

## C Latin America and the Caribbean

### Overview

#### *Promoting the Vision for a New Japan-Latin America and Caribbean Partnership*

The Latin American and Caribbean region possesses a population in excess of 500 million people and abundant natural resources, in addition to housing an active community of Japanese descendants. It has been deepening interregional economic liberalization through regional economic integration and free trade agreements (FTAs), achieving stable economic growth in recent years. The gross national income (GNI) for the Latin American and Caribbean region as a whole was roughly US\$2 trillion, corresponding to approximately 2.5 times the total for that of countries in the Association of Southeast Asian Nations (ASEAN). In addition to major regional powers like Brazil and Mexico, the countries in Central America and the Caribbean are also raising their international influence by coming together as a region, with their degree of importance increasing politically as well.

The Vision for a New Japan-Latin America and Caribbean Partnership, announced by Prime Minister Junichiro Koizumi during a policy speech in Sao Paulo, Brazil in September 2004, entered into action in 2005. This vision places “Cooperation” and “Exchange” as its two main pillars and calls for the goal of promoting efforts for the revitalization of economic relations with Latin American and Caribbean countries and coping with the challenges of the international community together, as well as facilitating mutual understanding and personal exchanges.

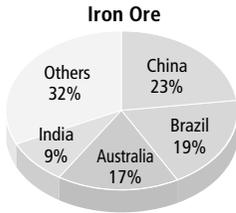
The revitalization of economic relations has been steadily implemented, such as the entering into effect of the Japan-Mexico Economic Partnership Agreement (EPA) in April and the holding of the Committee for the Improvement of the Business Environment established under this agreement. These developments have greatly contributed to the expansion of trade and investment between Japan and Mexico. In November it was agreed that Japan would start negotiations for an EPA with Chile. In addition, Japan and Brazil held private level economic joint committees in May, and the Central American Products Exhibition 2005 was held in November. What is more, in April a tourism office of MERCOSUR (Southern Common Market) in Tokyo was established under the support of the Japan International Cooperation Agency (JICA).

In 2005, a large number of VIPs, such as heads of state from Latin American and Caribbean countries, visited Japan. Respective visits to Japan were made by President Álvaro Uribe Vélez of Colombia in April, President Luiz Inácio Lula da Silva of Brazil in May, Prime Minister Denzil Douglas of Saint Christopher and Nevis in October, and President Nicanor Duarte Frutos of Paraguay from the end of October through the beginning of November. Other than these, in August presidents and vice-presidents from seven Central American countries visited Japan to celebrate the Japan-Central America Summit Meeting. This meeting was set as a central event in the Japan-Central America Year 2005 which commemorated the 70 year anniversary of the establishment of diplomatic relations between Japan and five countries in



A scene from the Central American Products Exhibition 2005 held in Tokyo in November under the sponsorship of JETRO (Photo: JETRO)

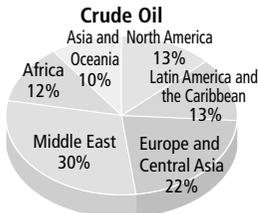
**Latin American and Caribbean Countries' Percentage of World Food and Natural Resource Production: 2004**



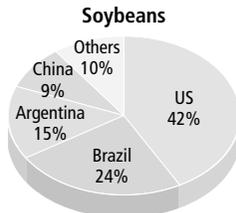
Source: US Geological Survey, Mineral Commodity Summaries.



Source: U.S. Geological Survey, Mineral Commodity Summaries.



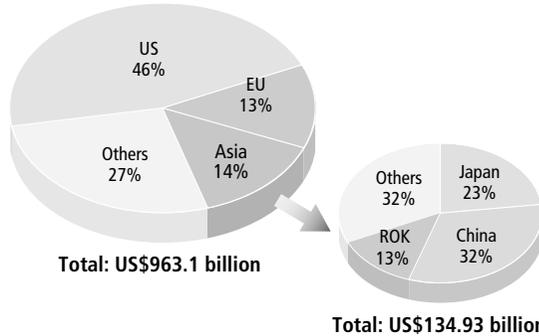
Source: BP Statistical Preview of World Energy.



