

Section 3

Latin America and the Caribbean



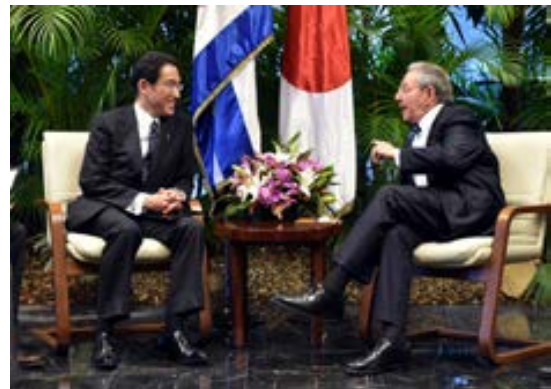
Overview

Latin America and the Caribbean region is a key partner for Japan, economically as well as in terms of strengthening and maintaining international order based on the rule of law. Although economic growth in the region has slowed since 2011 against the backdrop of falling commodity prices and the slowdown of major economies outside the region, Latin America and the Caribbean have a population of approximately 600 million, with a combined GDP of 6 trillion US dollars (approximately 2.5 times larger than that of ASEAN). The region is also a producer of mineral resources (including rare metals), energy and food, and a significant number of Japanese companies have established operations. Moreover, with the “rule of law” and democracy firmly established in nearly all Latin American and Caribbean countries, the region has a strong presence in the international community. Japan and Latin America and the Caribbean region have traditionally maintained a very friendly relationship. With over 2.13 million Japanese descendants, or “Nikkeis,” living in Latin America, the human and historical bonds between Japan and the region run deep. Moreover, Japan has long maintained economic ties with Latin America and the Caribbean as Asia’s largest investor.

In July and August 2014, Prime Minister Abe paid official visits to the region. During



Summit meeting between Prime Minister Simpson-Miller and Prime Minister Abe (September 30, Jamaica ; Photo: Cabinet Public Relations Office)



Talks between Chairman of State Council Raul Castro and Foreign Minister Kishida (May 2, Cuba)

this trip, the Prime Minister announced three guiding principles of Japan’s diplomacy for Latin America and the Caribbean: (1) Progress together (strengthening economic relations); (2) Lead together (working together in the international arena); and (3) Inspire together (promoting people-to-people exchanges, cultural and sports exchanges, and other exchanges). Based on these principles, Japan

is strengthening the ties with the region.

In terms of strengthening economic relations, Japan has been engaged in creating a better business environment for Japanese companies operating in the region through establishing legal frameworks such as EPAs and investment treaties as well as consultations with governments of partner countries based on these frameworks. The Investment Agreement between Japan and Uruguay was signed in January, and the Investment Agreement between Japan and Colombia came into force in September. Also, Tax Treaty between Japan and Chile was signed in January 2016. In October, an agreement in principle was reached on the Trans-Pacific Partnership (TPP) Agreement. Stronger economic ties are expected with Mexico, Chile, and Peru, participating states in the TPP agreement. Japan is promoting development assistance that employs Japanese technology, as increased demand for infrastructure in such areas as urban transportation and energy is expected within the region as a result of the economic growth. Japan has also been enhancing cooperative relationships with countries with abundant resources and food, in order to secure a stable supply of such resources and food.

With regard to increasing cooperation in the international arena, Japan has been collaborating with Latin American and Caribbean countries in addressing various issues, such as sustainable growth, environment and climate change, nuclear disarmament and non-proliferation, as well as UN Security Council reform. At the same time, Japan has been reinforcing cooperation and dialogue with regional organizations such as the Caribbean Community (CARICOM), which has influence in the international community.

As for people-to-people exchanges frequent mutual visits by key officials took place, as in the previous year. In May, Foreign Minister Kishida became the first Japanese Foreign Minister to visit Cuba, and in September, Prime Minister Abe became the first Japanese Prime Minister to visit Jamaica. The government has strengthened exchange at all levels with the region through the invitation of, not only key officials, but also young officials and Japanese descendants from the region (See 2-2-1 (2)).

