

C O L U M N



Andreas Renschler
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Three G20 counterparts from Latin America intent on cooperation

The heads of state and government of the world's largest industrial and emerging economies, known as the "G20", are soon to meet in Hamburg. Among them are the representatives of three Latin America nations: Argentina, Brazil and Mexico. In addition, Argentina is to assume the G20 presidency from Germany and thus bring the Summit to South America for a first time in 2018. This is a very positive sign.

The desire for free trade between Europe and Latin America, as indicated by Chancellor Merkel's trip to Argentina and Mexico in early June, is currently palpable on both sides of the Atlantic. And indeed, progress towards cooperation is impressive: the conclusion of a free trade agreement between the EU and Mercosur, a long-term issue which to our chagrin had all but stagnated over a considerable period, is now not only seen as possible but is even being pencilled-in for late this year. The Chancellor emphasised this several times in recent weeks. This is a development that we could only have dreamed about one year ago. And the modernisation of the EU-Mexico Global Agreement is also making rapid progress.

But the pursuit of cooperation is not just apparent in an intercontinental context. Within Latin America, Argentina, Brazil and Mexico are also currently endeavouring to find new ways of intensifying mutual economic relations. More intraregional trade would not only stimulate domestic markets there, but also significantly increase the region's market appeal for its global counterpart. But be these developments intercontinental or intraregional, as German companies we can only support and welcome them. Hence our appeal to Latin America and Europe to continue on their adopted path and to follow it to fruition.

Enjoy reading the current issue of our LADW Sunday Brief! ●

V O I C E

Mr Staake, what can you tell us about logistics and Latin America?



Erich Staake
 CEO of Duisburger Hafen AG, LADW
 Deputy Chairman and LADW's
 "Mobility & Logistics" co-spokesman

“ The logistics world is currently discussing the "Tren Bioceánico", the once-thought unrealisable railway line across the breadth of Latin America from the Atlantic to the Pacific. Efforts are ongoing in Germany for it to assume what might even be a leading role there. The line could link Ilo in Peru with Santos in Brazil, whilst creating a new boom en route in Bolivia and Paraguay. The easing of custom duties along such a trajectory is not utopian thinking. And at the destination, new opportunities beckon in terms of networking national economies, people and cultures so as to counter segregation strategies.

This gigantic project is reminiscent of China's "One Belt, One Road", which Cathay is currently developing together with European partner states as a "New Silk Road". Duisport, the largest logistics hub in the heart of Europe, is its partner in various subprojects, and, furthermore, both origin and destination on the European side.

Given its close connection to the economic centres of the continent, the world's largest inland port could also bring its extensive experience to bear on the South American side. Over the existing maritime trade routes from Latin America and the hub of Duisport, the two largest transcontinental trade routes, the Tren Bioceánico and the New Silk Road, could be networked along with their concomitant markets. Thinking big is obviously coming into style. China, in any case, has long since been bidding along in Latin America. ● ”

NUMBERS FACTS & MORE

LATIN AMERICAN G20-MEMBERS

GDP GROWTH (%)

ARGENTINA

Year	2017	2018	2019	2020	2021	2022
GDP Growth (%)	2.2	2.3	2.5	3.0	3.2	3.1

BRAZIL

Year	2017	2018	2019	2020	2021	2022
GDP Growth (%)	0.2	1.7	2.0	2.0	2.0	2.0

MEXICO

Year	2017	2018	2019	2020	2021	2022
GDP Growth (%)	1.7	2.0	2.7	2.7	2.7	2.7

Forecasts | Source: IMF April 2017

AT A GLANCE

	ARG	BRA	MEX
GDP (2016, billion US\$)	545	1,799	1,046
Population (2016, million)	44	206	122
German companies	200	1,300	1,900
Employees in German companies	32,000	250,000	215,000
Volume of German direct investment (billion €)	2.8	18.4	9.7
Double Taxation Agreement with Germany	✓	✗	✓
Investment Protection Agreement with Germany	✓	✗ <small>nicht in Kraft</small>	✓
Foreign trade revenues with Germany (billion €)	4.1	16.4	16.3
Free Trade Agreement with the EU	✗	✗	✓

Sources: IMF, Federal Foreign Office, Destatis, Federal Bank of Germany

LEAD ARTICLE

LATIN AMERICA AND EUROPE ARE GROWING CLOSER

Generally speaking, Latin America is not doing so well. Nevertheless, the continent has become more significant for us Europeans.



