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## LATIN AMERICA AND THE CARIBBEAN

**(a) Overview**

In Latin American and Caribbean countries, democratic systems, although still vulnerable, have taken root across most of the region, and an abundance of natural resources and vigorous steps toward economic liberalization and regional economic integration have stimulated renewed interest in this region as a market with growth potential for the future. In addition, the region has been strengthening its influence on the international stage through regional economic integration.

Japan, based on its traditionally friendly relations with Latin American and Caribbean countries and with the above-mentioned developments in the region in mind, has strengthened the relations through bilateral and multilateral dialogue. At the same time, it has made a variety of efforts to contribute to the stability and development of the region particularly through economic and technical cooperation, and support for elections. In 2003, Japan carried out a variety of consultations and cooperation including negotiations on the Japan-Mexico Economic Partnership Agreement (EPA).

**(b) The Vigorous Movement toward Regional Economic Integration**

Latin American and Caribbean countries take stands as their economic strategies on promoting economic development of themselves as well as domestic structural reform through strengthening economic partnership relations, primarily Free Trade Agreements (FTAs). Moreover, the countries are increasing their international influence as a group by strengthening regional economic integration.

In the Americas, numerous bilateral and interregional FTAs have been concluded since the early 1990s, in addition to multilateral regional economic integration, such as the North American Free Trade Agreement (NAFTA), the Southern Common Market (MERCOSUR) and the Andean Community, and vigorous movements were also observed in 2003.

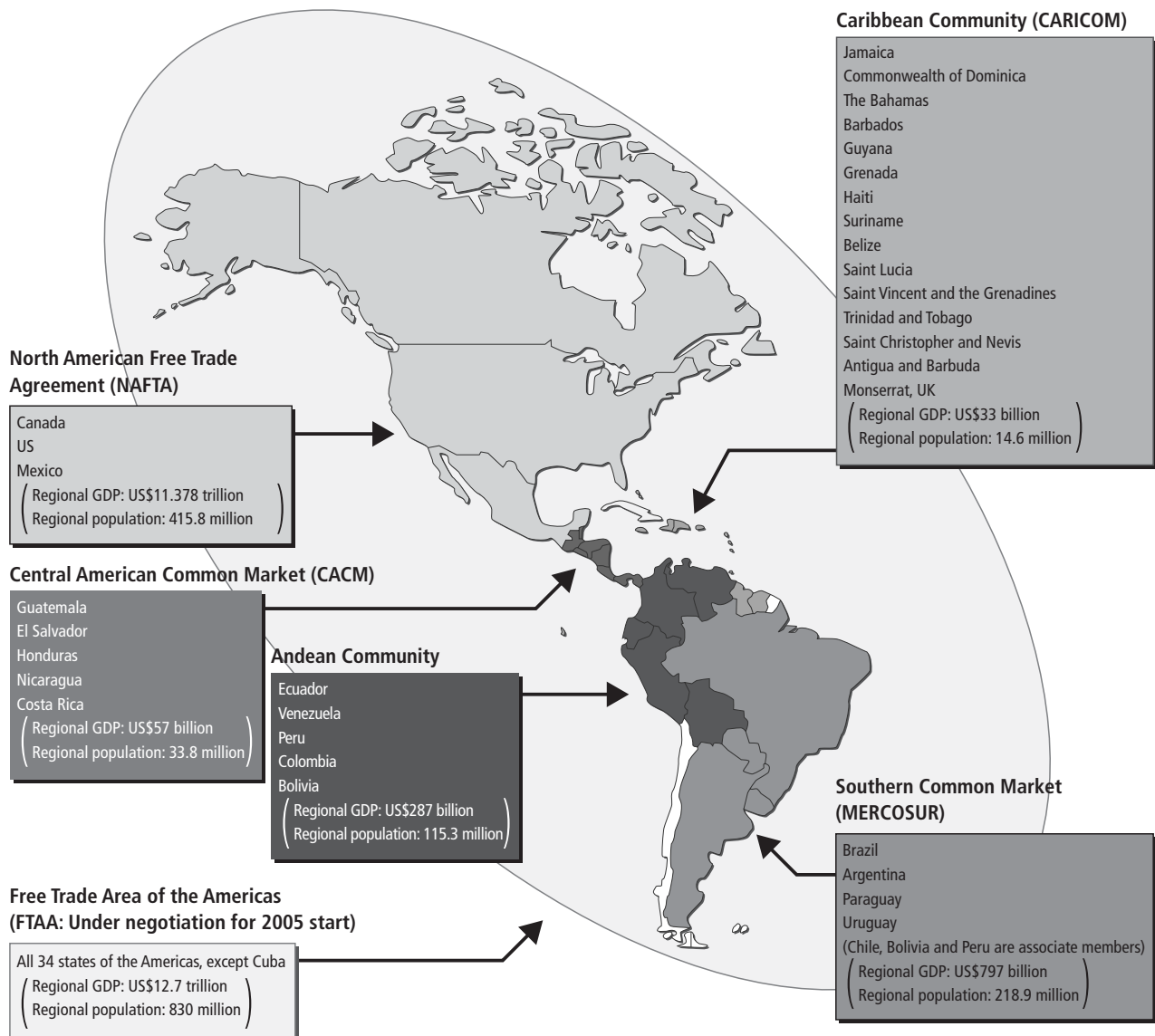
With a view to creating the Free Trade Area of the Americas (FTAA), which will encompass the entire Americas (except Cuba), a ministerial meeting was held in Miami in November. The leaders who attended the