1 Strengthening Relations and Cooperating with Latin America and the Caribbean Countries

(1) Strengthening Economic Relations

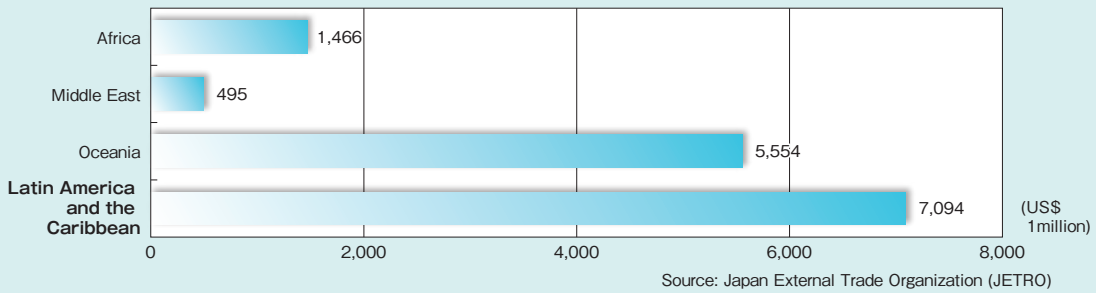
Latin America and the Caribbean region includes some of the world's largest economies, such as Brazil (7th largest GDP in the world and a G20 member) and Mexico (14th largest GDP in the world and a G20 member), as well as rapidly growing countries on the Pacific coast such as Colombia, Peru, Chile and Panama. Moreover, there are countries rich in food and mineral resources such as Argentina (a G20 member), Venezuela and Bolivia. There has been an increased attention on economic potential of the region.

The growth of the region's economy has been slowing down since 2011 due to falling commodity prices and the economic slowdown of major countries outside the region. However, many countries in the region have been steadily growing, still attracting high interest from Japanese companies.

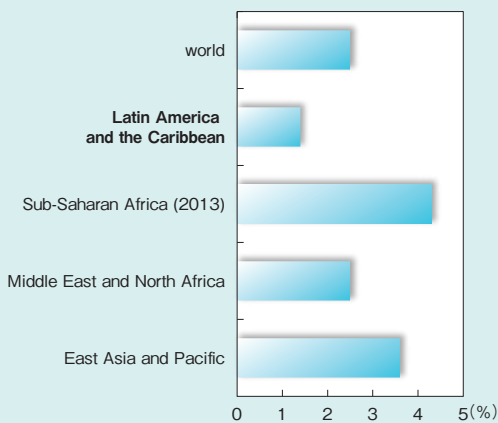
Japan places importance on the region as an economic partner to grow together, and the Government of Japan has been working in a unified fashion together with the private sector to promote and facilitate trade and investment relations between Japan and

Comparison of economic indexes

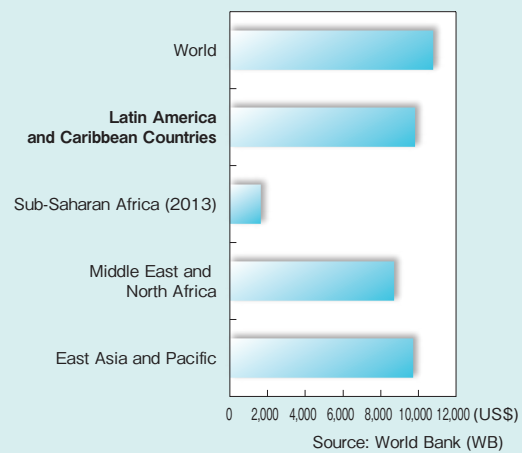
Japan's outward FDI stocks (2014)



GDP growth (2014)



GNI per capita (2014)



the region. Specifically, the Government organized the 2nd Japan-SICA Business Forum in May, and the 1st Japan-Cuba Joint Public-Private Committee Meeting which was held in November as a follow-up to Foreign Minister Kishida's visit to Cuba. Moreover, the Government of Japan is making efforts to strengthen economic relations, including promotion of Japanese companies' expansion into the region, through the promotion of establishment of EPAs, legal frameworks such as investment treaties and consultations based on such frameworks which contribute to trade acceleration and the improvement of the business environment for companies operating in the region as well as consultations

based on those frameworks. Specifically, in 2015 the Investment Agreement between Japan and Uruguay was signed and the Agreement between Japan and Colombia came into force. In January 2016 the Japan-Chile Tax Treaty was signed. Furthermore, the Government of Japan has been negotiating with Colombia for the conclusion of the EPA. Also, commemorating the 10th Anniversary of entry into force of the Japan-Mexico EPA, the Governments of Japan and Mexico organized the EPA 10th Anniversary Seminar and the 8th Mexico Business Environment Committee, continuing talks on reinforcing the bilateral economic ties. As a result of these efforts, the number of Japanese enterprises conducting

business in the Latin America and the Caribbean region reached 2,087 as of October 2014.

