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Japan's role in Latin America-Asia interactions¹

Latin America-Asia relationship in the past

The interactions between Latin America and Asia started during the Great Navigation and the colonial period. Commercial and human exchanges, though very limited, were conducted through the galleon trade ships. The 19th Century saw denser interactions when Chinese and Japanese immigrants were sent to then economically advanced Latin American countries. After the Second World War, however, trade and investment became the main focus of the inter-regional interactions. Japan led the trend with Japanese companies investing heavily in the manufacturing and natural resource sectors. South Korea and Taiwan followed suit after the late 1980s.

Notwithstanding the expanded economic relationship between the two regions, its amount is still very limited. Latin American exports to Japan accounted for 5.6% of all its exports in 1991 while the figure for imports was 6.2% in the same year. Ten years later, the figures declined to 1.9% for the exports and 4.5% for the imports. Looked from the Japanese side, the Latin American share in its exports increased slightly from 3.9% to 4.1% between 1991 and 2001. However, Japanese imports from Latin America declined from 3.9% to 2.6% during the same period.

Latin American exports to Asia excluding Japan were 5.3% of all in 1991 and 4.0% in 2001. The corresponding figures for the import were 4.1% and 9.5% respectively. From the Asian side, the share of Latin America was 1.7% for exports and 1.8% for imports in 1991 while the shares ten years later were 2.7% and 1.7%.² In short, the only significant increase was observed in the Asian exports to Latin America. In all others, the shares declined or stagnated.

Direct investments by Asian companies are also limited. Japan, the largest investor from Asia, accounted for on the average 3.5% of all foreign direct investment in major Latin American countries including Mexico and Brazil.³

The rapid economic growth in Asia attracted the attention of some Latin American governments and business people. They saw the possibility of greater business opportunities in and with the Asian countries and participated in the Asia Pacific forums such as PECC (Pacific Economic Cooperation Council), PBEC (Pacific Basin Economic Council) and APEC (Asia-Pacific Economic Cooperation)⁴. However, the interactions between the two regions were not yet intimate enough to lead to a kind of initiatives that bring two regions together to sit on the same table.

Impacts of globalization and democratization

However, a series of events that happened during the 1990s changed the situation. The Environmental Summit at Rio de Janeiro held in 1992 heightened the interest in both Latin America and Asia in the seriousness of environmental degen-

¹ Paper prepared for the XI Congress of the FIEALC held at Osaka, Japan in September 24-27, 2003.

² IMF, Direction of Trade Statistics Yearbook, 1995, 2002.

³ METI, *White paper on trade and investment*, 2002.

⁴ Five Latin American countries, Chile, Colombia, Ecuador, Mexico and Peru, are members to the first two organizations while only Chile, Mexico and Peru have been admitted into the APEC.

eration in the world. Latin America and Asia are the regions where rain forest was rapidly disappearing. The series of negotiation leading to the United Nations Framework Convention on Climate Change of 1992 and its Kyoto Protocol of 1997 further strengthened the sense of crisis among the nations.

The decade of 1990 also saw the spread of organized crimes in both regions. In Latin America, the economic crisis caused by the debt problem and the subsequent economic reforms led to the worsening of unemployment and income distribution, which in turn nurtured social environment that precipitated the proliferation of organized crime groups. The drug-related crimes are especially malignant since they intractably spread across the borders. The Latin American countries used to be producers or transit points of cocaine and other narcotics. By the 1990s, the consumption of the harmful drugs spread within these countries. The same phenomenon was observed in Southeast Asia and China where the consumption of heroin and methamphetamine rapidly expanded with a concomitant spread of HIV/AIDS in drug-addicted areas⁵.

On the economic front, regional integration progressed in parallel with the GATT/WFO negotiation. The process was especially rapid and noticeable in Latin America. MERCOSUR, NAFTA and renewed ANCOM as well as many other regions or bilateral FTAs were born throughout the 1990s. The Asian countries were not so hasty since their economies were growing without formal agreements. However, some of the Latin American initiatives, especially NAFTA and the prospective FTAA, gave rise to uneasy feeling among Asian leaders since those schemes covering not only Latin America but also the U.S. could place Asian goods and companies in disadvantageous positions in the Western Hemisphere.