Source: FAO Statistical Databases.

The Latin American and Caribbean region possesses abundant energy and mineral resources and a high food production capacity, and therefore has significant implications for the everyday lives of the Japanese. For example, Japan currently depends on the Latin American and Caribbean region for about 52% of its silver (unprocessed), about 50% of its copper, about 18% of its iron ore, and about 18% of its soybeans, and agricultural products like Brazilian coffee are also well known among the Japanese people.

**Trade between Latin American and Caribbean Countries and Countries Outside the Region (Cumulative Amount of Imports and Exports): 2004**



The US and the EU are the principle trade partners for Latin American and Caribbean countries, with trade also expanding between Asian countries and Latin American and Caribbean countries.

**Japan:** Japan's percentage of external trade with Latin American and Caribbean countries has decreased from 8.2% in 1961 to 3.2% in 2003, yet 2005's rate of around 3.7% (US\$41.0 billion) hints at a recovery.

**China:** Imports have expanded primarily around agricultural products and resources (roughly 60% of overall imports). Total trade for 2005 was slightly above US\$40.0 billion (approximately 4.8 times over five years), which is on par with trade between Japan and Latin American and Caribbean countries. China signed an FTA with Chile in 2005.

**ROK:** Trade volume has remained at the same level in recent years (total trade for 2004 was roughly US\$12.0 billion), but there is eagerness to strengthen economic relations with Latin American and Caribbean countries, one example of which would be the conclusion of an FTA with Chile in 2004.

**Efforts for the Revitalization of Economic Relations between Japan and Latin American and Caribbean countries are Challenges**

Central America. A great many VIPs also visited Japan on the occasion of both the annual meeting of the Inter-American Development Bank (IDB) in Okinawa in April, and on the National Days for different countries as part of the 2005 World Exposition, Aichi, Japan (EXPO 2005).

At a summit meeting between Japan and Brazil, Prime Minister Koizumi and President Lula talked about matters such as the expansion of exchange toward the Japan-Brazil Exchange Year, the vitalization of economic relations (especially cooperation in the field of bioenergy, such as for ethanol), and reform of the United Nations (UN). From those talks, 11 joint documents were released. Furthermore, at a summit meeting with President Uribe, Prime Minister Koizumi declared that Japan would continue to proactively implement peace building support as well as support for socio-economic development through humanitarian assistance for Colombia in the future. In addition to which the two leaders affirmed that they would further strengthen bilateral relations and cooperate in the international arena

over issues like the UN and nuclear non-proliferation. The Tokyo Declaration and Action Plan, which were adopted at the Japan-Central America Summit Meeting, have "Japan and Central America, Friends United towards the Future" as their main theme and will serve



Prime Minister Koizumi and President Lula of Brazil shaking hands before the meeting (May 26, Prime Minister's Office; Photo: Cabinet Public Relations Office, Cabinet Secretariat)



Leaders in attendance at the Japan-Central America Summit Meeting (August 18, Prime Minister's Office; Photo: Cabinet Public Relations Office, Cabinet Secretariat)

## Japan-Mexico EPA <Effects of the Agreement>

### Outline of the Agreement –Entered into Force April 1, 2005–

#### <Goods>

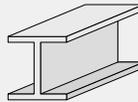
Tariffs were eliminated in approximately 96% of the total back and forth trade volume (roughly 98% of the total exports to Mexico became tariff free/roughly 87% of the total imports from Mexico became tariff free).

**Elimination of tariffs for almost all industrial products within 10 years.**



#### [Automobiles]

From the year of the agreement entering into effect through the sixth year, new tariff-free quotas of 5% of each prior year's number of units sold within Mexico for passenger vehicles as well as buses and trucks (excluding large-sized ones) will be set, with complete liberalization from the seventh year on.



#### [Iron and Steel]

Tariffs on all iron and steel products will be eliminated within 10 years. Out of these tariffs on products for specified types of industry corresponding to roughly 80% of total exports will be promptly eliminated.