In January 2016, the Consulate-General of Japan was newly established in Leon, Mexico, reinforcing the back-up structure for Japanese companies that develop business in the region.

(2) Strengthening People-to-people exchange

The year 2015 marked the 120th anniversary of the establishment of diplomatic relations between Japan and Brazil. Commemorating this anniversary, Their Imperial Highnesses Prince and Princess Akishino visited Brazil from October to November and met with President Dilma Rousseff and other dignitaries as well as communicating with Japanese descendants in different places. The year 2015 also marked the 80th anniversary of the establishment of diplomatic relations between Japan and the five states of Central America (Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica). Taking the opportunity of the “Japan-SICA Friendship Year” between Japan and the above mentioned five states plus Belize, Panama, and the Dominican Republic, Her Imperial Highness Princess Mako of Akishino visited El Salvador and Honduras in December as Her Imperial Highness's first formal visit to overseas.

Japan has close human and historical ties with this region, where 2.13 million Japanese descendants live. With this background, the Government of Japan has been strengthening people-to-people exchange with the region. In addition to the above mentioned Prime Minister Abe's visit to Jamaica and Foreign Minister Kishida's visit to Cuba, several key figures visited Japan from the Latin America



Their Imperial Highnesses Prince and Princess Akishino welcomed by local children (October 28, Brazil; Photo: AFP News)



Her Imperial Highness Princess Mako of Akishino briefed on local crafts from Honduras President Hernández and his spouse (December 8, Honduras; Photo: Honduras President's Office)

and the Caribbean Region, including Vice-President of the Council of Ministers of Cuba Ricardo Cabrisas in March and November, Bolivian Vice President Álvaro García Linera in April, Honduras President Juan Orlando Hernández and his wife, and Brazil's Foreign Minister Mauro Vieira in July, Dominica's Foreign Minister Francine Baron in October, and Uruguayan President Tabaré Vázquez in November (accompanied by Foreign Minister Rodolfo Nin Novoa). In particular, as for the relations with Japanese descendants in the Latin America and the Caribbean Region, the Government of Japan invited young leaders of Japanese descendants in the region, and journalists willing to communicate the appeal of Japan, aiming at promoting cooperation from broader aspects. In addition to the events mentioned above, the government

has strengthened exchange at all levels with the region through the invitation of young officials and journalists and various exchange programs. Several exchange programs were held with Brazil and the Central American countries, for which 2015 represented a significant milestone, in particular, the number of commemorative projects with Brazil exceeded 500 in both countries.

(3) Contributing to Stable Development of Latin America and the Caribbean Countries

With the recognition that continued growth and political stability are the challenges for stable development of the region, Japan places emphasis on each country achieving stable economic growth through appropriate efforts to reduce poverty and social disparities while at the same time firmly maintaining democracy. From the above perspective, Japan has been providing reliable support through Official Development Assistance (ODA) and other schemes in areas such as the improvement in living standards including education and healthcare as well as renewable energy development and industry infrastructure that may contribute to a sustainable economic growth in the Latin America and the Caribbean region. Furthermore, Japan is promoting so-called triangular cooperation with countries such as Argentina, Chile, Brazil and Mexico, which have reached a stage of providing aid to the third countries thanks in part to the assistance from Japan in the past.

Japan has also cooperated in many aspects of disaster risk reduction with the region, which is vulnerable to natural disasters, including hurricanes and earthquakes. Japan has also actively cooperated in the environmental field as these countries are rich in biodiversity

and have deep concern over the increase of natural disasters due to climate change. The Government of Japan provided emergency relief goods to Chile, in response to the damage caused by floods in March, as well as to the Commonwealth of Dominica, which suffered a tremendous loss due to the tropical storm Erika in August. In September, during his visit to Jamaica, Prime Minister Abe announced that Japan had decided to extend a new technical cooperation project in the field of energy efficiency and renewable energy to Jamaica, St. Christopher and Nevis, Trinidad and Tobago and Barbados in response to their requests as one of priority areas for cooperation. It is in line with the “Cooperation towards sustainable development, including overcoming the vulnerabilities particular to small island developing states,” which is the first of the pillars of Japan’s CARICOM policies, presented by Prime Minister Abe at the Japan-CARICOM Summit Meeting held in the previous year.

