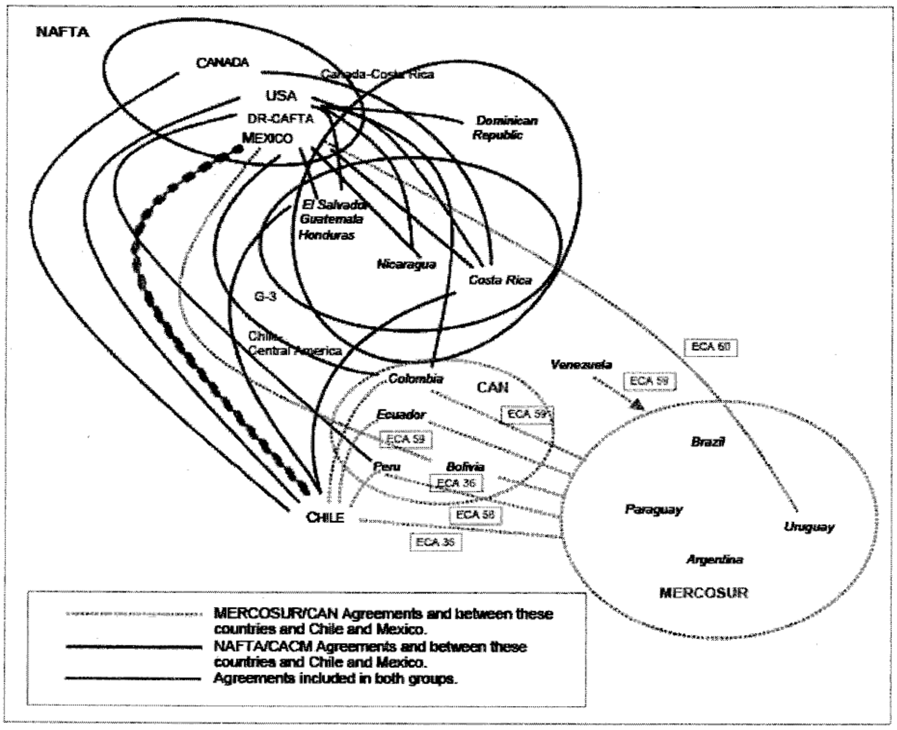
[4] Primary surplus: fiscal position without public debt interest payments.

II. Free trade regimes in Latin America

Latin America and the Caribbean (LAC) are characterised by a wide array of regional trade agreements. Nevertheless, with a share of some 15%, intraregional trade is well below other regions of the world.[5] Explanatory factors include strong natural resources orientation, a low degree of complementarity, limited market size, low intra-industry trade potential and export diversification (except for Brazil, Mexico and Argentina), transport barriers, partial market opening between some countries and foreign competition, in particular from China. Economic integration has fragmented the region in dozens of free trade zones, making it difficult for business to keep track of existing arrangements and make full use of them. This situation is not specific to Latin America. Already in the mid 1990s, J. Bhagwati coined the term "*spaghetti bowl*" to refer to the explosion of preferential trade agreements across the world and their complex inter-relationships.[6]

The objective of this section is to shed some light on the Latin American "*spaghetti bowl*" with the major regional integration schemes, their relations with other blocs and countries in the region and the degree of tariff liberalisation.[7]

Figure 1: America's Spaghetti Bowl



Source: Cornejo, R. and Harris J., *Convergence in the Rules of Origin Spaghetti Bowl: Methodological Proposal*, Intal Working Paper 34, IDB, October 2007

5 Between 2000 and 2004, only 15.3% of LAC-exports were intraregional. Source: J.L. Machinea, Latin America and the Caribbean in the World, ECLAC, Santiago, September 2006

6 Bhagwati, J., US Trade Policy: *The Infatuation with Free Trade Agreements*, in Bhagwati J. and Krueger, A., The Dangerous Drift to Preferential Trade Agreements, AEI Press, 1995.

7 It would be far beyond the scope of this section to seek completeness and provide details on the different initiatives and agreements . For an overview of the existing and planned trade agreements in the LAC-region, please consult: www.sice.oas.org

1. Regional integration in South America

a. Mercosur

The Southern Common Market - Mercosur - was established in 1991 by the *Treaty of Asunción* to promote the free movement of goods, services, persons and capital between Argentina, Brazil, Paraguay and Uruguay. In 1994, the Members decided to establish a customs union with a common external tariff. Venezuela signed a membership agreement in June 2006, and will become full member after completion of ratification procedures.

Since 1990, intra-Mercosur exports have grown six-fold to USD 25.7 billion (2006) while overall exports by Mercosur Members have increased by a factor of four to USD 190.8 billion.[8] Except for the 1998-2002 period, when Mercosur exports declined as a result of the Argentinean crisis, they have increased faster than overall exports. In 2004, Mercosur accounted for 23.7% of intra Latin American trade.[9] Lately, steep rises in intra-regional exports of vehicle parts, common metals and chemicals were registered. With Brazil's and Argentina's renewed economic growth, sound macro-economic policies and strong international demand for their staples, Mercosur displays a significant potential to supply consumer goods for its population of 235 million and investment equipment for its growing manufacturing, agricultural and food processing sectors.

Since 2000, free trade is fully in place except for sugar and some automotive products. However, products are not in free circulation as duties are charged on re-exports.[10] In addition, non-tariff barriers in the areas of sanitary and phytosanitary measures and technical norms impede trade for selected products. With regard to services, commitments within Mercosur do not match GATS.[11]

Mercosur Members have granted an associate status including free trade relations to Chile (1996) and the Members of the Andean Community - Bolivia (1996), Colombia, Ecuador and Venezuela (2004), and Peru (2005). In 2007, trade was only partially liberalised between Brazil and Colombia (28.4% of the tariff lines), Ecuador (23.2%), Venezuela (22.5%) and Peru (16.3%). Argentina had lower rates with Ecuador (12% of the tariff lines), Colombia (8.9%), Venezuela (8.9%) and Peru (3.9%). Uruguay and Paraguay had a liberalised level with the Andean countries ranging from 7 to 11%, except between Uruguay and Peru (62.4%). Based on dismantling schedules, more than 80% of the tariff lines should be liberalised by 2015 and the remaining ones by 2019.[12]

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[8] Economic Commission for Latin America (ECLAC), *Latin America and the Caribbean in the World Economy 2006: Trends 2007*, p. 130.

[9] Cornejo, Rafael and Harris, Jeremy, *Convergence in the Rules of Origin. Spaghetti Bowl: A Methodological Proposal*, Institute for the Integration of Latin America and the Caribbean, Intal Working Paper 34, IDB, October 2007.

[10] ECLAC, *op. cit.,* p. 131.

[11] IADB, *MERCOSUR. Regional programming paper (2005-2008)*, June 2005, p. 9f.

[12] Cornejo, Rafael and Harris, Jeremy, op. cit., tables 4, 6.

b. Andean Community

The Andean Community (CAN) - formerly called the Andean Pact - was created in 1969 with the *Cartagena Agreement* by Bolivia, Chile, Colombia, Ecuador and Peru. Venezuela joined in 1973 and left in 2006; Chile withdrew in 1976 and renewed ties in 2006 as an Associate Member. CAN's objective is to promote a balanced and harmonious development of its Members under equitable conditions through integration and economic and social cooperation.

During the 1990s, the Andean countries made significant progress to dismantle customs duties. They embarked on a path aimed at bolstering the region's global market position and started negotiations to establish a customs union. Today, CAN Members[13] have eliminated all customs duties. Sub-regional integration has contributed to diversify exports. Since 1969, intra-community trade increased more than tenfold, reaching USD 10.7 billion in 2006.[14] CAN accounted in 2004 for 10.4% of intra Latin American trade. However, continuing restrictions in Community trade, compounded by physical barriers, prevent the Members from reaping all the potential benefits of integration and of a market of 130 million people.[15]

With Mercosur, CAN Members have some common rules and disciplines as well as bilateral commitments.[16] Despite the large size of Mercosur's market and its industrial potential, it accounts only for 3% of CAN exports, 9.7% of CAN imports[17] and 6.4% of intra Latin American trade.[18]

c. Chile

Chile has signed an association agreement with Mercosur (1996) with a free trade component encompassing all products. In 2004, Mercosur-Chile trade accounted for 11.6% of intra Latin American trade.[19] Chile has also concluded an FTA with Peru (2006) liberalising 85.3% of the products[20] and liberalised some products with CAN, and Ecuador separately. In Central America, Chile has established free trade ties with Costa Rica and El Salvador liberalising as of 2007 respectively 95.6% and 94.7% of the tariff lines.[21] In addition, Chile has a broad network of FTAs including each NAFTA Member as well as partners outside the American region.

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[13] Until 2011, Venezuela remains committed to maintain national treatment, prohibit barriers to trade proceeding from Andean countries, maintain trade liberation programmes agreed upon with its former partners, and extend MFN treatment.

[14] CAN, *38 años de integración comercial de bienes en la Comunidad Andina, 1969 - 2006*, Lima, 2007.

[15] IDB, *Andean Community. Regional Programming Paper (2006-2009)*, February 2007, p. 3f.

[16] Intal, *Mercosur Report 2004-2005*, p. 93

[17] Intal, *Andean Report 2002-2004*, p. 44.

[18] Cornejo, Rafael and Harris, Jeremy, op. cit., table 6.

[19] ibid.

[20] ibid., table 4.

[21] Cornejo, Rafael and Harris, Jeremy, op. cit., table 3.

2. Regional economic integration in Central America and the Caribbean

a. Central American Common Market

The Central American Common Market (CACM) was established in 1960 with the *Treaty of Managua* by El Salvador, Guatemala, Honduras and Nicaragua. Costa Rica joined CACM three years later. The organisation collapsed in 1969 with the Football War between El Salvador and Honduras, but was reinstated in 1991. Its objectives are to unify the economies of its members and promote the development of Central America through the establishment of a common market as well as a customs union.

CACM has succeeded in removing duties on most products and in establishing largely unified external tariffs, though the envisaged customs union is not yet fully accomplished. Accordingly, trade among Members has steadily increased since 1990, to reach an intra-zone trade coefficient of 18% in 2007[22] and 5% of intra Latin American trade.[23] Since 1990, trade between CACM partners has increased by a factor of eight, whereas CACM's exports worldwide have grown six-fold.[24]

In 2004, CACM members and the Dominican Republic signed a Free Trade Agreement with the USA (CAFTA-DR), which has been ratified by all countries except Costa Rica.[25] The Agreement has been very beneficial for the subregional integration process since there are clear synergies between CACM and CAFTA-DR: both aim at achieving institutional, legal and procedural changes in the countries and accomplishing greater flexibility and transparency in trade within the region and between the region and other countries.[26] A large share of CAFTA-DR exports to the US was already covered under preferential schemes and exempt of customs duties. The FTA provides a permanent status to trade liberalisation and should encourage investment relying on the countries' comparative advantage with low labour costs. In addition, the FTA incorporates rules in several areas such as services, government procurement, intellectual property, investment and competition. CACM members have also signed cooperation agreements with both Mercosur and CAN as a first step toward strengthening relations with FTAs.

b. CARICOM

The Caribbean Community (CARICOM) was established in 1973 by the *Treaty of Chaguaramas*. The first four signatories were Barbados, Jamaica, Guyana and Trinidad and

[22] ECLAC, *op. cit.*, p. 140f.
[23] Cornejo, Rafael and Harris, Jeremy, *op. cit.*, table 6.
[24] ECLAC, *op. cit.*, p. 141.
[25] The deadline for the ratification of the Agreement by Costa Rica has been extended until October 1, 2008.
[26] ECLAC, *op. cit.*, p. 141.