Finally, the economic crisis of 1997-98 crushed the illusion that the Asian economies are immune from adverse effects of economic globalization. Although the controversy is yet to be solved with regard to the "real" causes of the crisis, one cannot deny that the volatile and rapid movement of short-term capital in the liberalized financial market was among the main factors that precipitated the crisis.⁶ In their attempt to cope with the crisis, some Asian governments were forced to take neo-liberal policies similar to those taken in Latin America during the preceding decade. The crisis and the following economic reforms brought about destabilization of employment and social dislocations. Now, no small number of people from both Latin America and Asia ask themselves if Washington Consensus type policies really facilitate economic development that is socially sustainable. They started to look for alternative policies seriously.

⁵ UNDCP (United Nations Drug Control Programme), "China country profile," 2000, p.14; UNDCP, "Regional drug control profile for Southeast Asia and the Pacific", p.8; UNDCP, "Indonesia country profile", p. 12 & pp. 15-16.

⁶ As for the controversy concerning the Asian crisis, refer to Hock-Beng Cheah, "The Asian economic crisis: three perspectives on the unfolding of the crisis in the global economy," in F. Richter, ed., *The East Asian development model: economic growth, institutional failure and the aftermath of the crisis*, New York: St. Martin's Press, 2000; Jeffrey A. Winters, "The determinant of financial crisis in Asia," in T. J. Pempel, ed., *The politics of the Asian economic crisis*, Ithaca & London: Cornell University Press, 1999.

It is increasingly clear that, as the Latin American and Asian economies become more open and deregulated, the trans-boundary flows of goods, money, people, drugs and pollutants intensify, lowering individual governments' ability to solve economic, political and social problems. To cope with adverse effects of globalization, you cannot simply rely on transnational networks of banks and companies. It is citizens and governments that need to cooperate to tackle their common challenges. This necessity was felt more intense when the political regimes became democratized in both regions throughout the 1980s and 90s. The issues such as crimes, poverty, unemployment and environmental degradation directly affect ordinary people's life and health. The governments are increasingly under strong social pressures that demand actions to solve the problems.

The progress of the FEALAC process

Under the backdrop of these developments, the proposal of Singapore Prime Minister Goh Chok Tong to form a new forum for dialogue between Asia and Latin America was accepted by many governments from both regions that share the perception that their countries are susceptible to the same kinds of challenges as medium-income countries.⁷

After a series of preparatory works by Foreign Ministries, the Forum for East Asia-Latin America Cooperation (FEALAC) was formally launched in March 2001 at the first Foreign Ministers' Meeting held at Santiago, Chile. Thirty countries, fifteen from each region, participated. On this occasion, Foreign Ministers agreed to support national projects that contain FEALAC-wide activities and to set up three working groups to prepare concrete proposals for FEALAC projects.

The prominent national projects include Singapore's journalist invitation program and Japan's young leaders symposium. In parallel with these national projects, three working groups were organized: Economy and Society Working Group, Politics and Culture Working Group and Education and Science/Technology Working Group. One country from each region took chair for each group. Japan and Peru preside over Economy and Society Working Group; Chile and Singapore lead Politics and Culture Working Group while Costa Rica and Australia take care of Education and Science/Technology Working Group⁸. Each group met twice a year and prepared proposals for action programs to be considered at the second Foreign Ministers' Meeting which will be held early next year at Manila.

Actually, some of the proposals have already started to take shape. For example, Japan's Institute of Developing Economies and ECLAC, with UNDP's assistance, launched a joint research project concerning IT development in several

⁷ As for the formation process of the FEALAC, refer to Shuichi Takano, "Hihashi Azia Raten Amerika Foramu-genjo to shorai no hatten no kanousei (East Asia. Latin America Forum: current conditions and future prospect)," *Raten Amerika Jiho* 42, 11 (November 1999): 2-6; Shogo Toyota, "Higashi Azia Raten Amerika Foramu-shourai heno kanousei (East Asia-Latin America Forum: promise for the future)" *Raten Amerika Jiho* 43, 10 (October 2000): 7-S.

