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Lateinamerika-Ausschuss
der Deutschen Wirtschaft



Mastering global challenges together with Latin America

FIVE RECOMMENDATIONS FOR GERMAN POLICY

A joint position paper by
the Latin America Committee of German Business (LADW)
and the Association for Latin America (LAV)

1. Shaping the ecological and digital transformation together with Latin America

For a comprehensive, successful ecological and digital transformation, the EU and Germany are dependent on reliable, international allies. Latin America in particular is being courted because of its strategic importance for climate, the agricultural and energy industries, and digitalization. It is home to large reserves of raw materials – both renewable and critical for the upcoming transformation processes – a great potential for renewable energy, as well as one-third of the world's freshwater reserves. Together with Latin America, the new German government should provide **impetus for an environmentally friendly and digital economy**.

Joining forces to develop **technologies for emissions reduction and CO₂-free power generation** (e.g. for the production of green hydrogen), **the circular economy for waste prevention and recycling**, and in the field of **IoT and AI** would help both sides to hold their ground in the increasingly fierce global competition. On the one hand, **cooperation with research institutions, universities and companies** in Latin America should be intensified. On the other hand, a stronger integration of new or existing initiatives of the federal ministries – the Federal Foreign Office, the Federal Ministry for Economic Affairs and Climate Action, the Federal Ministry for Economic Cooperation and Development, the Federal Ministry of Food and Agriculture and the Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection – could create the necessary structures for **bilateral pilot projects**. The **energy partnerships** with Brazil, Mexico and Chile would also have to be expanded with regard to new technologies for CO₂-neutrality and supplemented by partnerships with Argentina and Colombia. In the area of **digitalization/Industry 4.0**, the more intensive use of **established dialogue platforms** and an expansion to other priority countries, e.g. Uruguay or Colombia, should be examined. The German economy can also benefit from an exchange with the vibrant Latin American startup scene with pioneering, not only digital product developments and business ideas. **Sustainability and quality criteria** should be included in the framework of financial (development) cooperation and export promotion should be adapted or further developed to digital products and services.

2. Driving forward long-term and interministerial Latin America policy

Germany urgently needs an active strategy on the part of the German government for cooperation with Latin America that also takes into account the interests and reservations of companies in particular. Without a long-term, interministerially coordinated agenda for the region and equally aligned initiatives by the German government, ideally with a dedicated point of contact spanning the ministries and institutions involved, there is a risk of Germany losing further political and economic importance in the markets there.

The **German government's Latin America strategy**, which was drawn up in 2010, should be reviewed to ensure that it is up to date and made into a permanent action program. It would be desirable to continue

the **Latin America-Caribbean Initiative** successfully established by the Federal Foreign Office, with the involvement of other ministries of the German government (as announced in the coalition agreement). Policymakers would also have to consistently cultivate high-level, bilateral dialogue, for example, through more **trips to the region by the Federal Chancellor and Federal Ministers accompanied by business delegations** – as soon as pandemic conditions permit. This should be complemented by low-threshold digital interaction formats. Actions would need to be actively rolled out. Projects and priority topics of development cooperation with Latin America should be coordinated more closely with the business community, and here, too, priority should be given to digitalization and decarbonization. The **instrument "strategic partnership"** should also be expanded. The core regions for business remain Mercosur and the Pacific Alliance. With regard to cooperation with both regions, the German government should take advantage of opportunities to pursue sustainability goals more consistently. The Federal Foreign Office could play a pioneering role here through its new responsibility for international climate policy.

3. Strengthening European cooperation with Latin America

Already three quarters of Latin American countries have a **trade agreement** with the EU. In the medium term, regional harmonization and integration of the various agreements could be sought. Ratification of the already negotiated EU trade agreement with **Mercosur** would have to be consistently supported by the new German government from a strategic and geopolitical perspective. Existing concerns in the areas of sustainability, protection of climate and workers' rights, agribusiness and supply chains should be addressed, for example, through supplementary agreements and commitments. This requires a willingness to compromise on both sides. In the view of LADW and LAV, the effective implementation of trade agreements is a key building block for European trade and foreign policy and can contribute to positioning of the EU as region of open strategic sovereignty. The bilateral EU free trade agreements with other Latin American countries should be maintained and modernized, if necessary, as is currently the case with **Mexico and Chile**. The modernized agreements should be ratified and put into force quickly.