(4) Cooperation with Latin America and the Caribbean Countries through regional organizations

Various efforts for regional integration have gradually been progressing in the region. In order to strengthen collaboration to address issues in the region and international society, Japan has been strengthening cooperation with the Pacific Alliance, the Forum for East Asia-Latin America Cooperation (FEALAC), the Central American Integration System (SICA), the Caribbean Community (CARICOM), the Union of South American Nations/Union de Naciones Suramericanas (UNASUR), the Common Market of the South/Mercado Común del Sur (MERCOSUR), and other local organizations. In particular, the economic ties between Japan and SICA were



The 7th FEALAC Foreign Ministers' Meeting (August 21, Costa Rica)

further reinforced in the year 2015, which marked the Japan-SICA Friendship Year. In February, Japan co-organized the 17th “Japan-Central America Forum for Dialogue and Cooperation” with SICA in Guatemala to deepen political dialogue. Also as mentioned above, in May, the 2nd Japan-SICA Business Forum was held in the same country, where Parliamentary Vice-Minister for Foreign Affairs Uto and 110 representatives from 52 Japanese companies/associations attended. As for the relations with the Pacific Alliance, the 1st Senior Directors and Officials Level Meetings were held in July. In the context of FEALAC, Japan and Brazil co-chaired the Science, Technology, Innovation, and Education Workshop. In August, State Minister for Foreign Affairs Nakayama attended the 7th FEALAC Foreign Ministers' meeting in Costa Rica and reported on the Robot Contest that had been held following Japan's proposal; Both the Latin America and the Caribbean Region and Asian region participated in the Contest for the first time in 2015, and this initiative was welcomed by other states. As a follow-up to the Summit meeting and Ministerial-Level Conference held in the 2014 Japan-CARICOM Friendship Year, in January 2015, Parliamentary Vice-Minister for Foreign Affairs Uto visited three member states of CARICOM, Trinidad and Tobago, Saint Lucia, and Guyana in which

the CARICOM Secretariat is located. Also, in June, he visited The Bahamas and Antigua and Barbuda confirming that the Government of Japan would cooperate to further strengthen collaboration with CARICOM. In May, State Minister for Foreign Affairs Nakayama visited Saint Lucia to attend the CARICOM Council for Foreign and Community Relations (COFCOR), addressing a speech in the plenary sessions. He also had bilateral talks with the representatives of many CARICOM member states to further strengthen relations. In January 2016, the Embassy of Japan was newly established in Barbados, which improved the environment to further reinforce relations with CARICOM.

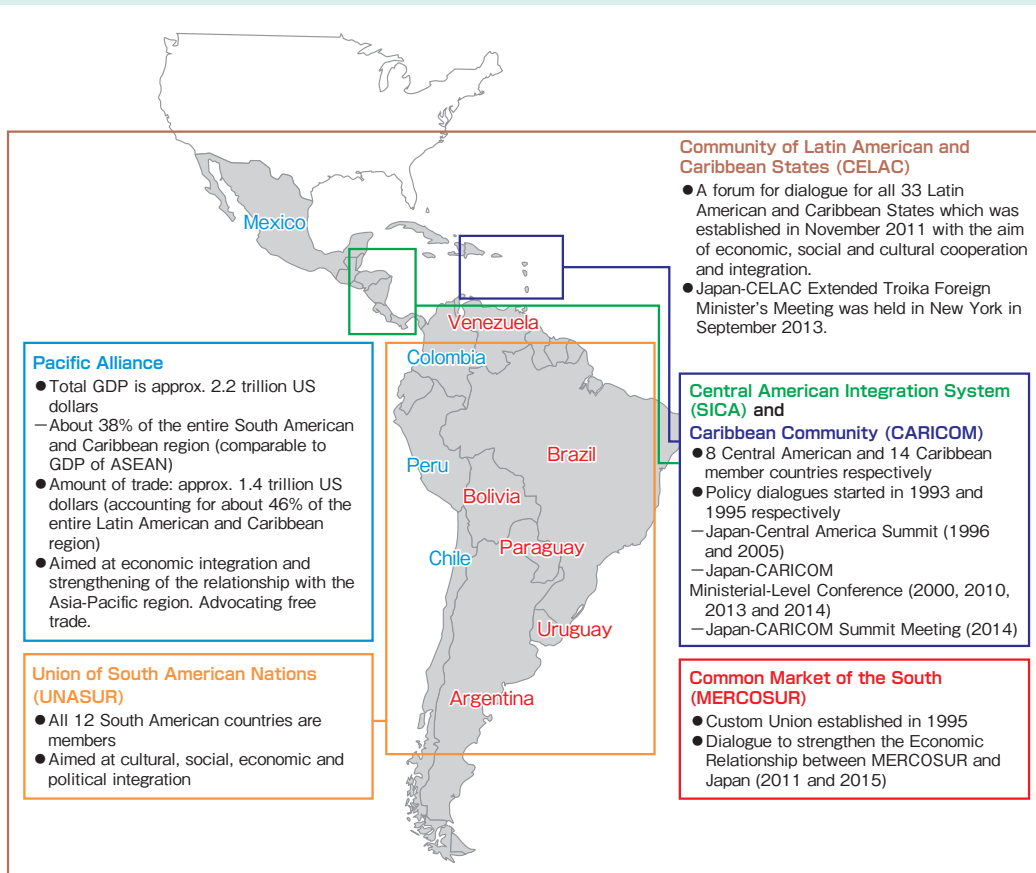
2 Situation in Latin America and the Caribbean Region