⁸ Japan's Foreign Ministry has launched a web site specialized in FEALAC. It gives information on the first Foreign Ministers' Meeting in http://www.mofa.go.jp/mofaj/area/latin-america/kaigi/fealac/fealac_2001.html.

FEALAC countries. Second, Chile obtained an IDB fund to form a FEALAC Academic Network (FAN).

FEALAC is still in an embryonic stage. Whether it can be a substantial mechanism for inter-regional cooperation largely depends on what the forthcoming FMM can agree on at Manila. Here we can just discuss what the FEALAC should do in the near future and what can be the role of Japan in the process.

First of all, we need to recall the international and national conditions that precipitated regional and international cooperation including the FEALAC. Economic globalization and national democratization have reduced the capability of individual governments to control the social and economic parameters of their countries. In the face of the rapidly expanding flows of goods, money, people and many other things and under strong pressures from domestic society, the governments realized that they need to cooperate one another to cope with serious adverse effects of globalization.

Therefore, FEALAC should focus on the common challenges of the two regions and search for solutions. Human security issues are especially important since they directly affect the fate of the ordinary citizens. The issues such as poverty, unemployment, drug addiction and environmental degeneration should be tackled together, first by joint research and then by adapting the best practice discovered to the conditions of individual countries.

The second task of FEALAC should be to keep open the venue of communication between the two regions to impede regional entrenchment: Through FTAA on the Latin American side and ASEAN+Three on the Asian side. If these groupings of regional integration should lead to the formation of exclusive economic blocs, they would deprive each region of the business opportunities that could contribute to promoting trade and investment, thus creating new jobs. FEALAC can be a best locus of discussion and information exchange in which each region can express its concern and opinions about what is happening in the other region.

Japan, as the most resourceful country within the FEALAC, can be expected to make a great deal of contributions to the FEALAC process. To consider the role of Japan, though, we need to briefly review foreign policy of postwar Japan.

Foreign policy of postwar Japan⁹

During the first two or three decades after the war, the foreign policy of Japan was characterized by three basic principles. First, Japan, under the "peace Constitution," decided to have only lightly armed military forces and to rely on the United States for its military security through the Japan-U.S. Security Treaty. In the economic front, the U.S. also was and still is the single largest market for Japanese merchandise. Japan, therefore, needed to maintain a good relationship with the United States. Second, Japan used its foreign policy mainly to foster its own economic recovery and development. For this purpose, political or ideological consistency was sacrificed. Japan maintained cordial relations with both democratic and dictatorial

⁹ For a fuller analysis on Japan's foreign policy, refer to K. Tsunekawa, "Japan and Asia-Latin America connection" in P. Smith, K. Horisaka & S. Shoji, eds., *East Asia and Latin America: the unlikely alliance*, Lanham, Md.: Rowman & Littlefield Publishers, 2003, pp. 287-310.

regimes and with both socialist and capitalist countries. Third, Asia, besides the United States, was picked up as the most important partner of Japan. In short, the reliance on the United States, the emphasis on national economic development and the focus on Asia were three bases of Japan's foreign policy.

These principles of Japan's foreign policy were not always compatible among themselves. Especially, the first and the second, or the reliance on the United States and the emphasis on national economic development contradicted each other from time to time. For example, Japan tried to maintain as cordial relationship as possible even with the socialist countries with which the U.S. was fighting cold, or almost hot, wars. This contradiction, however, was latent as long as the U.S. continued to be the benign, tolerant hegemon. By the early 1970s, the situation changed to a large extent. The U.S. hegemony in the world was weakened by its economic decline and the failure of its Vietnamese policy. It began to demand that its allies share the burden in maintaining military security and economic prosperity in the world. Furthermore, when the Arab countries imposed oil embargo on the world, the U.S. failed to help Japan secure oil supply. So, Japan now needed to secure necessary economic resources by its own efforts¹⁰.

In this context, the heightened economic capability changed from a purpose of Japan's foreign policy to its instrument. Since Japan abandoned the use of military forces as a means of solving international conflicts under the postwar Constitution, economic forces became the central instrument of Japan's foreign policy when it became required to take positive foreign policy measures. Now, Japan had sufficient economic resources to support such measures. It used its ODA to cultivate amicable relations with the countries rich with natural resources.