#### <Investment and Services>

Liberalization will be promoted for trade in services and investment sectors as well.

### Trends in Trade following the Agreement Entering into Force (April to September 2005 relative to the same time period the previous year)

#### Increases in Total Trade

Overall trade total	+28.8%
	(394.5 billion yen → 508.2 billion yen)
Total exports to Mexico	+31.5%
	(283.4 billion yen → 372.6 billion yen)
Total imports from Mexico	+22.0%
	(111.2 billion yen → 135.6 billion yen)

The total trade for sectors and merchandise for which tariffs have been eliminated and/or preferential import quotas have been established is increasing.

Source: Ministry of Finance's Trade Statistics of Japan.

### Trends in Investment following the Agreement's Entering into Force (Based on reports)

Automobile and tire companies are establishing new companies and factories in Mexico one after another.

- **Introduction of new sales channel by Honda Motor Co., Ltd.'s locally-incorporated company in Mexico:** On November 30, 2004 Honda Motor Co., Ltd.'s locally-incorporated company in Mexico introduced an ACURA channel.
- **Establishment of a new sales company by Mazda Motor Corporation in Mexico:** On December 6, 2004 Mazda Motor Corporation founded a new company in Mexico, Mazda Motor de Mexico, and began sales preparations in the Mexican market.
- **Holding of an opening ceremony by Toyota Motor Corporation for its first production base in Mexico:** On February 1, 2005 Toyota Motor Corporation held an opening ceremony in Tijuana for a pickup truck plant.
- **Holding of a groundbreaking ceremony by Bridgestone Corporation for its new factory in Monterrey:** On April 26, 2005 Bridgestone Corporation's North American company began construction on a new factory in Monterrey.

as mid-to-long-term guidelines for the future development of relations between Japan and the regions of Central America. Furthermore, Japan holds consultations on the themes of broad-based cooperation and exchange through the use of venues such as bilateral working-level consultations, consultations with integrated regional bodies, the Asia-Pacific Economic Cooperation (APEC), and the Forum for East Asia-Latin America Cooperation (FEALAC). In addition, Japan proactively promotes ongoing cooperation for initiatives such as the democratization of the Latin American and Caribbean region, the modernization of administrative capacity, the improvement of governing ability, the eradication of corruption, the removal of anti-personnel landmines, electoral processes, the maintenance and improvement of socio-economic infrastructure, the reduction of poverty, and sustainable development.

In terms of personnel and cultural exchanges, the Japan-Central America Year 2005 was carried out between Japan and eight countries in Central America. In addition to a ceremony commemorating the 70th anniversary since the establishment of diplomatic relations, cultural, musical, artistic, and sports exchange events were also held during the year 2005. In October, Their Imperial Highnesses Prince and Princess Hitachi of Japan visited Nicaragua and El Salvador, marking the first official visits by members of the Japanese Imperial Family to these countries. As for Mexico, the First Japan-Mexico Cultural Summit (September) was held in Mexico City with the participation of intellectuals from both countries, and Japan also took part as an invited country in the Cervantino International Art Festival (October), an internationally renowned art festival.

One important point from the perspective of exchange between the two regions is the fact that there are over 1.5 million people of Japanese descent present throughout the Latin American and Caribbean region. The year 2005 marked the 75th anniversary of immigration from Japan to Colombia. The year 2006 will mark the 50th anniversary of immigration to the Dominican Republic and the 70th anniversary of immigration to Paraguay. The year 2008 will be a momentous one in that it will mark the 100th anniversary of Japanese immigration to Brazil. Owing to this, 2008 has been set as the Japan-Brazil Exchange Year, and it is expected that this will serve as an important opportunity for the further development of relations between the two countries.

Moreover, the presence of Peruvians and Brazilians of Japanese descent residing in Japan plays a crucial role in furthering friendship and mutual understanding by serving as a bridge between Japan and Latin American

and Caribbean countries. At the same time, however, various challenges such as those concerning labor or education are coming to light in Japan, and proactive efforts are being made toward creating an environment which is easy to live in for foreign Japanese descendants residing in Japan, as well as for their coexistence with Japanese residents.