(1) Political situation

Presidential or general elections were held in St. Christopher and Nevis, Guyana, Suriname, Guatemala, Trinidad and Tobago, Haiti, Argentina, Belize, St. Vincent and the Grenadines in 2015 (for the details on the changes of governments, see the Figure “Major events in 2015 (by country/ region)”). At the presidential election in Argentina, the leftist government which had lasted 12 years was defeated, and a center-right administration took office. Also, the leftist ruling party was defeated at the Diet member election held in Venezuela, and future political movement should be followed closely.

Regional integration organizations also held various high-level consultations including the 3rd Community of Latin American and Caribbean States (CELAC) Summit Meeting in January, the 45th and 46th SICA Summit Meetings in June and December, the 10th Pacific Alliance Summit Meeting in July, the

Regional Organizations in Latin America and the Caribbean



36th CARICOM Summit Meeting, and the 48th and 49th MERCOSUR Summit Meetings in July and December.

Also, diplomatic relations between the United States and Cuba, which had been cut off for more than a half-century, resumed in July, and new embassies were established in both countries. Future developments, between the two countries toward the normalization of diplomatic relation, the subsequent relations between the Latin American states and the United States, and the behavior of Cuba in the international community will draw attention.

(2) Regional economic conditions

The economic growth rate of the entire

region was minus 0.4% in 2015 (estimated by the Economic Commission for Latin America and the Caribbean (ECLAC); hereinafter the same), recording the first negative growth since 2009. In particular, due to falling in commodity prices in recent years, as well as disastrous economic policies, countries that economically depend on commodity products such as crude oil or mineral resources, continue to face severe economic circumstances. Specifically, the economic growth of Brazil was minus 3.8% highlighting stagnation in the largest economy in the region.

On the other hand, in Mexico, which has the second largest economy in the region and

functions as a gateway to the American market, the number of companies entering from Japan and other parts of the world is increasing mainly in automobile-related fields. The Peña Nieto administration achieved the major structural reform by August of the previous year. In 2015, the government continues to promote the fundamental changes for areas including telecommunication, energy, education, etc. Although affected by the

decrease of crude oil prices, its GDP growth rate remained around 2.5% throughout the year thanks to the robust industrial exports to the US with the weak currency. Some countries recorded notable economic growth rates such as 6.5% in the Dominican Republic, 5.9% in Panama, 5.2% in St. Christopher and Nevis, and 4.5% in Bolivia. Even in the same region, a difference of policies may influence the economic growth rates.

Major events in 2015 (by country/region)

Mexico (President Pena Nieto)

- The 10th Anniversary of entry into force of the Japan-Mexico Economic Partnership Agreement.
- World Economic Forum on Latin America (May).
- President of the Senate Barbosa visited Japan (July).
- President of the House of Councilors Yamazaki visited Mexico (October).
- Consulate-General in Leon opened (January 2016).

Cuba (President of the Council of State Castro) S

- Foreign Minister Kishida visited Cuba (May).
- Vice-President of Council of Ministers Cabrisas Ruiz visited Japan (March, November).

CARICOM states

- Guyana: General election was held (May). President Granger assumed the office following a change in administration for the first time in 23 years.
- Suriname: General election was held (May). President Bouterse was reelected.
- Dominica: Due to tropical storm Erika, the country suffered damage corresponding to approximately 90 percent of Dominica's GDP (August). Foreign Minister Baron visited Japan (October).
- Trinidad and Tobago: General election was held (September). Prime Minister Rowley took office.
- Jamaica: Prime Minister Abe visited the country for the first time as a Japanese Prime Minister (September).
- Belize: General election was held (November). Prime Minister Barrow was reelected.
- St. Vincent and the Grenadine Islands: General election was held (December). Prime Minister Gonsalves was reelected.