Alexander Busch

Correspondent for Handelsblatt, Wirtschaftswoche, Neue Zürcher Zeitung in Latin America

For twenty-five years, Alexander Busch has been reporting from Brazil on Latin America for Handelsblatt, Wirtschaftswoche and Neue Zürcher Zeitung. Born in 1963, he grew up in Venezuela before attending the Cologne School of Journalism and studying Economics and Politics in Cologne and Buenos Aires. He is the author of the book "Wirtschaftsmacht Brasilien - Der grüne Riese erwacht" (Economic power Brazil - The green giant awakens) et al.

Let's not kid ourselves. The majority of Latin America is currently experiencing a serious political, social and economic crisis. One similar to that of the 1980s. This does not go for all states equally. But the bottom line isn't looking good at present. The economic boom of the past decade did indeed increase markets and reduce poverty in the region. But these gains are now again being threatened by crises. Furthermore, the region is increasingly failing to link into the global economy. Most Latin American companies lag behind their global competitors in terms of productivity. Digitisation or industry 4.0 are not even starting to take root in the region. Instead of driving on industrialisation, the region is losing ground and again becoming a supplier of raw materials.

Of course there are happy exceptions to this bleak picture, but the trend is undeniable and an end to this lean period is not in sight. With a few exceptions, such as Argentina, the necessary economic reforms are not on the agenda. The reason being, most governments are also in crisis, are extremely unpopular, and are fighting for survival. There is no energy available for reform. As a result, the administrative crisis is being further exacerbated, for politics, and not just the economy, has left much unattended to and failed to address existential problems. For example, the growing prevalence of crime in the region; the world's greatest income-disparity; the low level of education, despite improvements in recent years; the still broadly decrepit state of the continent's infrastructure.

Despite its current weakness, we must not abandon Latin America. On the contrary. The region has rarely been as important to our own interests in the world as it is now. Given the changing global framework due to the new politics of the USA, Latin

America has become in many matters a partner to Germany and Europe. We might all-too easily make the mistake of equating Latin America's economic fragility with political insignificance. But that would be wrong. At the G20 Summit, for example, Mexico, Argentina and Brazil are three Latin American member states among the leading industrial and emerging countries. And Latin America's importance in this group is bound to grow: Chancellor Merkel will hand the G20-presidency on to Argentina at the end of this year. Since taking office, President Mauricio Macri has been working hard for a united Latin American presence in the G20 and thereby increased his influence.

In the United Nations, Latin America and the Caribbean make up seventeen percent of total votes. In trade, in climate-related issues, in norms and standards, but above all with regard to democracy as a political system, Germany and Latin America act in concert. This explains, too, why Federal Chancellor Angela Merkel has made a tour to Argentina and Mexico to agree on joint approaches prior to the G20 summit in Hamburg.

We should bear in mind that Latin America's 650 million inhabitants on the one hand form a significant market, and on the other are largely individuals with a broadly positive attitude towards Germany and Europe. Exchange between Europe and Latin America has increased heavily in the last twenty years. We now interact more closely than ever, not only in commerce, investment and politics, but also socially, culturally and academically. The risk we currently face is that we will lose this proximity and trust if we do not work to maintain it. For in China, an extremely forceful world power is afoot in Latin America, one that adroitly fills the growing vacuum the US is leaving behind. For a long time now, China has no longer

just been an acquirer of the continent's raw materials. The concerns of Cathay are currently buying into the industrial DNA of the continent: electricity suppliers, ports, power stations, urban and inter-urban railways are increasingly controlled from the Far East. For some time, Chinese banks have been on site to finance these takeovers. With their investments, Chinese companies are opening and securing the Latin American market for machinery and equipment, the very fields that are the German economy's strengths.

And yet, German suppliers are increasingly rare in large-scale projects: on the one hand, there are no longer any German consortium leaders prepared to take such risks, on the other, the financing is lacking and the projects are not afforded sufficient political support. This is what the Federal Ministry for Economic Affairs and Energy means to change. A separate administrative office has been established as the central point of contact for strategically important large-scale projects worldwide. Financial latitude is to be extended to the limits of the OECD's capabilities. Should it be required, a task force is to offer inter-departmental coordination on important projects. Now would be a good time to vitalise the initiative in Latin America. ●