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## LATIN AMERICA AND THE CARIBBEAN

**(a) Overview**

Although Latin American and Caribbean countries experienced remarkable economic growth through the 1960s and 1970s based on their abundant natural resources, a financial crisis, originating from the accumulation of overseas debts utilized to support their growth, made the 1980s their “lost decade.” However, from the early 1990s, a democratization process, albeit still vulnerable, took root across most of the region and this was followed by positive steps toward economic reform and regional integration, stimulating renewed interest in these emerging markets today.

In 2002, Japan opened negotiations on the Agreement between Japan and Mexico to Strengthen the Bilateral Economic Partnership aiming to establish a legal framework to secure the foothold for the Japanese private sector in the North American market. Japan was also active in creating an appropriate business environment to promote trade and investment with distant Latin American and Caribbean countries, including disseminating various kinds of information, such as the holding of seminars. Furthermore, Japan has been implementing various kinds

of assistance including economic cooperation so that Latin American and Caribbean countries can boost their economic development while continuing to adhere to democratic principles. Japan has also actively been pursuing bilateral and multilateral dialogue on global issues such as terrorism and the environment.

**(b) Economic Situation**

Throughout the 1990s, Latin American and Caribbean countries implemented neoliberal policies centered on trade liberalization and the privatization of state-owned enterprises and were enjoying stable economic growth. However, a slowdown in global economic growth and the Argentine financial crisis caused a deceleration of the Latin American and Caribbean economy in 2002.

Particularly Argentina was hard hit by a financial crisis in the autumn of 2001. Even though the Eduardo Duhalde administration took office at the beginning of 2002, negotiations with the International Monetary Fund (IMF) and other international institutions on debt repayment became bogged down, and the government’s inability to address various problems such as impoverishment and worsening



Prime Minister Junichiro Koizumi meeting with President of Chile Ricardo Lagos on the occasion of the APEC Economic Leaders’ Meeting (October Photo: Office of the Cabinet Public Relations, Cabinet Secretariat)

unemployment caused Argentina to fall into a serious political and economic crisis.

In Brazil, strong support for the presidential candidacy of Luiz Inácio Lula da Silva, a left-winger who was not cooperative with international financial institutions such as the IMF in the past, sent the real, the Brazilian currency, plunging against the United States (US) dollar in the run-up to the October presidential election and caused a turmoil in the financial markets. However, since November, Lula has reaffirmed his commitment to cooperating with the international financial institutions, and Brazil's financial climate has calmed down to some degree.

With regard to the economic relations between Japan, and Latin American and Caribbean countries, Japan's presence in the region has declined in recent years. Latin American and Caribbean countries have abundant mineral resources and are rich in food production capacity. Japan has taken various steps throughout 2002 to strengthen its economic relationship with these countries to meet the level of relations to their potentialities mentioned above. One of such steps was Japan's hosting of the Seminar on Agricultural and Marine Resources in Latin America held in November, to which Japan invited related business-people from the region and which acknowledged the potential of the region's natural resources. Another step was Japan's hosting of the event "Central America Encounter in Tokyo" in the same month. It gained the participation of managers from companies in both Japan and Central America so as to boost Japan's economic relationship with the region. In the summer of 2002, Japan also held a variety of events to introduce the culture, local products and tourist attractions of the Caribbean countries to promote an understanding of Caribbean people in Japan and strengthen economic ties. In addition to these initiatives, Japan invited private companies to hold government/private sector joint conferences and implemented regular government-to-government consultations to revitalize trade and investment between Japan, and Latin American and Caribbean countries.

### **(c) Regional Economic Integration**

The basic economic strategies of Latin American and

Caribbean countries are to promote economic development, stimulate employment and improve the level of living standards, with the establishment of economic partnerships including free trade agreements (FTAs). At the same time, they are promoting domestic structural reform, making themselves a leading region in the field of FTAs.