Central America

- The 80th anniversary of diplomatic ties (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua) • Honduras President Hernandez visited Japan (July).
 - Costa Rica: FEALAC Foreign Ministers Meeting was held (August).
 - Guatemala: President Perez Molina stepped down and was arrested for a corruption scandal (September). A presidential election was held (September). President Morales assumed office.
- A major landslide occurred in the suburb of the capital, Guatemala City (October).
- Panama: President of the House of Councilors Yamazaki visited Panama (October).
 - Her Imperial Highness Princess Mako of Akishino visited El Salvador and Honduras on Her Imperial Highness's first official overseas visit (December).

Venezuela (President Maduro)

- The country's opposition party won an overwhelming victory in parliamentary elections (December).

Brazil (President Rousseff)

- The 120th anniversary of the establishment of diplomatic relations between Japan and Brazil.
- Second administration of President Rousseff was launched (January).
- Foreign Minister Vieira visited Japan (July).
- Official visit of Their Imperial Highnesses Prince and Princess Akishino to Brazil (October-November)

Colombia (President Santos)

- Japan-Colombia EPA negotiations (In total, four rounds of negotiations were held in 2015).

Peru (President Humala)

- Annual meetings of the World Bank and the IMF were held (October).

Chile (President Bachelet)

- In the northern part of the country, major floods took place following a heavy rainfall (March).
- A magnitude-8.3 earthquake and consequent resulting tsunami occurred off the coast of central Chile (September).
- A Tax Treaty between Japan and Chile is scheduled to be signed (January 2016).

Bolivia (President Morales)

- Third administration of President Morales was launched (January).
- Vice-President Garcia Linera visited Japan (April).

Uruguay (President Vazquez)

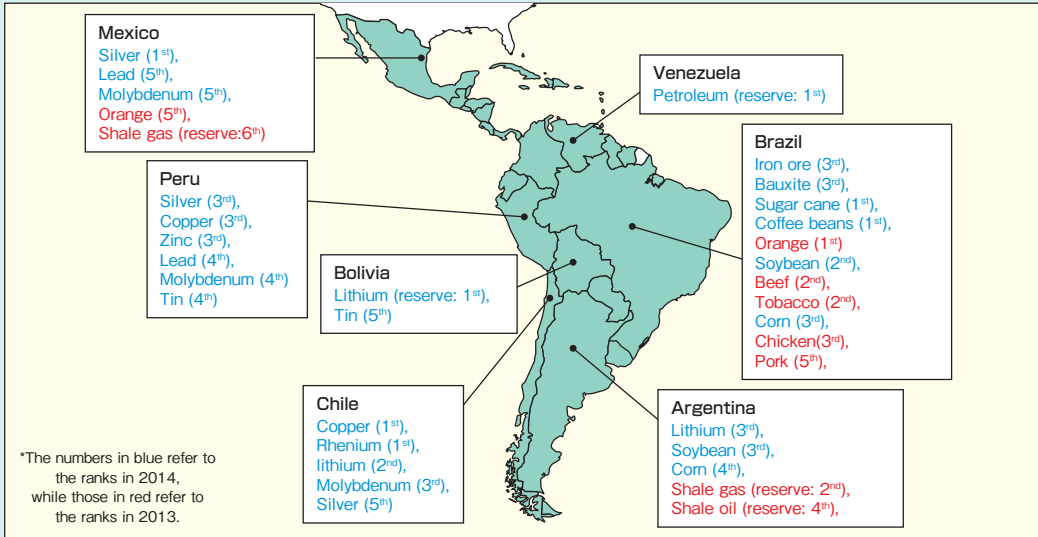
- The Investment Agreement between Japan and Uruguay was signed (January).
- President Vazquez took office (March).
- President Vazquez visited Japan (November).