### (a) The Political Situation

So-called left wing forces have been emerging in recent years throughout Latin American and Caribbean countries such as Venezuela, Brazil, Argentina, and Uruguay. One such example is the birth of administrations which rely for their base of power on civil society, organizations of indigenous inhabitants, and other such groups whose participation in politics had been limited under the traditional party politics. In Bolivia, President Carlos Diego Mesa Gisbert resigned of his own accord in June amidst the acceleration of anti-government activities carried out associations of indigenous inhabitants throughout 2005. He was succeeded on a provisional basis by President Eduardo Rodríguez Veltzé (chief justice of the Supreme Court in the era of the Mesa administration), under whom presidential elections were held in December where presidential candidate Mr. Juan Evo Morales Aima received strong support from indigenous inhabitants and was elected. In Ecuador as well, amidst the continuing anti-government activities held in the streets, a resolution for the dismissal of President Lucio Edwin Gutiérrez Borbúa was adopted by the National Congress of Ecuador in April, with Vice President Luis Alfredo Palacio González succeeding him to the office of president. It is believed that there are several factors behind these developments. While the stabilization of macroeconomic indicators was achieved as a result of neoliberal economic policies implemented since the 1990s, in the latter half of the decade, issues like intraregional and domestic expansions in disparities between the rich and poor and rising rates of unemployment have emerged. As a result, the impoverished, indigenous inhabitants and the working classes started to demand that they should be able to enjoy economic benefits and that social issues should be resolved.

However, despite the ongoing existence of such political turmoil and opposition, the presidential elections in Bolivia were carried out without any major disruptions. In Ecuador as well, the holding of general elections is planned for October 2006, which is another one of the signs indicating that Latin American and Caribbean countries are adhering to the framework of democracy, and that democracy is steadily being consoli-

dated within the region.

The situations in Colombia and Haiti, which are faced with domestic elements of instability and upon which the attention of the international community is focused, are moving in a direction of improvement.

President Uribe of Colombia is putting increased pressure on guerrillas and other armed forces by strengthening the national army and measures for public order, through which the government is planning to weaken them while also displaying an approach of maintaining dialogue. The continued support of the international community was affirmed in February at the International Cooperation and Coordination Meeting for Colombia held in Cartagena, Colombia.

Amidst a spate of armed, anti-government insurgents occupying major cities, the state of affairs in Haiti reached a point in 2004 where President Jean-Bertrand Aristide fled the country. Following this, the UN Security Council dispatched the Mission des Nations Unies pour la Stabilisation en Haiti (United Nations Stabilization Mission in Haiti) (MINUSTAH) in order to stabilize the situation, with approximately 9,000 personnel carrying out activities. Backed by the cooperation of the international community, Haiti's provisional government has been working toward new nation-building. In February 2006, the first round of elections for the presidency and members of the National Assembly of Haiti (Assemblée Nationale) was held, in which presidential candidate René Garcia Préval was chosen as the president-elect. The holding of an inauguration ceremony for the president and the initiation of a new administration are planned, following a final vote for members of the National Assembly scheduled for April.

As a result of turmoil in the political situation within Peru, former President Alberto Fujimori of Peru had been residing in Japan since December 2000, but in November 2005, he departed from Japan and arrived in Chile. Immediately after his arrival in the country he was provisionally detained in Chile as per a criminal extradition treaty between Peru and Chile. Currently an inquiry is being conducted by the Supreme Court of Chile into the pros and cons of his extradition under the charge of a specially assigned judge based on a written request for extradition presented to the Government of Chile by the Government of Peru in January 2006.