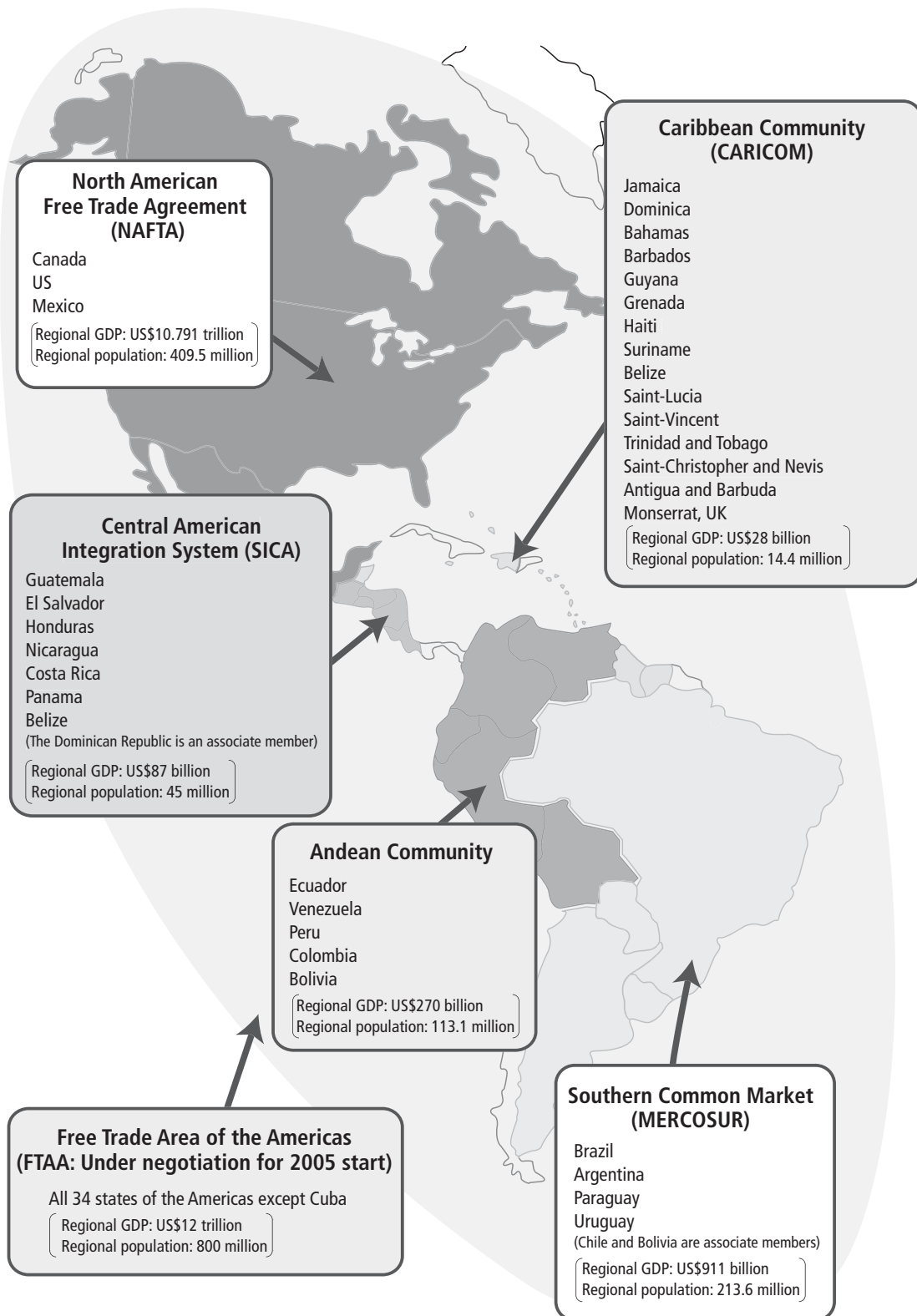
Since the early 1990s, intraregional trade in Latin America and the Caribbean has increased sharply as a result of multilateral steps toward regional economic integration, such as the North American Free Trade Agreement (NAFTA) and the Southern Common Market (MERCOSUR<sup>28</sup>), as well as through numerous bilateral FTAs. In recent years, there have also been attempts to establish economic integration with other economies outside the region such as the European Union (EU). In addition, negotiations are underway toward the creation of the Free Trade Area of the Americas (FTAA) that would encompass North America, Latin America and the Caribbean, making it the world's largest FTA with a population of 800 million and a combined gross domestic product (GDP) of US\$12 trillion. Once the FTAA is formulated, it is expected to increase the importance of the Latin American and Caribbean countries to countries outside the region in terms of exports to North America.

As this kind of economic integration progresses, the Japanese private sector has been disadvantaged throughout Latin American and Caribbean countries in competition with the companies of the US and Europe. The competitive disadvantage of Japanese companies against US and EU firms in Mexico is becoming a particular problem, and it has come to be an urgent task for Japan to prepare a bilateral legal framework for that. In October 2002, Prime Minister Junichiro Koizumi and Mexican President Vicente Fox Quesada agreed to open negotiations toward strengthening Japan-Mexico economic ties, including elements of an FTA, and the negotiations are currently underway. With regard to the relationship with Chile, a country which has concluded a number of FTAs, a report was also submitted by a private-sector study group to the governments of Japan and Chile recommending the conclusion of a bilateral FTA.

<sup>28</sup> A customs union involving Brazil, Argentina, Uruguay and Paraguay.

Regional Economic Integration in the Americas

(All figures approximate)



### (d) Political Situation in Latin America and the Caribbean and Efforts Made by Japan

Despite its continued vulnerability, democracy is being consolidated throughout almost all the Latin American and Caribbean countries. In April 2002, however, an anti-government movement in Venezuela demanded the resignation of President Hugo Rafael Chavez Frias and for the time installed an interim administration. The Organization of American States (OAS), a regional political organization of the Americas, issued a strong message that it would not accept any deviation from the democratic process. The administration of President Chavez was soon restored, but the anti-government faction has resumed, since December, calls for President Chavez to step down, carrying out countrywide strikes, stagnating oil exports and causing disorder.

In Colombia, the fight against terrorists such as the Revolutionary Armed Forces of Colombia (FARC) continues, and the hard-line anti-terrorist Alvaro Uribe assumed the presidency in August. In some other countries,

mass movements that reflect principally the voices of the poor in elections have also emerged, and it will be necessary to keep a close watch on those movements.

Japan is expected to provide prompt assistance to resolve economic and social problems in Latin American and Caribbean countries to secure the continued stability of the region, taking into account immediate problems that these countries are facing, such as deterioration of public safety and the disparity between rich and poor.

In addition, regarding political dialogue, Japan, in addition to bilateral consultations, consults regularly with regional economic organizations such as MERCOSUR, the Caribbean Community (CARICOM) and the Central American Integration System (SICA), and in 2002 Japan had a consultation with the Andean Community. The Forum for East Asia-Latin America Cooperation (FEALAC),<sup>29</sup> established in 2001, along with consultations with the regional economic organizations mentioned above, may have a possibility to be a framework within which Japan could boost its relationship with Latin American and Caribbean countries.



Parliamentary Secretary for Foreign Affairs Masahiro Imamura paying a courtesy call on President Mireya Moscoso during his visit to Panama to strengthen bilateral cooperation (July)

<sup>29</sup> A forum for regional cooperation made up of 30 countries of East Asia including Japan and Latin American and Caribbean countries, organized on the first foreign ministers' meeting held in Chile in 2001.