Tobago. Today, CARICOM has 15 members[27] and five associate members.[28] The Community pursues the objective to promote accelerated, co-ordinated and sustained economic development in and among Member countries, expand trade and economic relations with third States as well as enhance levels of international competitiveness.

In January 2006, the Caribbean Common Market was formally set up. It is conceived as a preliminary step toward a single market and provides for free movement of goods and services, the right of establishment, as well as for free movement of skilled labour and capital. A monetary union shall be established between 2010 and 2015.

CARICOM has concluded preferential trade agreements with Venezuela (1993) and Colombia (1995), as well as free trade agreements with Cuba (2000), the Dominican Republic (2000) and Costa Rica (2004), discussions with Mercosur being underway.

3. Mexico

Mexico is a member of the North American Free Trade Agreement (NAFTA) concluded in 1994 with Canada and the USA. NAFTA accounts for over 80% of Mexico's exports and over 50% of its imports.

In Central America, Mexico has FTAs with Costa Rica (1994), the "Northern Triangle" (El Salvador, Guatemala and Honduras; 2000) and Nicaragua (1997) liberalising in 2007 respectively 98.3%, 91.5%, 92.1%, 73.7% and 99.2% of the tariff lines.[29]

In South America, Mexico has FTAs with Colombia (1994), Bolivia (1994), Chile (1998) as well as Uruguay (2003) liberalising in 2007 respectively 94.1%, 96.9%, 98.6% and 92.3% of the tariff lines.[30] Finally, Mexico has a preferential agreement in the automotive sector with Mercosur (2002), which could eventually lead to an FTA.

Concluding remarks

Latin America has reached a significant level of sub-regional economic integration through free trade. Business has benefited from the elimination of barriers, firms using better economies of scales by producing specific products in a single location for several national markets. Between sub-regional groups, further progress is necessary to increase product coverage and open markets.

The multiplication of trade arrangements by Mercosur and individual Members of the Andean Community, as well as Mexico and Chile, should be rationalised with a single free trade system linking all the agreements. This could be achieved along the lines of the model

[27] Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and Grenadines, Surinam, Trinidad and Tobago.

[28] Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Turks and Caicos Islands.

[29] Cornejo, Rafael and Harris, Jeremy, op. cit., table 3.

[30] ibid., table 4.

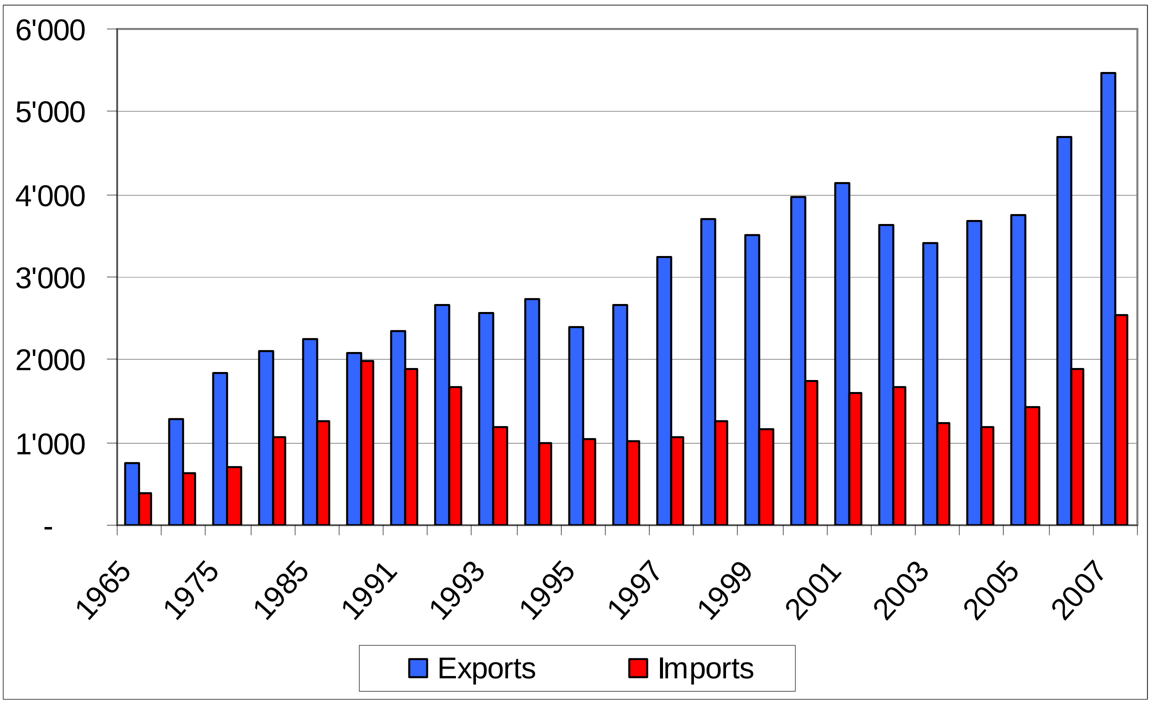
developed in Europe with pan-European cumulation[31], presently extended to the Mediterranean Basin.[32] A group of core-countries should take the lead ; it would simplify drastically administrative procedures for firms, increase efficiency in production processes and bring significant dynamism to trade.

III. Bilateral economic relations

1. Trade

In 2007, trade with Latin America has achieved record levels for Swiss exports (+16%) and imports (+35%), thereby performing well above overall Swiss exports (+11%) and imports (+9%). Nevertheless, Latin America's share in Swiss trade remains modest accounting for only 2.7% of total Swiss exports and 1.3% of imports.

Figure 2 Swiss exports and imports to Latin America, 1965 - 2007 (Million CHF)



Source: Statistics from the Swiss Federal Customs Administration, Bern.

Brazil (34%) and Mexico (25%) account for almost 60% of Swiss exports to Latin America. Between 1990 and 2007, their relative importance has increased. This clearly reflects the potential of their economies as well as Swiss firms' strong presence in these markets through foreign direct investment.

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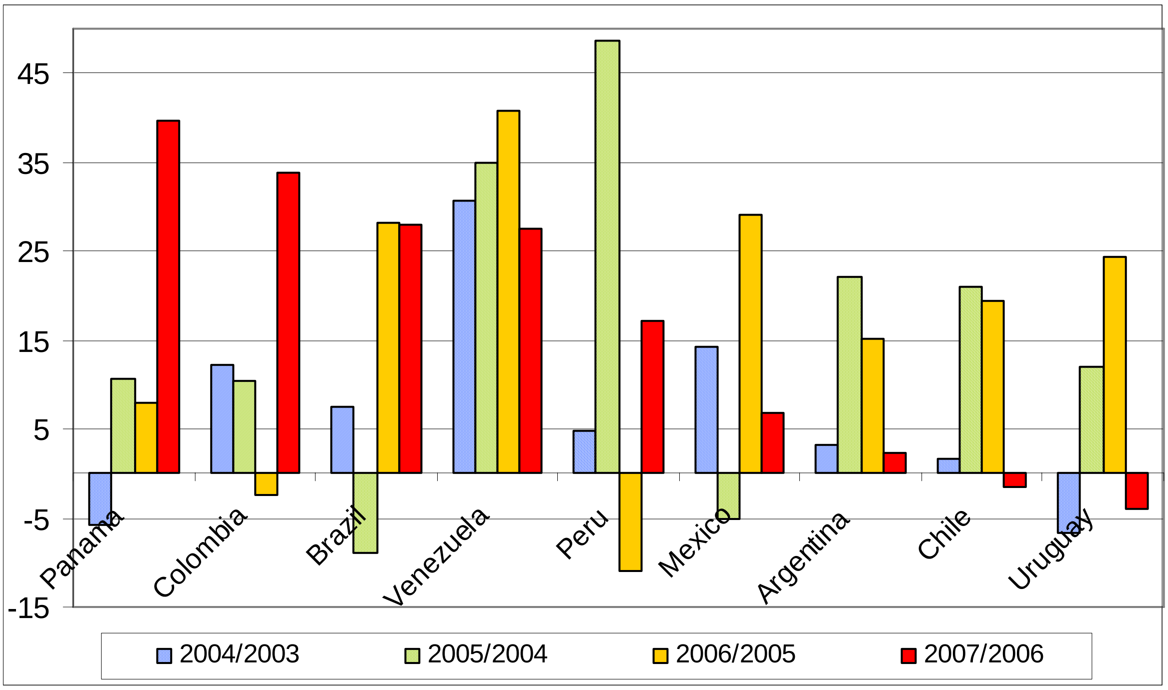
31 For an analysis see: Nell, Philippe G., "Extension of the European Union/EFTA regional trading bloc to Central and Eastern Europe", *World Competition*, Vol 20 No. 3, March 1997; Nell, Philippe G., "EFTA and the EU/Eastern Europe Regime for Outward Processing of Textiles: Major Integration through Paneuropean cumulation", *Aussenwirtschaft*, II, 1998.

32 For further information see: www.ezv.admin.ch/zollinfo_firmen/abfertigungshilfen/00372/index.html?lang=fr&download=M3wBPgDB/8ull6Du36WenojQ1NTTjaXZnqWfVp7Yhmfhnapmmc7Zi6rZnqCkkIN2fX58bKbXrZ6lhuDZz8mMps2gpKfo&typ=.pdf

Among the major regional export markets for Swiss products, the strongest growth rates were registered in 2007 by Panama (+40%), Colombia (+34%), Brazil (+28%), Venezuela (+28%) and Peru (+17%). Swiss exports benefited from the strong growth in the fastest growing economies in Latin America. Swiss exports declined only with Chile (-1.5%), Uruguay (-4%) and some Central American and Caribbean countries.[33]

On a country-by-country basis, Swiss export growth to Latin America has fluctuated considerably over the last four years. However, albeit instances of declines, there have never been two consecutive years of negative export growth to any of the major regional economies. Over the past two years, we note positive growth to the main export markets Brazil, Mexico and Argentina, as well as to Panama and Venezuela; with the latter, Swiss exports have grown by more than 100% since 2000 and registered significant increases during the past four years.

Figure 3 **Variation for Swiss exports to major Latin American economies 2004 - 2007** (Per cent)



Source: Statistics from the Swiss Federal Customs Administration, Bern.