Germany and the EU are already very important donors for **development cooperation** projects in the region. Increased Europeanization of development cooperation with Latin American states could make a greater contribution to stabilizing the region, also in view of the social and economic consequences of the Corona pandemic there. The German government should advocate greater networking and use of synergies between the activities of EU member states with Latin America, especially in the implementation of the WTO Trade Facilitation Agreement (TFA). The EU's new Global Gateway Strategy offers a good platform for promoting sustainable links with Latin America, in particular to increase investment in physical and digital infrastructure in the region.

4. Making a political restart with Brazil

The fundamentally very good relations between Germany and Brazil must be able to withstand and overcome political differences of opinion. It is above all in intensive political dialogue that joint solutions can be found, for example in the protection of the rainforest. As a resource-rich country, Brazil has a key role to play in overcoming global challenges, for example in climate protection, energy supply or as an agricultural producer. Brazil's accession process to the OECD should therefore be fully supported.

Before the Brazilian elections in October 2022, the new German government should position itself in such a way that a **new start in economic policy** is possible with any Brazilian government. **Bilateral cooperation** should be reshaped, and invitations extended to **government consultations**. The action plan of the **strategic partnership** with Brazil, which has been in place since 2008, would have to be modernized and expanded to include new challenges. These include in particular the topics of digitalization, Industry 4.0, cybersecurity, artificial intelligence or smart electrification. The German government should also continue to play an active role in the proven **German-Brazilian committees and projects** such as the Joint Economic Commission, the Digital Dialogue, the Global Project Quality Infrastructure and the Agribusiness Initiative.

In addition, it makes sense to promote and expand relations with important states with a high German economic presence (e.g., in the south, São Paulo and Bahia). This also applies in principle to other countries in the region.

5. Promoting more business-friendly framework conditions in the region

Decades of modernization deficits in infrastructure and education have led to a constant loss of competitiveness in most Latin American countries. Low labor productivity also makes sustainable growth difficult. Nevertheless, international competition for market share has increased in Latin America, and companies from the EU often fall behind those from the United States or China. However, their strategic and trade interests differ from those of Germany. Consistent **political support** from the German government is necessary to promote the position of German industry through improved framework conditions. The focus here is not on competition, but on consistently strengthening German strengths. SMEs in particular are dependent on **funding and financing opportunities** when opening up new markets in the region. Information work must break down existing resentments. Foreign trade promotion, like that of other countries, should be oriented toward the strategic interests of Germany and not toward rules of origin that are often out of touch with reality.

Unnecessary burdens due to **double taxation** could be avoided by means of corresponding agreements (DTAs). In 2005, the German government terminated the DTA with **Brazil** that had been in force since 1975. All attempts to negotiate a new agreement have so far failed. While Germany focused on a model

for advanced emerging economies (OECD standard), Brazil insisted on maintaining benefits for developing countries. Due to Brazil's efforts for greater trade openness and for OECD membership, the conditions for a mutual understanding are more favorable than ever. The Federal Ministry of Finance would have to seek talks with the Brazilian side at all levels and advocate a **renegotiation** of the DTA. In doing so, German policymakers should show more flexibility in the negotiations. In addition, the conclusion of DTAs with **Chile, Peru and Colombia** should be evaluated because of their growing economic potential.

Given their importance for innovation, **patent protection and intellectual property protection** must be consistently promoted in Latin American countries, including through bilateral cooperation at the technical level. The same applies to existing and new cooperation between regulatory authorities and agencies in key areas, such as telecommunications (5G or 6G) or health. European standards should also receive more support, as these help pave a **level playing field** for European industry. Examples of this are standards in the mobility sector, where European companies compete against Chinese companies subsidized by the state.