Argentina (President Macri)

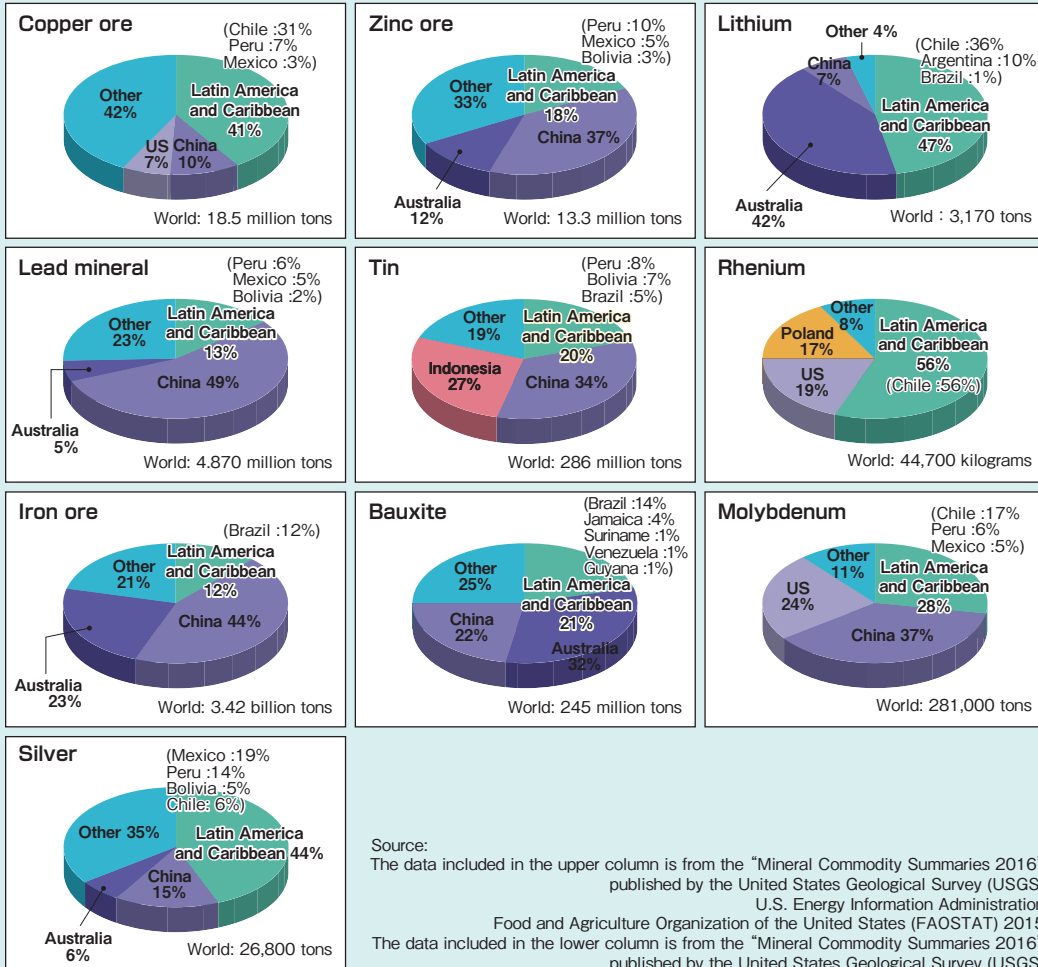
- A presidential election was held (November). President Macri took office.

Resources, Energy and Food Production in the Latin America and the Caribbean Region

Mineral resources, energy and food
 (Unless noted specifically, the numbers in the parenthesis refer to global ranks regarding the amount of production or yield)



Mineral Resources (Production) (2014)





Summit Meeting between Uruguay's President Vázquez, and Prime Minister Abe (November 6, Tokyo; Photo: Cabinet Public Relations Office)

Latin America and the Caribbean region is a major global food supplier area in the world as well as being a supplier of silver, copper, zinc, iron ore, oil and other important resources. The region is a major producer of rare metals such as lithium, the demand for which is expected to increase greatly in the future for such use as in the batteries in electric vehicles. In recent years, Argentina (the world's 2nd largest shale gas possible reserves) and Mexico (the world's 6th largest possible reserves) are attracting attention as the sites of major deposits of shale gas. Although it is not highly likely that the falling commodity prices will recover in the near



Meeting between Brazil's Foreign Minister Vieira and Foreign Minister Kishida (July 29, Tokyo)



Meeting between Dominica's Foreign /CARICOM Minister Baron and Foreign Minister Kishida (October 23, Tokyo)

future, the potential of this region is still high.

The 120th anniversary of the establishment of diplomatic relations between Japan and Brazil

1. Diplomatic relations between Japan and Brazil

In 2015, Japan and Brazil celebrated the 120th anniversary of the establishment of diplomatic relations since the signing of the “Treaty of Friendship, Commerce and Navigation between Japan and Brazil” in November 1895. The world’s largest Japanese community is in Brazil. On the occasion of the 120th anniversary, many VIP visits took place to further deepen mutual understanding, as well as a total of 600 commemorative projects were carried out in a variety of fields, such as economy, culture and art.