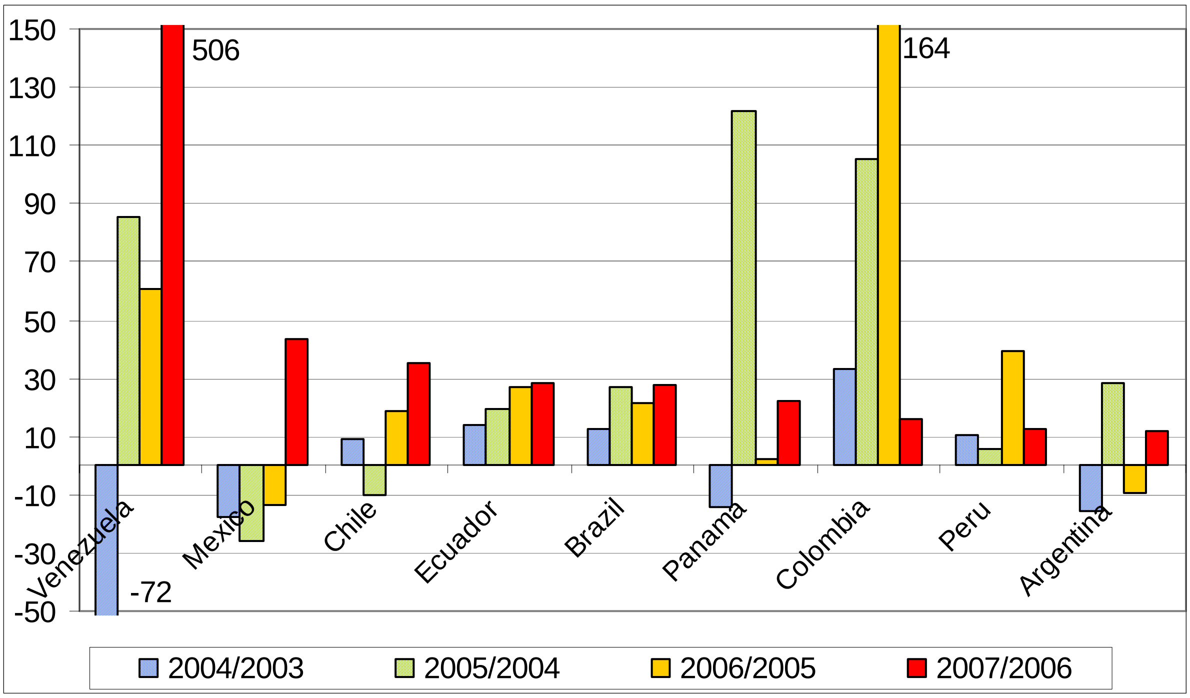
Swiss imports from Latin America increased by 35% in 2007 maintaining the impressive growth path of the previous year. The strongest upsurges were registered by Venezuela (+504%, mostly metals, vehicles and precious metals) - albeit from a low level. Mexico ranks second (+44%); after three years of declining Swiss imports, the Free Trade Agreement with EFTA may have provided impulses. Considerable expansion on the Swiss market was also achieved by Chilean (+35%), Brazilian (+28%) and Ecuadorian (+28%) products.

Brazil also accounts for the bulk of Swiss imports from the region (39%), followed by

[33] For detailed data, see Annex, Table 1.A.1

Colombia (18%). The imports from these two countries have steadily expanded over the last four years. With a growth rate of 12% in 2007, Argentinean products were able to reverse their negative performance on the Swiss market registered in 2006. It is noteworthy that Swiss imports have increased in 2007 from all the major Latin American countries; this owes to their increased competitiveness and the good business cycle in Switzerland.

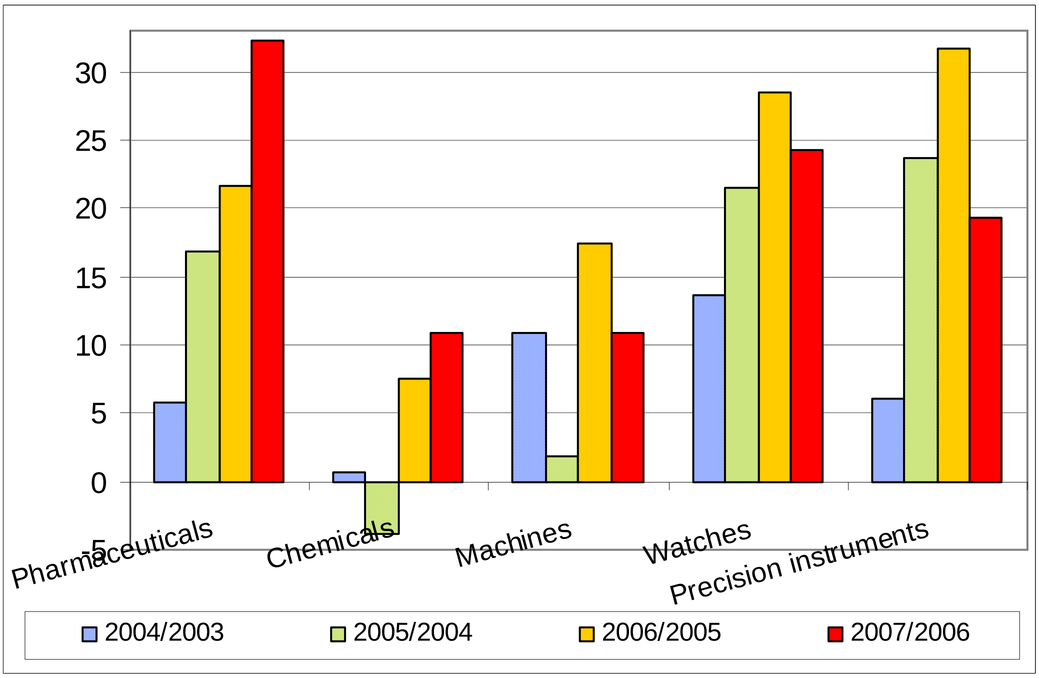
Figure 4 Variation for Swiss imports to major Latin American economies
2004 - 2007 (Per cent)



Source: Statistics from the Swiss Federal Customs Administration, Bern.

Switzerland's main exports to Latin America are pharmaceuticals (29%), machines (21%), chemicals (19%) and watches (9%). In 2007, the strong performance of pharmaceuticals (CHF 1,6 bn; +32%), watches (CHF 499 mn; +24%) and optical and precision instruments (CHF 278 mn; +19%) is particularly noteworthy; it reflects the strong comparative advantage of these sectors and vigorous domestic demand. Their growth rates were above 15% during the past three years. Despite significant international competition, the traditionally strong machine industry had a growth rate of 11% in 2007. On the other hand, Swiss exports of transport material fell by 35% in 2007, mainly due to a decline in Swiss airplane exports to Mexico.

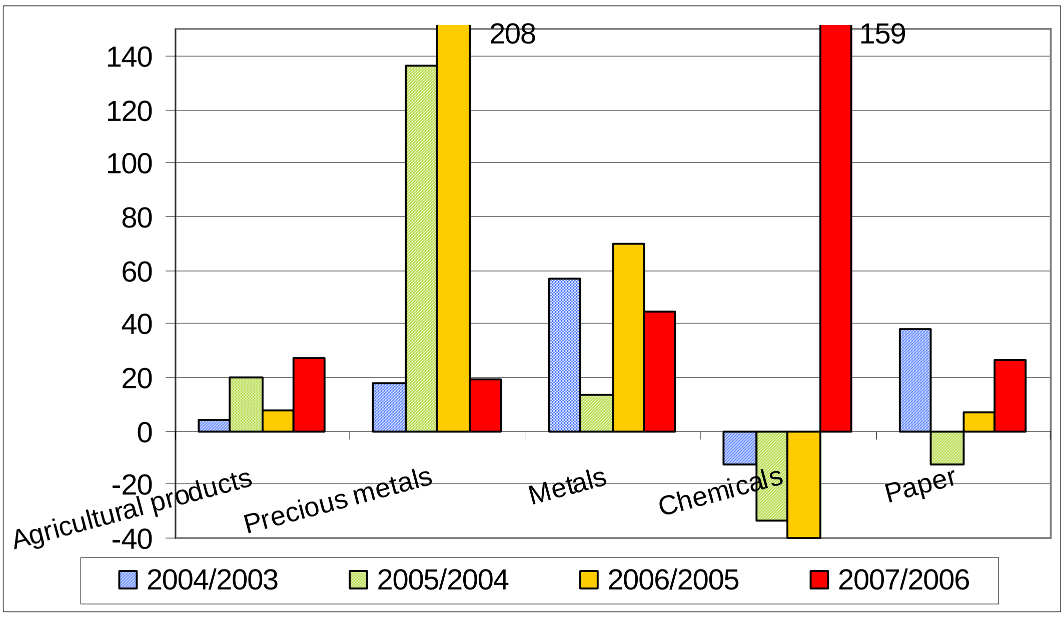
Figure 5 Switzerland - Latin America: Exports variation for major products 2004-2007 (Per cent)



Source: Statistics from the Swiss Federal Customs Administration, Bern.

Switzerland imports from Latin America mainly agricultural products (38%), precious metals[34] and jewellery (18%), metals (14%) and chemicals (8%). In 2007, major growth rates were registered for chemical products (+159%), metals (+47%), precious metals and jewellery (+39%) and agricultural products (+27%), whose importance has increased significantly since 2000. On the other hand, imports of textiles and clothing pursued their negative trend (-10%) with a 37% decline since 2000. (see Annex, Table 1.A.6).

Figure 6 Switzerland - Latin America: Imports variation for major products 2004-2007 (Per cent)



Source: Statistics from the Swiss Federal Customs Administration, Bern.

[34] Silver and gold coins and bars are not included in precious metals.

Table 1 Differences between Swiss and Latin American trade data for selected countries

Country	**Swiss imports, 2007** (in USD mio)			**Swiss exports, 2006** (in USD mio)		
	Swiss data	Country data	Difference	Swiss data	Country data	Difference
Argentina	54	537	-483	308	287	21
Bolivia	1	159	-158	13	9	4
Brazil	832	1156	-324	1556	2205	-649
Chile	71	180	-109	161	168	-7
Colombia	377	885	-508	256	339	-83
Costa Rica	67	7	60	50	104	-54
Ecuador	81	32	49	60	65	-5
Guatemala	21	33	-12	23	48	-25
Mexico	142	221	-79	1139	1247	-108
Nicaragua	1	1	0	17	9	8
Panama	83	1	82	290	12	278
Paraguay	3	83	-80	14	48	-34
Peru	30	2335	-2305	85	90	-5
Uruguay	20	76	-56	83	23	60
Total	1783	5706	-3923	4055	4654	-599

Various reasons may explain the significant differences between Swiss and Latin American trade data:

1. The coverage of data differs across countries. For example, Switzerland does not include gold trade in its trade statistics while most countries do (for example, Swiss imports from Peru).

2. Goods imported into a country under a free port regime do not pay customs duties in that country and thus are not recorded in the country's statistics. The country of origin, however, will register this trade flow as an export to the country of the free port, regardless of whether the goods are later re-exported to a third country (for example, Swiss exports to Panama and Uruguay).

3. Swiss statistics consider the dispatching country rather than the country of origin. This is particularly important since many Swiss imports from Latin America enter through the port of Rotterdam; in that case, if the goods have been cleared for the EU market prior to their import into Switzerland, the Swiss Federal Customs Administration considers such goods as imports from the Netherlands, whereas the country of origin may register them as exports to Switzerland.

4. Some countries give preference to the purchasing country (invoice) rather than the destination country. A purchase of a foreign product by a Swiss firm for its affiliate in a third country enters the exporting countries statistics as an export to Switzerland (payment to Switzerland), whereas it does not enter the Swiss trade statistics at all. Similarly, Swiss exports to a Latin American affiliate of a company from a third country are sometimes registered by the importing country as imports from that third country rather than from Switzerland.

5. Customs valuation differs for imports (CIF) and for exports (FOB).[35]

Source: This table has been established on the basis of the official trade data from the selected Latin American countries and the Swiss Federal Customs Administration.