A further change in Japan's foreign-policy stance is that Japan started to use its economic capability not only for its own economic development but also to share the burden of helping developing countries beyond Asia and of cooperating with the U.S. strategy. So, Japan expanded its ODA expenditure for Latin America, Africa and Middle East. When Latin American countries were hit by the debt crisis, Japan spent hundreds of millions of dollars to help them. Japan also expanded its ODA to capitalist countries of Southeast Asia and Central America while reducing its help to their socialist neighbors with which the U.S. was having troubles. This, however, does not mean that Japan was always following the U.S. lead. Japan preferred an engagement, rather than a containment policy whenever it seemed feasible. For example, Japan supported the Contadora Group's peace initiative from when the Reagan Administration was skeptical about it.¹¹ When Fujimori's authoritarian policies irritated the U.S. government, the Japanese government continued to support him.

¹⁰ M. Iokibe, "Kokusai kankyo to nihon no sentaku (International environment and choices of Japan)," in S. Aruga et al., eds., *Kouza Kokusai Seiji* (Series International Politics), Tokyo: University of Tokyo Press, 1989, p.39.

¹¹ H. Matsushita, "Japanese diplomacy toward Latin America after World War II," in B. Stallings & G. Szekely, eds., *Japan, the United States, and Latin America: towards a trilateral relationship in the Western Hemisphere*, Baltimore: The Johns Hopkins University Press, 1993, p.92.

Another transformation in Japan's foreign policy occurred during the 1990s. Experiencing the nation-wide debate over Japan's role in the Gulf War, the Diet finally passed the Law of International Cooperation by which the Self Defense Forces were allowed to engage in peace-keeping operations overseas, but only under the U.N. command. However, the public opinion in Japan is still hesitant in using weapons overseas. It could be against the Constitution which prohibits the use of military forces to solve international conflicts. So, the use of weapons was limited to the purpose of strict self-defense. Furthermore, the tasks of the Self Defense Forces sent to Cambodia and several other parts of the world were mostly centered on civilian jobs such as road reconstruction, medical care and supply transportation rather than military and policing acts.¹² The Special Law on Iraq passed last July allowed the SDF to be sent to Iraq to engage in the activities to help reconstruct the nation. According to the Law, the jobs will be again limited to medical care, transportation, communication and construction.¹³

The 1990s was a lost decade for the Japanese economy. The economic decline of Japan could not but affect the direction of Japan's foreign policy. Now, Japan returned to the earlier policy preference of putting emphasis on its own economic development and on Asia as its main partner of economic relations and ODA projects.¹⁴

What has not changed in Japan's foreign policy is its commercial and military dependence on the United States. This country is still the largest market for Japanese merchandise and the largest recipient of Japanese overseas investment. The decision to send SDF to Iraq reconfirmed Japan's weakness vis-a-vis the United States militarily. The Japanese government decided to pass a new law to send the SDF to Iraq without U.N. resolution for a PKO mission, partially due to Mr. Koizumi's pro-U.S. inclination. However, the troubles caused by North Korea also helped the proponents of the Iraq mission since the North Korean problem made people realize how much Japan is dependent on the U.S. for its national security.

The role of Japan in the FIELAC process

As explained above, Latin America has never been a priority area for Japan's foreign policy. However, during the first two postwar decades, Latin America was important for Japanese companies as commercial and investment partners since Asian countries were still so poor to be attractive economically while Latin American economies were growing thanks to the import-substitution industrialization. In addition, during the 1970s, Latin America increased its importance as a source of natural resource for resource-poor Japan.¹⁵

¹² A. Tanaka, *Anzen Hosho (National Security)*, Tokyo: Yomiuri Shimbun Publishers, 1997, pp. 318-22.

¹³ For the whole text of the law, refer to <http://www.kantei.go.jp/jp/houan/2003/0613iraq.pdf>.