## (b) The Economic Situation

According to the Economic Commission for Latin

America and the Caribbean (ECLAC), the gross domestic product (GDP) for the Latin American and Caribbean region in 2005 expanded by 4.3% (making it the third consecutive year of positive growth), per capita GDP was estimated as having grown by 2.8%, and investment also increased by slightly more than 12% on average. ECLAC views the active domestic demand among countries within the region and the favorable situation of the world economy as having contributed to this. On the other side of the favorable macroeconomic indicators which have been appearing are issues of disparity between the rich and the poor, and high unemployment rates remain serious (although they are improving, the poverty rate for 2005 was 40.6% and the unemployment rate for the year was 9.3%). At the Fourth Summit of the Americas held in November one of the most important themes was the "eradication of poverty."

The economic situation varies within the Latin American and Caribbean region from country to country, with the highest growth rates found in countries in the southern part of South America and countries in the Andean Community (CAN), which have abundant natural resources and a high capacity for supplying food. From a country to country perspective, the growth rates are 9% for Venezuela, 8.6% for Argentina, 6% for Uruguay, 6% for Chile, 6% for Peru, and so on. For the current account balance of payments as well, a 3% surplus relative to GDP is expected for the South American region, which received benefits from the steep jump in prices for natural resources. In contrast to this, deficits relative to GDP are expected to be 5% for the Central American region,<sup>1</sup> which is scarce in natural resources, and 10% (over the past 3 years) for the Caribbean region (excluding the pure crude oil exporting country of Trinidad and Tobago). There are also forecasts that Mexico's rate will be a 1.2% deficit. Growth in investment is 6% for Mexico and 2% for the Central American region, falling short of the intraregional average.<sup>2</sup>

## (c) Developing Regional Economic Integration

Regional economic integration is proceeding actively in the Americas. In addition to multilateral regional economic integration bodies such as the North American Free Trade Agreement (NAFTA), MERCOSUR, CAN, the Sistema de la Integración Centroamericana (System of Central American

1. El Salvador, Guatemala, Costa Rica, Nicaragua, Panama, and Honduras.

2. All figures are predicted values (Source: ECLAC: Preliminary Overview of the Economies of Latin America and the Caribbean 2005).

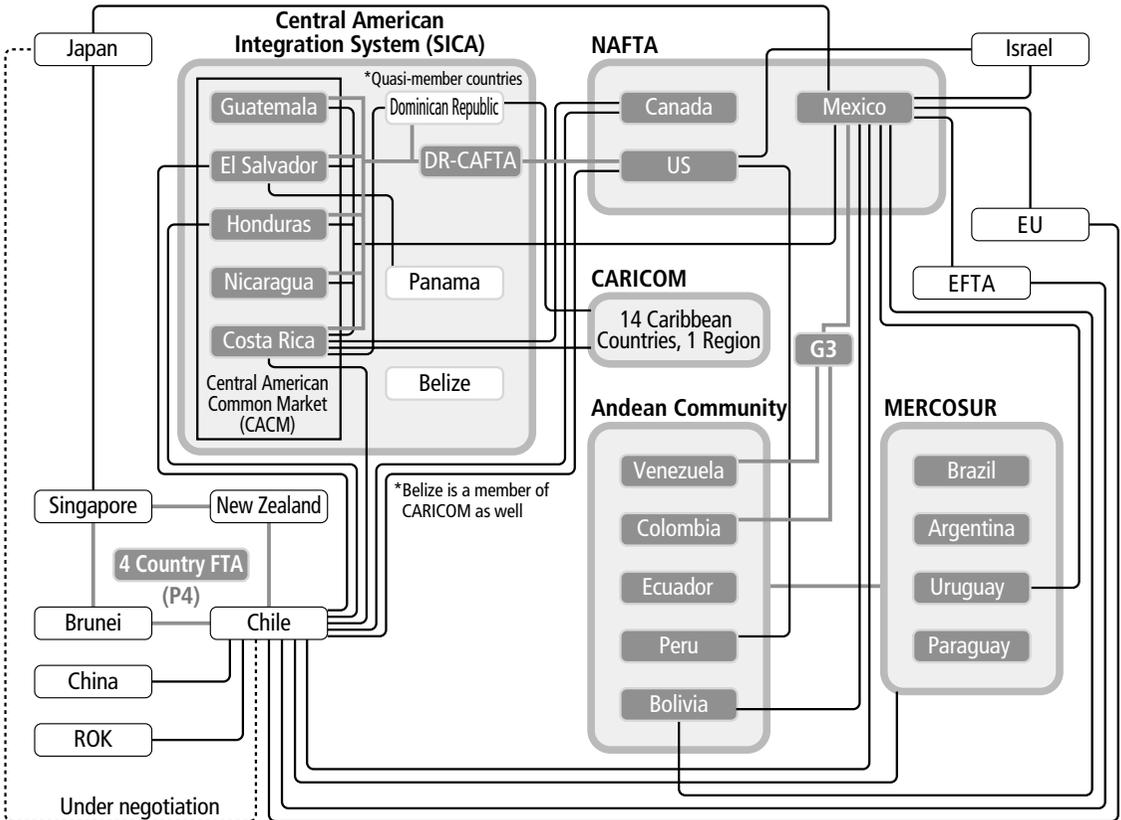
Integration) (SICA), and the Caribbean Community (CARICOM), numerous bilateral and interregional FTAs have been concluded. A strategy has been taken of encouraging economic development and domestic structural reforms through the strengthening of economic partnerships such as FTAs.