[35] FOB: free on board; CIF: cost + insurance + freight

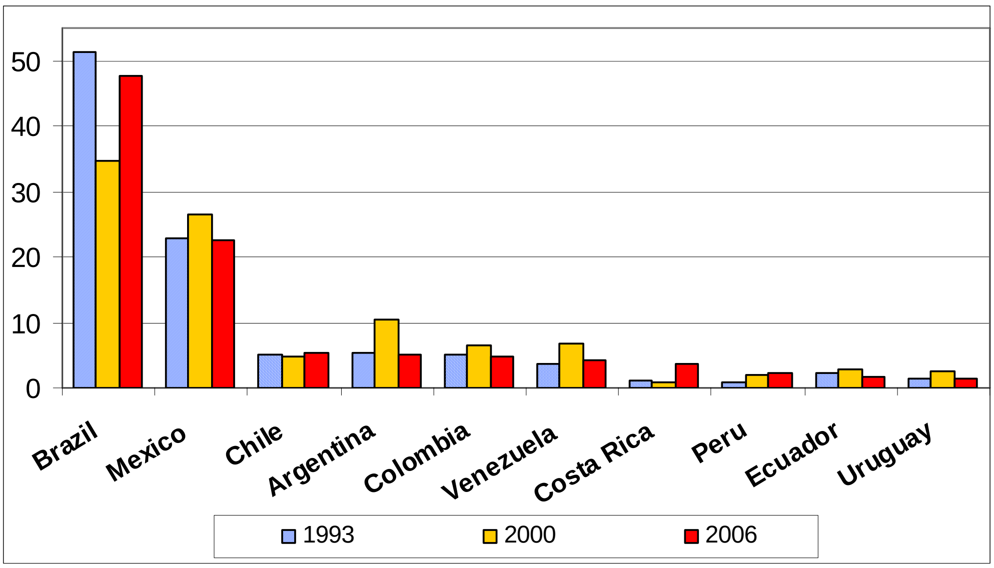
2. Swiss foreign direct investment in Latin America[36]

The Swiss foreign direct investment (FDI) stock in Latin America increased strongly between 1993 and 2000 (+100%), declined in the wake of the Argentinean crisis and gained pace again after 2002 to reach a new record level at the end of 2006 (see Annex, Table 2). With a total of CHF 21.2 bn, Latin America accounts for 3.3% of total Swiss FDI stock. Including FDI in the offshore financial centres of the region (CHF 93 bn), Latin America's part in overall Swiss FDI reaches 18%.

In 2006, Brazil (CHF 3.5 bn) was the main recipient of Swiss FDI in Latin America with investments mainly from the two major Swiss Banks. Mexico (CHF 741 mn) and Costa Rica (CHF 646 mn) benefited also from substantial Swiss FDI. It is interesting to note that while Swiss exports to the various countries is highly correlated with domestic demand growth, FDI does not follow necessarily the same pattern. Since 2000, we note a strong decline of FDI to Argentina (-36 %) as well as to Uruguay (-36%), Venezuela (-20%) and Ecuador (-20%), while Bolivia remains at a very low level. FDI policy with nationalisation of foreign assets in the latter three countries and heterodox economic policies in Argentina impose great prudence to foreign investors. In 2007, the Bolivian government nationalised a tin smelter owned by the Swiss-based firm Glencore. In turn, the Ecuadorian Parliament modified the Customs Law and terminated concessions for inspections of imported goods affecting the Swiss firms SGS Société Générale de Surveillance SA and Cotecna Inspection S.A.. In addition, the Venezuelan government has announced in April 2008 the nationalisation of the cement sector, affecting thereby the large investment of the Swiss firm Holcim.

Figure 7 shows the main destination countries for Swiss FDI in Latin America in 2006. After declining between 1995 and 2000, Brazil's share has increased again in 2006 to reach almost 50% (CHF 10.1 bn); Mexico's share has further declined since 2000 attaining roughly half of Brazil's (CHF 4.7 bn).

Figure 7 Swiss FDI stock in Latin America by major economies 1993, 2003, 2006 (Per cent of total)



Source: Swiss National Bank, Zurich.

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[36] Source: Swiss National Bank (latest available figures 2006), Zurich.

At the end of 2006, Swiss firms employed 220'000 people in Latin America, of which 92'700 in Brazil, 37'000 in Mexico, 17'500 in Argentina, 16'600 in Chile, 10'800 in Colombia and 10'600 in Venezuela. Swiss firms have also important staff in Peru (5'900), Ecuador (3'650), Costa Rica (2'500) and Uruguay (1000).

3. Bilateral economic agreements and commissions

A. Agreements on the promotion and protection of investment

Switzerland has established an extensive network of bilateral agreements on the promotion and protection of investment (BIT)[37] covering most Latin American countries except the *Bahamas*, *Belize, Bermuda*, *Haiti*, *Surinam* and *Trinidad & Tobago*.

The BITs signed with *Brazil* (1994) and *Guyana* (2005) have not yet entered into force. The one with Colombia (2006) is expected to enter into force in 2008.

B. Agreements on double taxation

Switzerland has concluded agreements on double taxation (DTA)[38] with *Ecuador, Jamaica, Mexico, Trinidad and Tobago* and *Venezuela*. The DTAs with *Colombia* (signed in October 2007) and *Chile* (signed in April 2008) will enter into force after adoption by both respective Parliaments. The Agreement signed with *Argentina* has not yet been ratified and is applied on a provisional basis.

The existence of a legal framework encompassing an agreement on double taxation and an agreement for the promotion and protection of investment contributes to increase a country's attractiveness for foreign investors.

The list of the existing economic agreements between Switzerland and Latin America is presented in Annex, Table 3.

C. Swiss - Brazilian Joint Commission on Trade and Economic Relations

Federal Councillor Doris Leuthard and Celso Amorim, the Brazilian Minister of Foreign Affairs, signed a *Memorandum of Understanding Establishing a Joint Commission on Trade and Economic Relations* on February 8, 2007 in Brasilia; they officially launched the Joint Commission on October 29, 2007 in Bern. Chaired by Ambassador Monika Rühl Burzi and Ambassador Edileuza Fontenelle, and attended by economic representatives, the first meeting drew a good synthesis on the bilateral economic relations between the two countries

[37] Their aim is to secure non-discriminatory treatment for Swiss investors after establishment – the so-called national treatment regime - to guarantee free transfer of funds (i.a. returns, repayment of loans, royalties, sale of investment), to deal with compensation in case of dispossession as well as disputes between a Contracting Party (CP) and an investor of the other CP or between the CPs.

[38] The major aim of these agreements is to reduce or eliminate double taxation. The State at the source of the income accepts to forego some or all taxes i.a. on dividends, interests and licences.

and identified a number of areas for action. Central topics were Double Taxation, and, Investment Promotion and Protection Agreements, biopiracy, bio ethanol, customs procedures and tariffs, scientific and technical cooperation, intellectual property and sanitary and phytosanitary measures. Given the substantive interests of Swiss firms in Brazil and challenges they face, the Joint Commission offers a unique opportunity to structure the bilateral relations and to address issues of common interest in a systematic manner. The next meeting will be held in Brazil in the second half of 2008.

4. Latin American integration and relations with EFTA

In 2007 and early 2008, economic integration across the Americas and in Latin America displayed the following developments:

a) United States – Central American Common market and the Dominican Republic (CAFTA-DR): an FTA was signed in May 2004 and ratified by the US Congress in July 2005. CAFTA-DR is in force except for Costa Rica who approved it by referendum in October 2007; necessary legislative steps for implementation are still ongoing. The deadline for the ratification has been extended until October 1, 2008.

b) United States – Peru: an FTA was signed in April 2006 and has been approved by the Peruvian Congress in June 2006, and by the US Congress in December 2007. Entry into force is expected in 2008, after completion of additional legislative adaptations by Peru.

c) United States – Colombia: an FTA was signed in November 2006 and was approved by the Colombian Congress in June 2007. In April 2008, the US President formally asked the US Congress to approve the FTA.

d) United States – Panama: an FTA was signed in June 2007 and awaits ratification by the US Congress.

e) Chile – Colombia: an FTA was signed in November 2006. The Agreement has been approved by the Chilean Parliament in January 2008 and awaits adoption by the Colombian Parliament.

f) Free Trade Area of the Americas: the negotiations for a free trade zone encompassing the Americas have not progressed in 2007.

g) Andean Community: Venezuela withdrew from the Andean Community (CAN) in 2006; however, it will keep its commitments for five more years. In June 2007, Chile became an Associate Member. In September 2007, Panama signed a political dialogue and cooperation agreement with the CAN which shall lead to Panama's incorporation as an Associate Member.

h) Mercosur: Venezuela joined Mercosur in July 2006; formal approval of its accession by the Parliaments of Brazil and Paraguay is still pending.[39] In May 2007, the Mercosur Parliament was inaugurated to reinforce integration among the Member States.

i) Bolivarian Alternative for Latin America and the Caribbean (ALBA): established in December 2004 by Venezuela and Cuba, ALBA includes also Bolivia (April 2006), Nicaragua (January 2007) and the Caricom States of Dominica, Saint Vincent and Antigua (February 2007). In January 2008, the Members created a bank named *Banco del ALBA* with a capital stock of USD 2 bn which aims at realising development projects in the Member States. Its headquarters are in Havana.

The relations between Europe and Latin America have been characterised in 2007 and early 2008 by the following developments:

a) Latin America - European Union: the fifth Summit has taken place in May 2008 in Peru and issued the Lima Declaration[40] focusing on poverty, inequality, inclusion, climate change, environment and energy. The next summit is planned for 2010 in Spain.

b) Mercosur - European Union: The long-stalled negotiations for an FTA between Mercosur and the EU are expected to resume in the second half of 2008. So far, major difficulties have referred to the opening of the EU's agricultural market and of Mercosur's industry, services and government procurement; differences prevail also regarding rules on investment and intellectual property.

c) Andean Community – European Union: in June 2007, negotiations for a comprehensive Association Agreement between the two Parties were launched. The third round of negotiations was held in April 2008 in Quito and dealt in particular with trade in goods and services.

d) San José Group[41] – European Union: the second round of negotiations of an Association Agreement between the EU and the San José Group was held in February 2008 in Brussels.

e) Mercosur – EFTA: the second meeting of the Joint Committee established by the Declaration on Cooperation (2000) took place in November 2004. It was decided to initiate discussions on rules of origin and technical barriers to trade. Expert meetings took place in 2006 and in February 2007. EFTA's objective remains to negotiate an FTA immediately after the conclusion of the Mercosur - EU negotiations.

f) Colombia and Peru – EFTA: the EFTA States have been engaged in joint negotiations with the two countries since June 2007. During the fourth round of negotiations which took place in April 2008 in Colombia, delegations completed talks in several areas,

[39] The ratification of Venezuela's accession to Mercosur has been finalised by Argentina and Uruguay.

[40] Lima Declaration: www.vcumbrealcue.org/website/downloads/declaracion/lima_declaration.pdf

[41] Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

including technical barriers to trade, trade remedies and government procurement. It is expected that the negotiations with both countries will be finalised during the second semester of 2008. They will result in two separate FTAs with a broad coverage, including industrial and some agricultural goods, services, investment, intellectual property rights, government procurement and competition.

Switzerland follows closely the integration progress in Latin America, across the Americas, with Europe and the rest of the world. In the coming years, ties with Latin America will be strengthened in particular through FTAs with Colombia and Peru. Priorities will be influenced by the European Union's new FTAs, the Doha Round and the interest of Latin American countries.

At present, EFTA has comprehensive FTAs in Latin America with Mexico and Chile. In order to facilitate access to the Mexican market for Small- and Medium-Sized Enterprises the book "*Doing business in Mexico*"[42] was published in 2002.