2. Official visit of Their Imperial Highnesses Prince and Princess Akishino to Brazil

Their Imperial Highnesses Prince and Princess Akishino, made an official visit to Brazil from October 28 to November 8 at the invitation of the Brazilian government. Their Imperial Highnesses paid a courtesy call on President Dilma Rousseff, attended the 120th anniversary commemorative ceremony hosted by the National Congress and Brazilian government-sponsored luncheon. In addition, Their Imperial Highnesses visited the Federal District and five states (São Paulo, Paraná, Mato Grosso do Sul, Pará, Rio de Janeiro), where they gave an audience to the respective governors and attended events hosted by organizations of Japanese descendants or “Nikkei”.

3. Projects commemorating the 120th anniversary of the establishment of diplomatic relations between Japan and Brazil

In commemoration of the 120th anniversary of the establishment of diplomatic relations between Japan and Brazil, a variety of projects were carried out. They included the participation of traditional “Tachineputa” floats made by Goshogawara City, Aomori in the São Paulo carnival, “Exhibition of Japan-Brazil joint projects” introducing five joint national projects including Cerrado agricultural development, and the renovation of Japan Pavilion in Ibirapuera Park.

In Sao Paulo, the city with the biggest Japanese population in Brazil, a fireworks festival (Photo) produced by Junko Koshino took place in September, with 4,500 fireworks launched in time to the music. In addition, Ms. Fernanda Takai, a Brazilian singer of the world-popular band “PatoFu”, composed a song commemorating the 120th anniversary of Japan-Brazil friendship titled “LOVE SONG”, jointly with Japanese artist Maki Nomiya. The song was widely played during the commemorative event. Furthermore, at Japan Festivals held in various locations in Brazil, live tour concerts took place with joint performances by Brazilian and Japanese artists, and they were well received.



Fireworks festival in Sao Paulo © Yamato Corporation

4. Japan-Brazil future relations

Relations between Japan and Brazil are not confined to economic exchange, but cover people-to-people exchanges in a variety of areas such as academy, culture and sports. The Olympic and Paralympic Games will be held in Rio de Janeiro in 2016, and the Games will be handed over to Tokyo, hopefully leading to a closer relationship between Japan and Brazil in the future.

Column Japan- SICA Friendship Year ~ Blessing long-lasting friendly relations ~

In 2015, Japan and Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica celebrated the 80th anniversary of the establishment of diplomatic relations.

Japan and Central American Integration System (SICA), which is composed of eight countries (above mentioned five countries plus Panama, Belize and the Dominican Republic) defined 2015 as a "Japan-SICA Friendship Year," and implemented commemorative projects in a variety of fields such as politics, economy and culture.

Prior to the Friendship Year, Their Imperial Highnesses Prince and Princess Akishino visited Guatemala in October 2014. Furthermore, Her Imperial Highness Princess Mako of Akishino visited El Salvador and Honduras in December 2015. Her Imperial Highness received a grand welcome from the governments and the peoples of both countries. It was a visit worthy of the ending of the Friendship Year.

In the political and economic areas, an exchange of Friendship Year celebration messages took place between Prime Minister Abe and respective Central American leaders. Also, VIP visits actively took place between Japan and Central America, including the visit by President Hernandez of Honduras to Japan in July. In May, the Japan-SICA Business Forum was held in Guatemala to promote economic exchanges.

In addition, a number of commemorative events were organized in both Japan and Central American countries throughout the year. In Central American countries, approximately 300 commemorative events intended mainly to introduce Japanese culture were also organized, including port calls of the Overseas Training Cruise of the Japan Maritime Self-Defense Force, martial arts demonstrations, concerts, and animation and other pop culture-related events.

In Japan, many events introducing Central American culture took place, including concerts, painting exhibitions and a film festival. Aside from this, friendly matches were held between visiting Costa Rican U22 and U16 National Football Teams and corresponding Japanese teams. All of the events lived up the Friendship Year to a great extent.

As mentioned above, mutual exchange and understanding was promoted in a variety of fields in 2015, which marked an epoch-making year in terms of a deepening of Japan-Central America relations.

We hope to further promote the enhanced friendly relations through the Friendship Year with the Central American countries, as partners continuing to develop together.



State Minister for Foreign Affairs Nakayama receiving messages from Central American leaders, handed from Ambassadors of each country to Japan (March 20, 2015)



Send-off party for Costa Rica's U22 and U16 National Football Teams (June 18, 2015, residence of Japanese Ambassador to Costa Rica)