meeting reaffirmed that negotiations were to be concluded by January 2005, determined minimum common obligations applicable to all the FTAA countries and agreed to a framework allowing for individual negotiations for other items including additional liberalization. Once the FTAA is established, it will be the world's largest FTA-zone (with a population of 800 million and a combined GDP of approximately US\$12 trillion) and will be expected to contribute to economic development within the region.

Taking the FTAA negotiations into consideration, Latin American and Caribbean countries have promoted negotiations on bilateral and intraregional FTAs as well as FTAs with countries outside the region. In particular, Brazil, standing against the US, aims for solidarity among the South American countries by reinforcing the unity of MERCOSUR and for strengthening the partnership between MERCOSUR and the Andean Community (an FTA among them was agreed to in December). At the same time, Brazil is working on concluding economic partnerships with countries outside the region, primarily an FTA between MERCOSUR and the EU. As it promotes regional economic integration, it aims to strengthen its political influence in Latin American and Caribbean countries and continues to increase its presence on the international stage through strengthening its relations with developing countries outside the region, such as India and South Africa, and also through forming the G20 at the World Trade Organization (WTO) ministerial meeting in Cancún. Meanwhile, the US has already concluded FTAs with Mexico, Canada and Chile, and in January 2004 it finished the negotiations on the US-Central America Free Trade Agreement (CAFTA) with five Central American countries. In addition, the US has announced the commencement of FTA negotiations with the Dominican Republic, Panama and four of the Andean Community countries excluding Venezuela.

There is a danger that due to this progress of economic integration in Latin America and Caribbean, Japanese companies may be disadvantaged throughout the region in competition with the companies of the US and Europe. The lack of an FTA between Japan and Mexico has actually put Japanese companies on disadvantageous ground compared with US and EU companies. Japan is

## Regional Economic Integration in the Americas



conducting EPA negotiations with Mexico to prepare a legal framework to eliminate these competitive disadvantages and the concerned ministers of both countries reached agreements in substance on major elements in March 2004.

Current economic relations between Japan and Latin American and Caribbean countries remain at a low level, relative to the potential of the region with abundant mineral and energy resources and high production capacity in food. Taking the above-mentioned progress of regional economic integration in Latin American and Caribbean countries as well as movements to strengthen partnerships with countries outside the region into consideration, it is necessary for Japan to intensify economic

relations with Latin America and the Caribbean. Among others, Japan held in November the first bilateral economic consultations with Chile, which has been especially active in concluding FTAs, to reinforce further trade and investment relations between the two countries. Moreover, Japan is also working to strengthen a wide range of relations with Latin American and Caribbean countries through regular consultations with regional economic organizations such as MERCOSUR, the Caribbean Community (CARICOM) and the Central American Integration System (SICA), and through participation in the Forum for East Asia-Latin America Cooperation (FEALAC), which aims to strengthen relations between East Asia and Latin American and

Caribbean countries. Senior Vice-Minister for Foreign Affairs Masatoshi Abe attended the Second FEALAC Foreign Ministers' Meeting (FMM II), which was held in Manila on January 30–31, 2004.

### (c) The Political and Economic Situation

Latin American and Caribbean countries have been advancing the transition to democratic government since the 1980s, and currently almost all countries have adopted democratic systems. Throughout the 1990s, the region implemented neoliberal economic reforms such as trade liberalization and the privatization of state-owned enterprises, and enjoyed stable economic growth. Although a slowdown in global economic growth and the Argentine financial crisis caused a deceleration of the economy in this region since 2001, a price of region's major export products and demand growth through a certain recovery of the global economy led to an overall recovery of the economy in the region, albeit a slight one, in 2003.

There are many challenges, however, that must be tackled such as a widening gap between the rich and poor, increasing unemployment and worsening public security. Against this background, new administrations were inaugurated in 2003: the Lula administration in Brazil, the Kirchner administration in Argentina and the Gutiérrez administration in Ecuador, all of which place importance on responding to those challenges. In Brazil, the government has been advancing social policies to tackle domestic poverty and carrying out food distribution to the poor. The key element is whether, under the budget restrictions, the government can set the economy, which has been stabilized under the austere fiscal policy, on to a growth path that will bring an increase in employment. In Argentina, while the government has been carrying out policies that place importance on the popular strata that have been suffering in the economic crisis, the foreign debt issue remains a huge impediment to those policies, and, as such, the necessity of domestic structural reform has been pointed out. In Ecuador, though sound economic management has been carried out in coordination with the international community, the current administration has difficulty running the government due to the secession of peoples including indigenous ones from the ruling party, which resulted mainly from economic problems.