For Chile, the second edition of *"EFTA-Chile Free Trade Agreement: Opportunities for Swiss Business."* was released in March 2008.[43] After a brief review of Chile's politics, geography and economy, the benefits of the FTA for market access (goods, services, government procurement) and rules improvements (investment, competition, intellectual property) are highlighted. The two last chapters deal first with key elements to facilitate market entry in Chile and second with opportunities – Chile's growth sectors – and risks for Swiss firms.

In December 2007, the Federal Council adopted an economic strategy for Mexico, along with the strategies for South Africa and the Gulf Cooperation Council, which aim at strengthening trade and investment relations. In order to support the newly-adopted Mexico strategy, Federal Councillor Doris Leuthard led an economic mission with business representatives to Mexico City and Monterrey in February 2008.

5. Economic development cooperation of SECO in Latin America

In 2007, Central America, Peru and Bolivia were priority regions and countries of the Swiss economic development cooperation in Latin America. Regional projects benefit also other countries. Under the new framework credit covering 2009-2012, to be adopted by the Swiss Parliament during the second half of 2008, Colombia and Peru will become priority countries. This will imply a substantial increase of the cooperation level.

[42] This publication is available in a pdf form at: www.latcam.ch/persmex/pudo/dbim-fulltext.pdf
[43] This publication is available in a pdf form at: www.seco.admin.ch/dokumentation/publikation/00008/00023/index.html?lang=en

Table 2 Disbursements by SECO for economic development cooperation in Latin America, 2007

Country	Million Sfr.
Nicaragua	7.6
Bolivia	0.9
Colombia	0.1
Peru	3.4
Costa Rica	0.4
Cuba	0.0
El Salvador	0.4
Brazil	0.0
Guatemala	1.2
Regional projects	4.5
Total disbursements to Latin America	**18.5**

Information and links regarding projects and organisations financed by SECO are available at: www.seco-cooperation.ch.

The main projects currently under way or in preparation refer to:

- Private Sector Development (including Sifem[44] investments)
  - Green credit lines in *Peru* and *Colombia* (for investment projects with positive impact on the environment).
  - Micro Loan Securitization: Swiss sponsorship of a structured finance transaction (“securitisation”) to facilitate the access to finance for Microfinance Institutions in Peru.
  - Activities of "Fundes Simplification Project" in *Central America* and *Bolivia* and with the International Finance Corporation (IFC) for *Peru* and *Honduras* for simplification of the conditions to register firms and elimination of administrative barriers.
  - Latin America Plus Facility of the IFC for Technical Assistance to Small- and Medium-Sized Enterprises in *Bolivia, Peru, Nicaragua and Honduras*.
  - Trans Andean Fund (SEAF) for providing Private Equity Capital to Small- and Medium-Sized Enterprises in *Peru* (with the possibility for extension to *Bolivia, Colombia and Ecuador*).
  - Financiera Arrendadora Centroamericana (Finarca) to provide leasing and other loan products to Small- and Medium-Sized Enterprises in Nicaragua (Sifem provides a loan to Finarca).
  - Emergency Liquidity Facility, an investment fund, a lender of last resort for Microfinance Institutions faced with a liquidity crisis due to sudden disasters (Sifem has invested USD 1.5 million).

[44] Sifem: Swiss Investment Fund for Emerging Markets.

- Solidus Investment Fund to promote growth of Microfinance Institutions in the regions (Sifem has invested USD 3 million).
- Aureos Central American Fund provides financing for Small- and Medium- Sized Enterprises in Central America (Sifem has invested USD 5 million).

- Macro-economic assistance
  - General Budget Support to Nicaragua for assisting the country in its efforts to sustain growth and reduce poverty.
  - Technical assistance for the Introduction of Medium-Term Budget Framework and more generally improving the budget process in Nicaragua.
  - Technical assistance and Training Program for the Central Bank in Peru.
  - Support to strengthen debt management capacities through a global initiative (HIPC Capacity Building Program[45]).
  - Swiss participation in the HIPC initiative providing debt relief for different countries worldwide and also in Latin America (Haiti).

- Trade Promotion
  - Comprehensive trade cooperation programmes in Peru and Bolivia (2003-08).
  - BioTrade Facilitation Programme (BTFP) for the promotion of biodiversity products in Peru, Bolivia and (from 2008) Colombia, www.biotrade.org.
  - Cleaner Production Centres (CPC) in Colombia, Peru, Central America and Brazil (promoting production with positive impact on the environment) with complementary activities in Corporate Social Responsibility (CSR).
  - Programmes for the promotion of sustainably-managed tropical forests.
  - Transfer of environmentally-sound technologies for cleaner management of municipal solid waste in Havana City, Cuba.
  - Technical Assistance Programme “COMPAL” on Competition and Consumer Protection Policies for Latin America (Nicaragua, Costa Rica, El Salvador, Peru and Bolivia).
  - Programme “Ecomercados” for enhancing market opportunities for organic and fair-trade products from Nicaragua and Costa Rica.
  - Establishment of a business to business (B2B) platform based on local, physical B2B roundtables – phase 1 is on Latin American countries only (Nicaragua, Guatemala, Ecuador, complementing trade promotion B2B activities in Peru and Bolivia; www.mercatoo.com).
  - Swiss Import Promotion Programme (SIPPO): Activities to generate imports to Latin America, current priority countries (2007) are: Bolivia, Peru and Ecuador. From 2008 on, the focus will be placed on the new priority countries Colombia and Peru (www.sippo.ch).

[45] HIPC: Highly-indebted poor countries.

- Infrastructure financing
  - Mixed credit in Guatemala (land register project).
  - Water infrastructure project in Bolivia (in termination).
  - Water Supply and Sanitation Investment Program in Nicaragua (in preparation).
  - On the multilateral level: Financing of projects in Ecuador and Latin America through our Consultant Trust Fund at the Inter-American Development Bank.

6. Bilateral visits in 2007

- Brazil, February 6-9, 2007: Federal Councillor Doris Leuthard led an economic mission with business representatives. Discussions were held with President Luiz Lula da Silva, the Minister of Foreign Affairs Celso Amorim, the Minister of Agriculture Luís Guedes Pinto, the Minister of Finance Guido Mantega and the Minister of Development, Industry and Foreign Trade Luiz Furlan.

- Bern, March 30, 2007: the Venezuelan Vice-Minister for Europe, Rodrigo Chaves, met with Ambassador Monika Rühl Burzi, Head of Bilateral Economic Relations at the State Secretariat of Economic Affairs.

- Bern, April 16, 2007: the Uruguayan Minister of Industry, Energy and Mining Jorge Lepra met Federal Councillors Doris Leuthard, Pascal Couchepin and Christoph Blocher to discuss bilateral issues. He also participated at the event "*Uruguay: A gateway to the Mercosur*", organised by the Swiss Institute of Comparative Law and OSEC (Lausanne, April 17-18) and was a guest speaker on the "*Crans Montana High Level Panel*" (April 19-20).

- Bern, June 1-2, 2007: the Swiss government invited the Chilean President Michelle Bachelet for a State Visit. The President of the Swiss Confederation, Micheline Calmy-Rey, Federal Councillors Doris Leuthard and Moritz Leuenberger held discussions with the Chilean President as well as with the Minister of Foreign Affairs Alejandro Foxley, the Minister of Economy Alejandro Ferreiro and the Minister of Health Maria Soledad.

- Bern, June 25, 2007: the Ecuadorian Minister of Foreign Affairs, Trade and Integration María Fernanda Espinosa met Federal Councillor Doris Leuthard and assessed bilateral relations. The Ecuadorian Minister took also part at the conference "*Trade and Investment Opportunities in Ecuador*" (Zurich, June 26), which was organised by the

Ecuadorian Embassy in Switzerland with the support of the Latin American Chamber of Commerce, SIPPO and SOFI.[46]

- Caracas, Puerto Ordaz, September 13-17, 2007: Philippe G. Nell, Minister, Head of Americas Unit at the State Secretariat for Economic Affairs, met representatives of the Ministry of Foreign Affairs, the Ministry of Health, the Ministry of Industry and the Ministry of cooperation and education. In Puerto Ordaz, he met representatives of CVG ALCASA (CVG Aluminio del Caroni, S.A.).

- Quito, Guayaquil, September 19-21, 2007 : Philippe G. Nell, Minister, Head of Americas Unit at the State Secretariat for Economic Affairs, met representatives of the Ministry of Foreign Affairs, the Ministry of Trade and Integration, the Ministry of Environment, the Institute of Intellectual Property in Quito and with the Corporation of Export Promotion in Guayaquil.

- Bern, Zurich, October 25-26, 2007: the Colombian Minister of Trade, Industry and Tourism Luis Plata met Federal Councillor Doris Leuthard and signed with Federal Councillor Hans-Rudolf Merz an Agreement on double taxation. Minister Plata also attended the seminar "*Why Colombia ?*" organised by the Colombian Embassy in Bern and the Latin American Chamber of Commerce; several Swiss investors presented their activities in Colombia.

- Bern, October 29, 2007: the Brazilian Minister of Foreign Affairs Celso Amorim met Federal Councillor Doris Leuthard and launched the first meeting of the Joint Commission on Trade and Economic Relations between Switzerland and Brazil.

- Zurich, November 13, 2007: the Conference and business Forum "*Three dynamic economies of Central America and the Caribbean that provide a platform for companies targeting the Americas*", organised by SOFI and supported by the Latin American Chamber of Commerce in Switzerland, was attended by H.E. Ana Vilma de Escobar, Vice President of El Salvador, H.E. Amparo Pacheco, Vice Minister of External Trade of Costa Rica, and H.E. Pablo Espinal, Director of External Trade of the Dominican Republic. Several Swiss investors presented their experience in Costa Rica, El Salvador and the Dominican Republic. The Swiss government was represented by Philippe G. Nell, Minister, Head of Americas Unit at the State Secretariat for Economic Affairs.

[46] SIPPO, the Swiss Import Promotion Programme, and SOFI, the Swiss Organisation For Facilitating Investments, ceased operations on December 31, 2007; their activities have been transferred to OSEC.