In November, leaders at the level of heads of state from 34 countries in the Americas (excluding Cuba) gathered in Mar del Plata, Argentina, for the Fourth Summit of the Americas. At the summit, debate was carried out over socio-economic issues within the Americas, as well as for the resumption of negotiations for the Free Trade Area of the Americas (FTAA).<sup>3</sup> However, the opinions of

the 29 countries insisting on the promotion of the FTAA negotiations stood in contrast to the four countries of MERCOSUR, which are wary of resuming FTAA negotiations, as well as Venezuela which is opposed to the FTAA itself. In the end, both opinions were included within the summit declaration (Declaration of Mar del Plata). In contrast to such faltering in the FTAA negotiations, the United States (US) is proactively promoting bilateral and multilateral FTA negotiations with Latin American and Caribbean countries in order to facilitate trade liberalization in the Americas. Such negotiations were completed in December 2005 with Peru and in February 2006 with Colombia.

**Diagram of the Major Regional Economic Integration and FTAs in Latin American and Caribbean Countries**

\*The regional economic integration bodies and FTAs within the diagram have had negotiations completed, been signed, or have been concluded. Agreements labeled as agreements of economic complementation (ACEs) which promise partial abolition of tariffs are excluded.



3. Concept for the establishment of a free trade area encompassing North America, South America, and the Caribbean which was proposed at the First Summit of the Americas in 1994. If the FTAA is established it will create a free trade zone with a population of approximately 800 million people and a total GDP of US\$12 trillion, making it the world's largest.

In addition, integration is being advanced in the Latin American and Caribbean region not only on the trade front, but also infrastructurally and institutionally as well. In terms of regional plans for advancing infrastructural integration, there is the Plan Puebla Panama

(PPP)<sup>4</sup> for southern Mexico and the Central American region, as well as the Integration of South American Regional Infrastructure (IIRSA)<sup>5</sup> for the South American region. Vigorous activities have been seen concerning concrete projects for the former.

Status of Regional Economic Integration and FTA Conclusion in Latin American and Caribbean Countries  
Synopsis by Country (as of December 31, 2005)