The widening disparity in wealth gives rise to social instability and sometimes there is a danger that it can shake democratic systems. In Bolivia, the increased discontent of the people, particularly the indigenous

people who had been excluded from the benefits of economic reform, over domestic issues such as poverty, has accelerated their protests, resulting in a change of the president in October. In Venezuela, the confrontation between the government and dissidents continues, and the two-month long general strike came to an end in February, but steps are currently being taken to dismiss the president.

Moreover, regional disparities continue to widen among the Latin American and Caribbean countries which advance economic reforms. While there are countries such as Chile that enjoy sound economic performance owing to the progress in economic reforms, others are facing difficult economic management: Venezuela has experienced large negative growth caused by the backlash against liberalization; Argentina has been confronted with a severe economic crisis; and Uruguay has been suffering from the effects of the Argentine crisis. In addition, Colombia has been struggling with serious problems such as narcotics and terrorism, but under the new Uribe administration, a degree of progress has been seen. For example, the disarmament of private military organizations has been commenced and the public security situation has come to improve since then, albeit only slightly.

Japan has provided a variety of support for the efforts that Latin American and Caribbean countries have made, toward adhering to democratic systems, reducing the gap between the rich and poor, and carrying out economic reforms to achieve sound and stable economic growth while maintaining the conservation of the natural environment. For the issues of poverty and the environment as well as economic reform, Japan has provided financial and technical cooperation through Official Development Assistance (ODA). As for the assistance in strengthening democracy, the Japanese Government has provided financial assistance as well as the dispatch of election observers for the Election Observation Mission of the Organization of American States (OAS) on the occasion of the presidential election in Guatemala held in November and December 2003. Japan will continue to work on supporting the consolidation of democracy and economic reform efforts in Latin American and Caribbean countries.

Japan and Latin American and Caribbean countries carried on their efforts to strengthen relations through high-level VIP exchanges in 2003. From Latin America and the Caribbean, President Ricardo Lagos Escobar of Chile visited Japan in February and agreed to set up Japan-Chile bilateral economic consultations in the



State guests President Vicente Fox Quesada of Mexico and Mrs. Fox making a State Call on Their Majesties The Emperor and Empress (October Photo: Imperial Household Agency)

summit meeting with Prime Minister Koizumi. President of the Council of State Fidel Castro of Cuba stopped off in Japan in March and held a summit meeting with Prime Minister Koizumi. The two leaders exchanged a wide range of opinions about the bilateral relationship and international issues. Minister of Foreign Affairs Frederick A. Mitchell of the Bahamas visited Japan in August, and in the foreign ministers' meeting with Minister for Foreign Affairs Yoriko Kawaguchi, the two ministers carried out a meaningful exchange of views about their bilateral relationship. In October, President Vicente Fox Quesada of Mexico visited Japan as a state guest and it was confirmed that Japan and Mexico would build a partnership suitable for the new age. Minister of Foreign Affairs Rafael Bielsa of Argentina visited Japan in November for the first time since the inauguration of the new administration in Argentina, and in the foreign ministers' meeting with Foreign Minister Kawaguchi both countries shared the views concerning the necessity for developing relations between the two countries from a mid and long-term perspective.

From Japan, Senior Vice-Minister for Foreign Affairs Toshimitsu Motegi visited Mexico, Brazil, Argentina and Chile in August. As these four countries all play a central

role in Latin America and the Caribbean and also take an active part in the international arena, a wide range of dialogues not only on bilateral relations but also on global issues were held at the meetings. In addition, President of the House of Councillors Hiroyuki Kurata visited Chile and held talks with President Lagos and the presidents of the Congress in the same month. Her Imperial Highness Princess Sayako visited Uruguay and Honduras in November and held informal talks with President Jorge Luis Batlle of Uruguay and President Ricardo Maduro of Honduras respectively, attended a variety of ceremonies and deepened the friendly bilateral relations. Furthermore, Senior Vice-Foreign Minister Abe visited the Dominican Republic and Mexico in December. In the Dominican Republic, he held talks with President Rafael Hipólito Mejía Domínguez and informal talks with Japanese immigrants, and in Mexico he attended the signing ceremony for the UN Convention against Corruption besides discussions with VIPs.

It is important for Japan to hold high-level dialogue through more vigorous VIP exchanges and to continue to work on strengthening relations with Latin American and Caribbean countries in the future.