Annex Tables

Annex Figures

Table 1. A.1. Switzerland - Latin America: exports and imports by country, 2006-2007

Country	Exports				Imports				Trade balance 2007 (million Sfr)
	2006 (million Sfr)	2007 (million Sfr)	Var. (%)	Share in reg. exp. in %	2006 (million Sfr)	2007 (million Sfr)	Var. (%)	Share in reg. imp. in %	
SOUTH AMERICA AND MEXICO	**4083.0**	**4711.9**	**15.4**	**86.3**	**1547.9**	**2037.2**	**31.6**	**80.1**	**2'674.7**
Brazil	1459.9	1866.8	27.9	34.2	779.4	997.6	28.0	39.2	869.2
Mexico	1279.5	1368.0	6.9	25.0	117.9	169.3	43.6	6.7	1'198.7
Argentina	362.2	370.9	2.4	6.8	57.8	64.8	12.1	2.5	306.1
Colombia	229.6	307.2	33.8	5.6	391	453.0	15.9	17.8	-145.8
Venezuela	233.9	298.2	27.5	5.5	17.5	105.7	504.0	4.2	192.5
Chile	196.3	193.4	-1.5	3.5	63.2	85.2	34.8	3.4	108.2
Peru	86.7	101.6	17.2	1.9	32.2	36.2	12.4	1.4	65.4
Uruguay	105.0	99.9	-4.9	1.8	5.7	24.0	321.1	0.9	75.9
Ecuador	68.4	72.4	5.8	1.3	75.8	96.8	27.7	3.8	-24.4
Paraguay	12.2	15.6	27.9	0.3	3.9	2.9	-25.6	0.1	12.7
Bolivia	8.2	15.5	89.0	0.3	3.0	1.4	-53.3	0.1	14.1
Suriname	2.6	1.8	-30.8	0.0	0.2	0.1	-50.0	0.0	1.7
Guyana	38.5	0.6	-98.4	0.0	0.3	0.2	-33.3	0.0	0.4
CENTRAL AMERICA	**376.3**	**501.4**	**33.2**	**9.2**	**187.8**	**224.6**	**19.6**	**8.8**	**276.8**
Panama	248.9	347.8	39.7	6.4	80.9	99.1	22.5	3.9	248.7
Costa Rica	56.7	60.0	5.8	1.1	68.7	79.8	16.2	3.1	-19.8
Guatemala	27.1	28.2	4.1	0.5	18	24.9	38.3	1.0	3.3
Honduras	20.2	25.5	26.2	0.5	15.9	16.3	2.5	0.6	9.2
Nicaragua	2.0	21.0	950.0	0.4	2.5	2.2	-12.0	0.1	18.8
El Salvador	19.3	13.3	-31.1	0.2	1.6	1.7	6.3	0.1	11.6
Belize	2.1	5.6	166.7	0.1	0.2	0.6	200.0	0.0	5.0

Source: Statistics from the Swiss Federal Customs Administration, Bern.

Table 1. A.1. (cont.) Switzerland - Latin America: exports and imports by country, 2006-2007

Country	Exports				Imports				Trade balance 2007 (million Sfr)
	2006 (million Sfr)	2007 (million Sfr)	Var. (%)	Share in reg. exp. in %	2006 (million Sfr)	2007 (million Sfr)	Var. (%)	Share in reg. imp. in %	
CARIBBEAN	**241.5**	**249.5**	**3.3**	**4.6**	**144.8**	**280.2**	**93.5**	**11.0**	**-30.7**
Bahamas	100.2	136.9	36.6	2.5	86.8	160.6	85.0	6.3	-23.7
Cuba	24.9	24.1	-3.2	0.4	28.4	28.1	-1.1	1.1	-4.0
Dominican Republic	22.1	18.9	-14.5	0.3	13.2	11.9	-9.8	0.5	7.0
Jamaica	18.0	17.6	-2.2	0.3	1.4	1.6	14.3	0.1	6.9
Barbados	14.1	16.3	15.6	0.3	1.6	0.3	-81.3	0.0	10.7
Bermudes	32.5	14.3	-56.0	0.3	4.1	65.9	1'507.3	2.6	-0.4
Trinidad & Tobago	10.2	8.5	-16.7	0.2	1.4	6.2	342.9	0.2	2.3
Antigua	6.5	5.3	-18.5	0.1	0.2	0.1	-50.0	0.0	5.2
St. Lucia	2.1	4.1	95.2	0.1	0.1	0.1	-	0.0	4.0
Haiti	1.5	1.3	-13.3	0.0	3.1	3.5	12.9	0.1	-2.2
St. Vincent	8.5	0.9	-89.4	0.0	4.1	1.5	-63.4	0.1	5.4
Grenada	0.2	0.6	200.0	0.0	0.3	0.4	33.3	0.0	0.2
Dominica	0.7	0.7	0.0	0.0	0.1	0.0	-	0.0	0.7
TOTAL LATIN AMERICA	**4'700.8**	**5'462.8**	**16.2**	**100.0**	**1'880.5**	**2542.0**	**35.2**	**100.0**	**2'920.8**
COMPARATIVE NUMBERS				Share of total Swiss exp. in %				Share of total Swiss imp. in %	
Asia	16'062.0	21'745.3	35.4	10.6	8'736.0	11'040.6	26.4	5.7	10'704.7
Asia: Emerging countries	11'444.8	12'809.7	11.9	6.2	4'389.6	4'568.0	4.1	2.4	8'241.7
Africa	2'777.7	3'152.6	13.5	1.5	4'719.6	3'737.9	-20.8	1.9	-585.3
TOTAL SWISS FOREIGN TRADE	**184'887.3**	**206'008.8**	**11.4**	**100.0**	**177'259.8**	**193'016.8**	**8.9**	**100.0**	**12'992.0**

Source: Statistics from the Swiss Federal Customs Administration, Bern.

Table 1. A.2. **Switzerland - Latin America: exports and imports, 1965 - 2007**

Year	Exports (million Sfr)	Imports (million Sfr)	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	1'880	2'820	2.5	1.1
2007	5'463	2'542	2'921	2.7	1.3

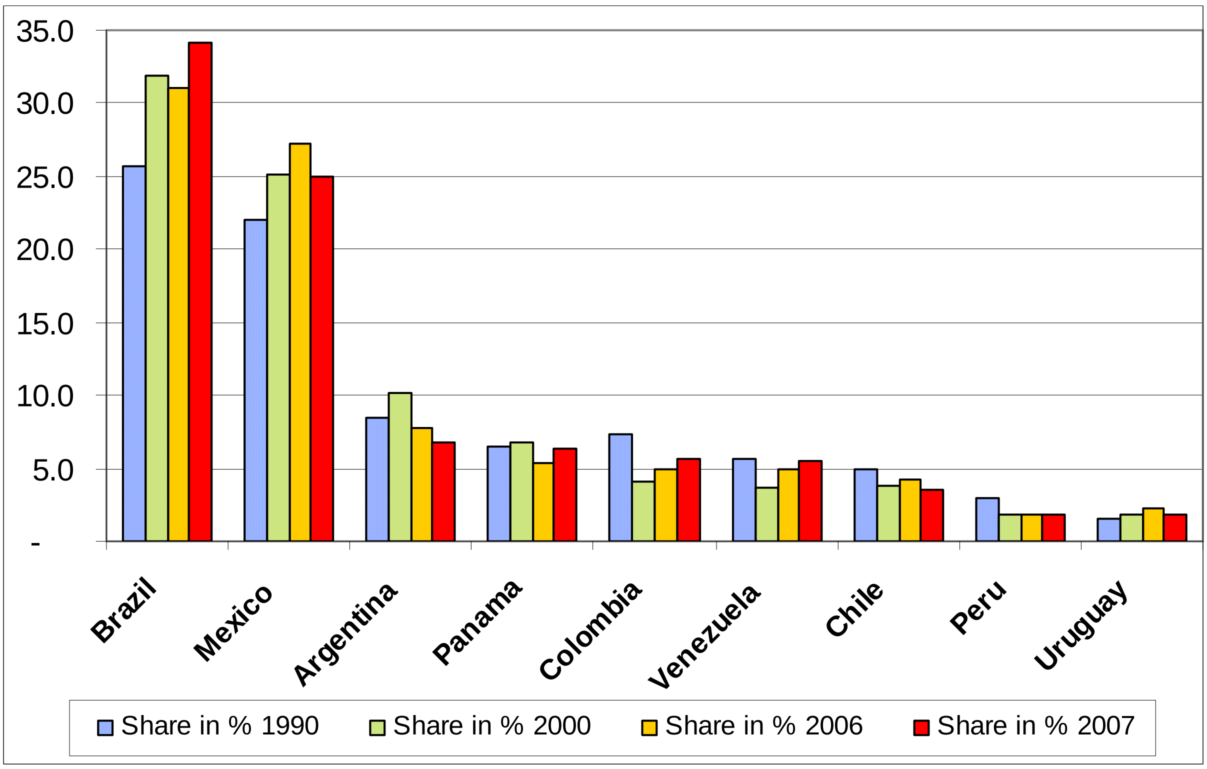
Source: Statistics from the Swiss Federal Customs Administration, Bern.

Table 1. A.3. Switzerland: major exports markets in Latin America, 1990 - 2007

Country	1990 (million Sfr)	2000 (million Sfr)	2006 (million Sfr)	2007 (million Sfr)	Var. en % 2007/2006	Share in % 2007
1 Brazil	536	1'262	1460	1867	27.9	34.2
2 Mexico	458	992	1280	1368	6.9	25.0
3 Argentina	177	405	362	371	2.5	6.8
8 Panama	135	270	249	348	39.7	6.4
4 Colombia	154	164	230	307	33.5	5.6
5 Venezuela	117	147	234	298	27.4	5.5
7 Caribbean	133	160	242	250	3.1	4.6
6 Chile	104	150	196	193	-1.5	3.5
7 Peru	61	74	87	102	17.2	1.9
9 Uruguay	31	74	104	100	-3.8	1.8
Others	176	262	256	260	1.5	4.8
Total	**2'082**	**3'960**	**4'700**	**5'463**	16.2	**100.0**

Figure F.1. Share of Swiss exports to the major Latin American markets 1990, 2000, 2006, 2007

(Per cent of total Swiss exports to Latin America)

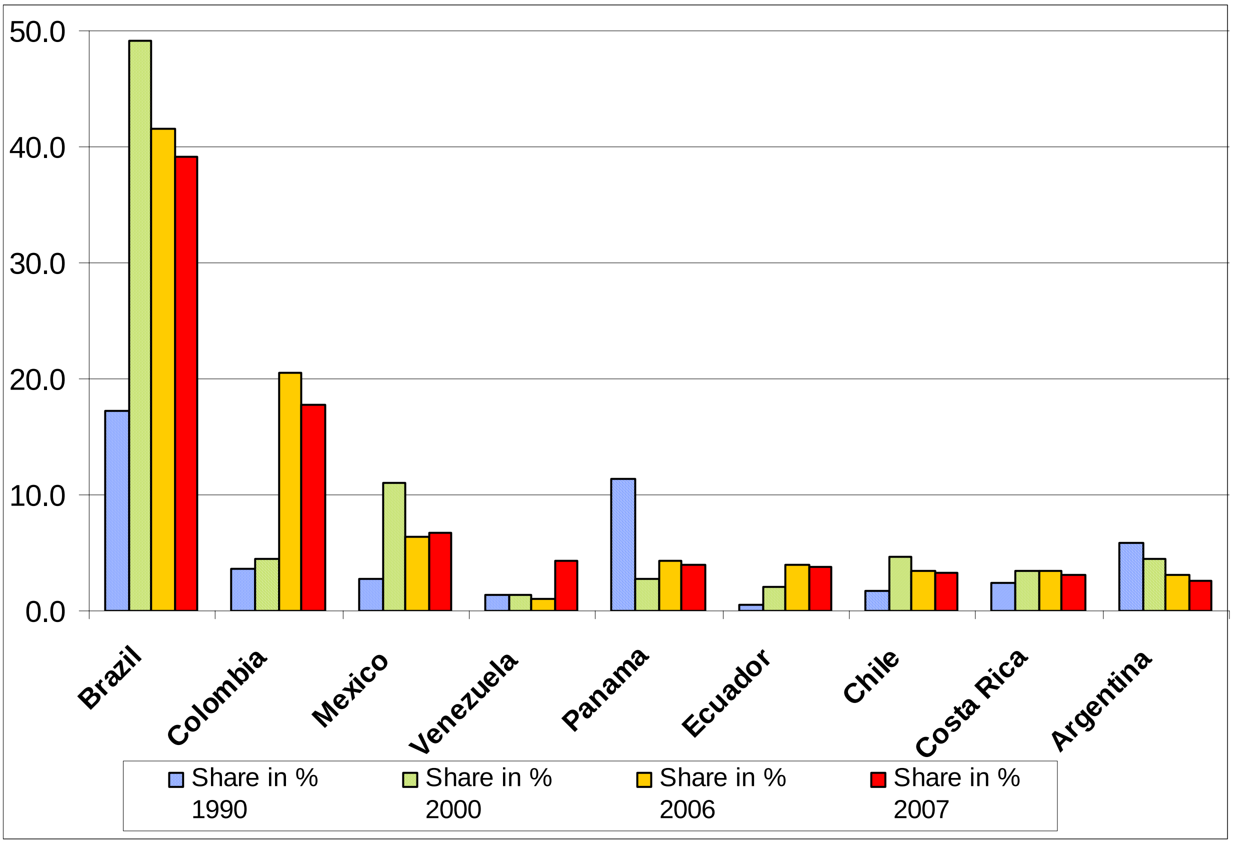


Source: Statistics from the Swiss Federal Customs Administration, Bern.