Economic integration body/Plurilateral FTAs		Argentina	Brazil	Uruguay	Paraguay	Bolivia	Peru	Ecuador	Venezuela	Colombia	El Salvador	Guatemala	Costa Rica	Nicaragua	Honduras	Dominican Republic	US	Mexico	Canada	Panama	Chile	CARICOM	EU	Israel	EFTA	China	ROK	New Zealand	Singapore	Brunei	Japan			
Argentina	Southern Common Market (MERCOSUR)	▲	▲	▲																														
Brazil		▲	▲	▲																														
Uruguay		▲	▲	▲																														
Paraguay		▲	▲	▲																														
Bolivia	Andean Community (CAN)		●			▲	▲	▲	▲	▲																								
Peru		●				▲	▲	▲	▲	▲																								
Ecuador		●				▲	▲	▲	▲	▲																								
Venezuela		●				▲	▲	▲	▲	▲																								
Colombia	G3 (+Mexico)		●			▲	▲	▲	▲																									
El Salvador																																		
Guatemala	Central American Common Market (CACM)										▲	▲	▲	▲	▲	▲	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	
Costa Rica											▲	▲	▲	▲	▲	▲	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	
Nicaragua											▲	▲	▲	▲	▲	▲	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Honduras											▲	▲	▲	▲	▲	▲	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Dominican Republic	DR-CAFTA (+US)										●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	
US												●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	
Mexico	NAFTA										●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	
Canada												●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Panama	SICA										●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	
Chile	P4										●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	
CARICOM												●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	
EU																						●	●	●	●	●	●	●	●	●	●	●	●	
Israel																						●	●	●	●	●	●	●	●	●	●	●	●	
EFTA																						●	●	●	●	●	●	●	●	●	●	●	●	
China																						●	●	●	●	●	●	●	●	●	●	●	●	
ROK																						●	●	●	●	●	●	●	●	●	●	●	●	
New Zealand	4 Country FTA (+Chile) (P4)																					●	●	●	●	●	●	●	●	●	●	●	●	
Singapore																							●	●	●	●	●	●	●	●	●	●	●	●
Brunei																							●	●	●	●	●	●	●	●	●	●	●	●
Japan																						●	●	●	●	●	●	●	●	●	●	●	●	●

▲: Regional economic integration bodies (including customs unions), etc.  
●: FTAs which have had negotiations concluded, been signed, or have been concluded.  
Agreements labeled as ACEs which promise partial abolition of tariffs are excluded.  
(However, while the FTA between MERCOSUR and the Andean Community has been announced as an FTA, the agreement is actually in an ACE format.)

4. An eight part development project which aims for the development of nine states in the south of Mexico and the countries of Central America, the PPP primarily implements cross-regional infrastructure improvement by means of transit system integration, energy network construction, and telecommunications service integration.  
5. An initiative which has as its goal infrastructural development and such in the three fields of energy, communication, and transit and transportation within 10 “Integration and Development Hubs” (the MERCOSUR-Chile Hub, the Andean Hub, the Central Interoceanic Hub, the Amazon Hub, the Guianese Shield Hub, the Peru-Brazil-Bolivia Hub, the Capricorn Hub, the Southern Hub, the Paraguay-Paraná Waterway Hub, and the Southern Andean Hub) which were formed by linking the production and consumption areas within the South American region.

## Reaching out to the World through Football

Thanks to all your cooperation and support, the Japan national football team has qualified to play in the 2006 FIFA World Cup in Germany. I would like to express my gratitude to those who traveled to the various locations of our qualifying games and to those who supported the team in Japan.

I have been to many countries around the world through my football career. After starting my career as a professional football player in Brazil, I played professionally in Italy, and then in Japan; currently, I serve as the coach of the Japan national football team.

Working in a culture foreign to my own, I constantly keep the mindset of "When in Rome, do as the Romans do" first and foremost as I do my job.

Naturally, I do my utmost to bring out all my abilities and seize opportunities to the fullest, but I should not impose my way of doing things.

There would be no mutual progress if I acted in a controlling or forceful way toward the people I work

with, no matter how good they are, when working in a place where education, institutions, and customs are completely different. We always respect each other to overcome cultural and linguistic barriers.

The year 2008 will be the Japan-Brazil Exchange Year. Since 1998, I have been inviting Japanese child football players under the age of 15 to Brazil as part of the Friendship Cup Brazil-Japan. I believe that for these Japanese children to experience Brazil through sports is an event of great significance in their lives, and that it is also a tremendous experience for Brazilian children, too.

I have been involved with Japanese football since the start of the J-League. Having received so much kindness from Japan, I wish to do my very best to bring forth everything I have at the World Cup in Germany. We hope to receive your support again at this World Cup.

(Written by Arthur Antunes Coimbra (Zico), Coach of the Japan National Football Team)



© J. LEAGUE PHOTOS