Table 1. A.4. Switzerland: imports from the major Latin American markets, 1990 - 2007

Country	1990 (millon Sfr)	2000 (million Sfr)	2006 (million Sfr)	2007 (million Sfr)	Var. in % 2007/2006	Share in % 2007
1 Brazil	345	856	779	998	28.1	39.3
2 Colombia	71	79	391	453	15.9	17.8
3 Caribbean	940	171	147	280	90.6	11.0
4 Mexico	54	191	118	169	43.5	6.7
5 Venezuela	28	23	18	106	488.9	4.2
6 Panama	227	48	81	99	22.2	3.9
8 Ecuador	12	35	76	97	27.6	3.8
7 Chile	36	81	63	85	34.9	3.3
9 Costa Rica	48	60	69	80	15.9	3.1
10 Argentina	118	76	58	65	12.1	2.6
Others	116	122	80	109	36.3	4.3
Total	**1'995**	**1'742**	**1'880**	**2'541**	**35.2**	**100.0**

Figure F.2. Share of Swiss imports from the major Latin American markets 1990, 2000, 2006, 2007
(Per cent of total Swiss imports from Latin America)



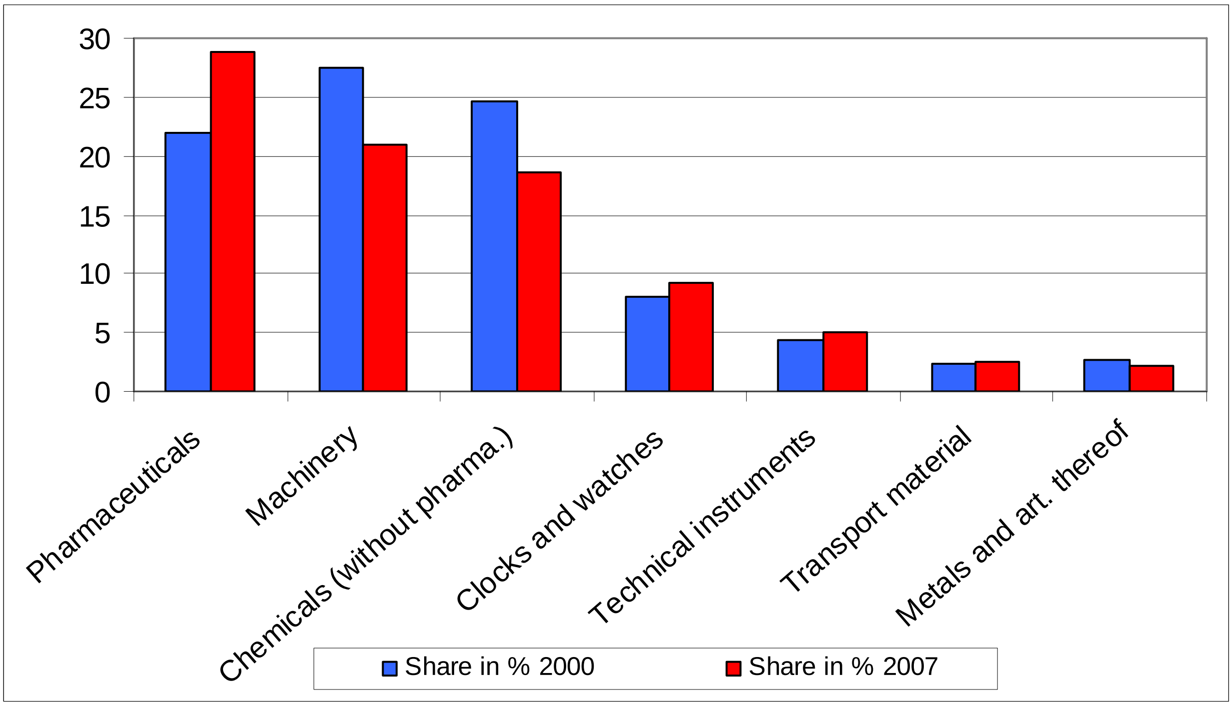
Source: Statistics from the Swiss Federal Customs Administration, Bern.

Table 1. A.5. Switzerland - Latin America: exports by groups of products, 2000 - 2007

Chapters of the Harmonized System	Value (Mio Sfr) 2000	2006	2007	Var. in % 2007/2006	Share in % 2007
1-24 Agricultural products	52.0	86.1	99.6	15.7	1.8
25-26 Mineral products	0.7	0.1	0.2	100.0	0.0
27 Mineral fuels	13.0	0.6	0.5	-16.7	0.0
28-38 Chemicals (without pharma.)	976.7	919.9	1'012.4	10.1	18.5
30 Pharmaceuticals	872.2	1'189.5	1'572.0	32.2	28.8
39-40 Plastic, rubber	54.4	80.0	95.6	19.5	1.8
41-43 Skins, leather and art.	3.0	4.2	4.9	16.7	0.1
44-46 Wood	1.6	11.0	15.3	39.1	0.3
47-49 Paper	25.6	24.7	27.9	13.0	0.5
50-63 Textiles, clothing	34.0	31.0	34.1	10.0	0.6
64-67 Shoes, umbrellas, ...	2.4	1.4	1.9	35.7	0.0
68-70 Stone, glass, ceramic art.	31.6	21.1	23.9	13.3	0.4
71 Precious metals and jewelry	98.3	78.1	78.6	0.6	1.4
72-83 Metals and art. thereof	101.8	104.4	120.4	15.3	2.2
84-85 Machinery	1'089.4	1'028.4	1'140.9	10.9	20.9
86-89 Transport material	95.2	207.9	135.5	-34.8	2.5
90+92 Technical instruments, ...	168.9	233.2	278.2	19.3	5.1
91 Clocks and watches	318.0	401.9	499.0	24.2	9.1
93 Weapons	1.3	2.7	1.4	-48.1	0.0
94 Furniture, ...	6.8	3.5	5.8	65.7	0.1
95-97 Toys, sport articles, ...	13.3	29.0	90.0	210.3	1.6
Others	-	241.3	224.7	-6.9	4.1
Total Swiss exports: Latin America	**3'960.2**	**4'700.0**	**5'462.8**	**16.2**	**100.0**
Total Swiss exports: World	*136'014.9*	*184'887.3*	*206'008.8*	*11.4*	---

Figure F.3. Switzerland - Latin America: exports by major product categories 2000, 2007

(Per cent of total Swiss exports to Latin America)



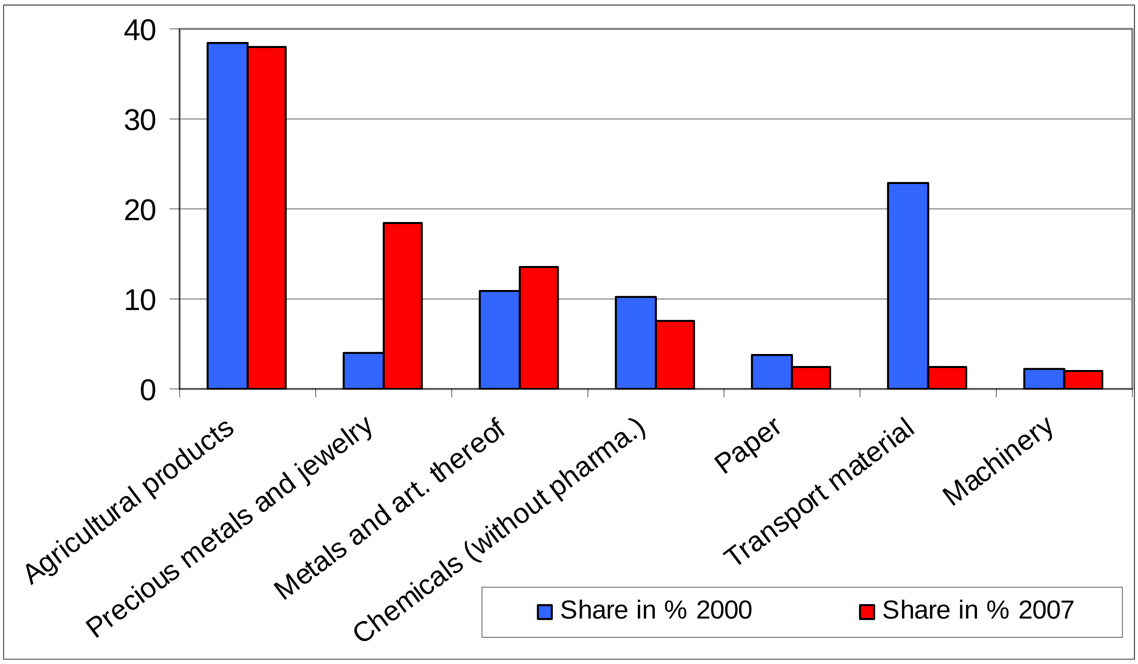
Source: Statistics from the Swiss Federal Customs Administration, Bern.

Table 1. A.6. Switzerland - Latin America: imports by groups of products, 2000 - 2007

Chapters of the Harmonized System		Value (million Sfr) 2000	2006	2007	Var. in % 2007/2006	Share in % 2007
1-24	Agricultural products	670.3	762.9	967.8	26.9	38.1
25-26	Mineral products	2.5	0.9	0.8	-11.1	0.0
27	Mineral fuels	0.4	0.0	0.1	900.0	0.0
28-38	Chemicals (without pharma.)	178.2	75.1	194.4	158.9	7.6
30	Pharmaceuticals	11.6	6.0	12.3	105.0	0.5
39-40	Plastic, rubber	6.3	21.8	23.1	6.0	0.9
41-43	Skins, leather and art.	4.5	1.6	2.1	31.3	0.1
44-46	Wood	1.5	2.2	3.6	63.6	0.1
47-49	Paper	66.7	49.2	62.9	27.8	2.5
50-63	Textiles, clothing	17.1	11.9	10.7	-10.1	0.4
64-67	Shoes, umbrellas, ...	3.5	2.2	2.6	18.2	0.1
68-70	Stone, glass, ceramic art.	3.5	4.8	5.3	10.4	0.2
71	Precious metals and jewelry	70.4	335.6	466.7	39.1	18.4
72-83	Metals and art. thereof	191.5	235.5	347.1	47.4	13.7
84-85	Machinery	39.7	39.4	49.0	24.4	1.9
86-89	Transport material	400.2	52.2	60.0	14.9	2.4
90+92	Technical instruments, ...	5.5	5.9	14.9	152.5	0.6
91	Clocks and watches	5.7	2.8	11.2	300.0	0.4
93	Weapons	0.2	0.8	0.7	-12.5	0.0
94	Furniture, ...	1.6	1.5	1.7	13.3	0.1
95-97	Toys, sport articles, ...	61.6	20.0	23.6	18.0	0.9
	Others	-	247.7	281.4	13.6	11.1
Total Swiss imports: Latin America		**1'742.5**	**1'880.0**	**2'542.0**	**35.2**	**100.0**
Total Swiss imports: World		*139402*	*177'259.8*	*193'016.8*	*8.9*	---

Figure F.4. Switzerland - Latin America: imports by major product categories 2000,2007

(Per cent of total Swiss imports from Latin America)



Source: Statistics from the Swiss Federal Customs Administration, Bern.

Table 2. Swiss Foreign Direct Investment in major Latin American countries, 1993 - 2006
(Stock at the end of the year, in million CHF, without off-shore centres)

Country	1993	2000	2005	2006
Argentina	443	1732	1576	1105
Bolivia	n.a.	31	53	47
Brazil	4214	5707	6493	10142
Chile	413	790	1175	1171
Colombia	414	1092	1185	1047
Costa Rica	96	130	629	815
Ecuador	189	441	434	350
Guatemala	58	88	180	156
Mexico	1872	4377	3340	4765
Peru	72	310	505	460
Uruguay	126	421	123	270
Venezuela	315	1116	903	888
Total	**8211**	**16234**	**16596**	**21216**

* Source: Swiss National Bank,
Zurich

Table 3. Switzerland - Latin America: major economic agreements

South America

Argentina	Trade agreement: 25.11.1957 BIT: 12.04.1991 DTA: 23.04.1997, to be ratified (Provisory application. Additional protocol signed 07.08.06)
Bolivia	BIT: 06.11.1987 DTA: declaration of intention, 1993
Brazil	Trade agreement: 24.07.1936 BIT: 11.11.1994, to be ratified DTA: declaration of intention, 1995 (negotiations currently under way)
Chile	Trade agreement: 31.10.1897 BIT: 24.09.1999 Free Trade Agreement (EFTA): 01.12.2004 DTA: 2.4.2008, to be ratified
Colombia	Trade agreement: 14.03.1908 BIT: 17.05.2006, to be ratified DTA: 26.10.2007, to be ratified Free-Trade Agreement (EFTA): in negotiations
Ecuador	Trade agreement: 22.06.1888 BIT: 02.05.1968 DTA: 28.11.1994
Paraguay	Trade agreement: 02.04.1969 BIT: 31.01.1992
Peru	Trade agreement: 20.07.1953 BIT: 22.11.1991 DTA: declaration of intention, 1996 (negotiations currently under way) Free-Trade Agreement (EFTA): in negotiations
Uruguay	Trade agreement: 04.03.1938 BIT: 07.10.1988
Venezuela	BIT: 18.11.1993 DTA: 20.12.1996

Central America

Costa Rica	BIT: 01.08.2000 DTA: initialed, March 2006
El Salvador	Trade agreement: 11.02.1954 BIT: 08.12.1994
Guatemala	Trade agreement: 11.04.1955 BIT: 03.05.2005
Honduras	BIT: 14.10.1993
Mexico	Trade agreement: 02.09.1950 BIT: 10.07.1995 DTA: 03.08.1993 Free Trade Agreement (EFTA): 27.11.2000
Nicaragua	BIT: 30.11.1998 DTA: declaration of intention, 1994
Panama	BIT: 19.10.1983

Caribbean

Barbados	BIT: 29.03.1995
Cuba	Trade agreement: 30.03.1954 BIT: 28.06.1996
Haiti	Temporary Trade agreement: 23.12.1936
Jamaica	BIT: 11.12.1990 DTA: 06.12.1994
Dominican Republic	BIT: 27.01.2004, to be ratified
Trinidad & Tobago	DTA: 01.02.1973

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

Table 4. Switzerland - Latin America: Chambers of commerce and Swiss Business Hub

Latin American Chamber of Commerce in Switzerland
c/o DPS Communications
Gessnerallee 28
8021 Zurich

Tel.: +41 79 699 54 47
President: Richard Friedl

E-mail: admin@latcam.ch
Website: www.latcam.ch

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 Fax: +54 11 4312 8573 President: Jorge Fassbind General Manager: Norma Alemann E-mail: info@suiza.org.ar Website: www.suiza.org.ar
Brazil	**Câmara de Comércio Suiço-Brasileira** Av. das Nações Unidas, 13.797 Bloco II, 21° andar 04794-000 Sao Paulo, Brazil Tel.: +55 11 5507 4947 Fax: +55 11 5505 4255 President: Christian Hanssen Executive Director: Ursula Bardorf E-mail: swisscam@swisscam.com.br Website: www.swisscam.com.br
Chile	**Camara Chileno-Suiza de Comercio A.C.** Flor de Azucenas 135, Oficina 1401 La Condes Santiago de Chile, Chile Tel.: +56 2 415 23 38 Fax: +56 2 494 64 47 President: Renato Valdivia General Manager: Angelika Hucke E-mail: cchsc@ahucke.cl Website: www.swisschile.cl

Colombia	**Cámara de Comercio Colombo-Suiza** Carrera 7 No. 27- 40 Piso 7 Bogotá, Colombia Tel.: +57 1 7025098/ 7025128 Fax: +57 1 3415010 President: Peter Welter Executive Director: Silvia Gutierrez E-mail : direccion@colsuizacam.com suizacam@cable.net.co Pag web: www.colsuizacam.com
Cuba	**Swiss-Cuban Chamber of Commerce and Industry** President: Andreas Winkler, Havana, Cuba E-mail: andreas.winkler@swisscuban.org **In Switzerland** SwissCubanCham Kapellgasse 3 CH-6004 Luzern / Schweiz Tel.: +41 41 410 91 13 Fax: +41 41 410 91 10 E-mail: info@swisscuban.org Website: www.swisscuban.org **In Cuba** SwissCubanCham Edificio Raffaello, Apt. 209 Ave. 5ta, Esq. 80, No. 7806 Miramar, Playa, La Habana, Tel.: +53 7 204 9020 Fax: +53 7 204 2029 E-mail: info@swisscuban.org Website: www.swisscuban.org
Mexico	**Asociación Empresarial Mexicano-Suiza, A.C.** c/o Colegio Suizo de México, A.C. Nicolas San Juan 917 Colonial de Valle 03100 México D.F., México President: Rolf Gafner Secretary: Ambros Hollenstein E-mail: info@aems.com.mx
Peru	**Cámara de Comercio Suiza en el Perú** San Isidro Lima 27, Peru Tel.: +51 1 264 35 16 Fax: +51 1 264 35 26 President: Antonio Gnaegi Urriola General Manager: Corinne Schirmer E-mail: info@swisschamperu.org Website: www.swisschamperu.org

Uruguay	**Cámara de Comercio Suizo-Uruguaya** Pablo de María 1065 11200 Montevideo, Uruguay Tel.: +59 82 419 33 85 Fax: +59 82 419 33 85 President: Diego Bötschi Secretary: Nelson Grabino E-mail: info@swisschamuruguay.org.uy Website: www.swisschamuruguay.org.uy
Venezuela	**Cámara Venezolano-Suiza de Comércio e Indústria** Torre Europa, Piso 6, Ofc. 3-B Av. Fco de Miranda, Campo Alegre, Apartado postal 62.555 Caracas 1060, Venezuela Tel.: +58 212 953 51 55 Fax: +58 212 951 29 08 President: Walter Vögeli Executive Director: Fini Otero E-mail:info@camarasuiza.org

Swiss Business Hub

Brazil	**Swiss Business Hub Brazil** c/o Consulado Geral da Suíça Av. Paulista 1754, 4° andar Edificio Grande Avenida 01310-920 São Paulo / SP Tel.: +55 11 3372-8200 Fax: +55 11 3253-5716 Director: Roland Rietmann E-mail: sbhbrazil@sao.rep.admin.ch

Annex 5

Key information for business: Trade and Investment

ALADI (Asociación Latinoamericana de Integración, English: LAIA - Latin American Integration Association) is the largest integration association in Latin America. The Members are: Argentina, Bolivia, Brazil, Chile, Ecuador, Colombia, Cuba, Mexico, Paraguay, Peru, Uruguay and Venezuela.

The ALADI homepage informs firms on the regional market's advantages. The so-called *Entrepreneurial Portal* contains in particular information about preferential customs tariffs between ALADI Members.

User guidance

ALADI's homepage:	www.aladi.org (Spanish, Portuguese, English)
The *Entrepreneurial Portal*:	www.aladi.org/nsfaladi/sitio.nsf/portal2004i

I. Trade

Preferential customs tariffs

1. Information about the preferential customs tariffs are available under *Tariff benefits* (top left). Choose between *Preferences granted to* or *Preferences granted by* and then select the desired country.
2. You need the **NALADISA-Code** of the desired product in order to find the relevant customs tariffs. If you already know this code, go on with point 3.

   In order to identify the NALADISA-Code click on:
   - Español (top right)
   - Portal Empresarial
   - Estadísticas
   - De Comercio Exterior
   - Sistema de Informaciones de Comercio Exterior (SICOEX)
   - *Consulta de Informaciones de Comercio Exterior*:
   - enter import and export country as well as the desired product, then click on "Consultar".

   NB: this search function is only available in Spanish.

3. Click on the archive sign (Archivo de salida, "Generar") next to the corresponding chapter (chapter division after NALADISA-Code) and open the compressed excel file. In this excel sheet, not yet fully implemented preferential customs tariffs are presented in the column "Cronograma" in form of schedule timetables. Exceptions and other particularities are also mentioned.

Foreign Trade Regulations

Under *Foreign Trade Regulations*, the regimes referring to *Duty-Free Zones* are available by country. In the same chapter, an *Export Guide* with all the important links for each country is available.

II. Investment

Links to investment information for each country are presented in the chapter *Investments* and *Investments Regimes*. However, for some countries the links are missing. Information for these countries can by found on the national websites as follows:

- Cuba www.cpi-minvec.cu
- Mexico www.investinmexico.com.mx/pied/cds/pied_bancomext/homepied
- Uruguay www.uruguay.gub.uy/estado/internas.asp?url=2028
- Venezuela www.conapri.org/English/index.asp

III. Complementary economic agreements concluded by ALADI Members

Chile - Colombia	Mercosur - Bolivia
Chile - Ecuador	Mercosur - Peru
Chile - Mexico	Mercosur - Colombia - Ecuador - Venezuela
Chile - Peru	Bolivia - Mexico
Chile - Venezuela	Colombia - Mexico - Venezuela
Mercosur - Chile	Uruguay - Mexico

Additional sources of information

The website CENRA (www.todocomercioexterior.com; Spanish, English) offers also a good overview of customs tariffs. This site is clearly arranged; access to data is not free of charge.

Some ALADI countries have concluded special integration agreements; detailed information is available for:

- CAN (Comunidad Andina de Naciones, www.comunidadandina.org);
- Mercosur (Mercado Común del Sur, www.mercosur.int);

In addition, the following information is available on integration processes covering Central America and the Caribbean:

- CACM (Central American Common Market, info: www.sice.org/trade/camertoc.asp)
- CAFTA-DR (FTA between CACM Members and the Dominican Republic with the USA, info: www.sice.oas.org/TPD/USA_CAFTA/USA_CAFTA_e.ASP)
- CARICOM (Caribbean Community, www.caricom.org)
- SICA (Sistema de la Integración Centroamericana, www.sica.int)