¹⁴ For the whole text of the new ODA Charter of Japan adopted in August 29, 2003, refer to <http://www.mofa.go.jp/policy/oda/reform/revision0308.html>. Also see the decision made in March 14, 2003 by the Ministerial Meeting on ODA (http://www.mofa.go.jp/mofaj/gaiko/oda/seisaku/seisaku_1/t_minaoshi/030314.html).

¹⁵ K. Horisaka, "Japan's economic relations with Latin America," in Stallings & Szekely, eds., *op. cit.*, pp. 53-56.

During the eighties, however, Latin America turned into a trouble-stricken region to which Japan extended its hand for assistance. The debt crisis and the resulting recession, together with the decline of the price of natural resources, inevitably lowered the importance of Latin America for Japan. Both Japan's investment in and commerce with Latin American countries decreased. The reemergence of Asia as the main focus of Japan's foreign policy in recent years could further lower the position of Latin America for Japan.

The decline of competitiveness of Japanese banks and companies has forced them to take entrenchment policy in which they concentrate their financial and human resources in Asia. Notwithstanding the temporal retreat, Japan should not neglect the potential importance of Latin America as the source of foods, minerals and petroleum and as the market for manufactured goods. If Japan were satisfied with its Asian entrenchment strategy and kept unengaged with Latin America, it could not only lose future business opportunities but also risk regional entrenchment in the Western Hemisphere under a NAFTA-like FTAA in which Japanese and other Asian companies and products could face serious disadvantages in terms of import duties, rules of origin and government procurement. To avoid these risks, Japan needs to keep engaged with Latin America. The best strategy for Japan to do so without sacrificing the Asia-first policy is to take advantage of the FEALAC. The FEALAC is the only official mechanism in which almost all major countries from Asia and Latin America participate. By positively supporting the activities of the FEALAC, Japan will be able to deepen its relationship with its Asian neighbors and at the same time avoid alienating Latin America.

Actually, Japan is one of a few countries that have started to organize FEALAC-wide activities. We have mentioned earlier the Young Leaders Symposium that started two years ago inviting young government officials from both regions to Japan to discuss and exchange opinions on the shared problems. The IT project by IDE and ECLAC as well as the Chile-promoting FAN, which have also been mentioned before, are both supported by the trust funds provided by the Japanese government to UNDP and IDB respectively. So, financial resources from Japan already support almost all ongoing FEALAC projects.

In the future, the Japanese government will also be able to facilitate FEALAC projects by utilizing resources allocated to ODA programs. For example, Japan International Cooperation Agency (JICA), together with other government agencies and Ministries, has established a large number of training seminars or programs that cover the subjects such as drug control and urban garbage management. Some of the seminars are attended by nationals from both Asia and Latin America. Those training programs can be expanded to the extent that people from all FEALAC members can have a full access.

Japan will also be able to lead the inter-regional dialogue on economic integration in each side of the Pacific through three measures. To oppose the FTAA, which the U.S. government is actively promoting, will not be a feasible strategy for Japan, given that Japan's commercial and military dependence upon the U.S. is as heavy as ever. However, Japan can be indirectly involved in the negotiation process of the FTAA first by utilizing the FEALAC as a forum for inter-regional dialogue in

which Asian countries can present their views and opinions on the subject. In exchange, Latin American countries can express their views on what is progressing on the Asian side of the Pacific.

Secondly, Japan will be able to affect the content of the FTAA by negotiating and concluding its own agreements for economic cooperation with some of the FEALAC members. These agreements should not be simple FTAs but comprehensive agreements that include cooperative measures such as SME (small and medium enterprises) promotion and labor retraining. One of the lessons from the neo-liberal experiences in Latin America and Asia is that economic liberalization alone cannot bring about socially sustainable development. It needs to be accompanied by the measures that help market players who are in disadvantageous positions. Japan can offer exemplary cases by concluding such agreements.

Finally, Japan should promote trans-pacific agreements. Following its Asia-first policy, Japan is exploring comprehensive economic agreements with Asian countries including South Korea and Southeast Asian countries. However, trans-pacific agreements with Mexico and with some other Latin American countries are also important because they can be a measure to impede the regional entrenchment on either side of the Pacific. FTAA and ASEAN+3 should be connected by a series of agreements between Asian and Latin American countries.

Conclusion

Although the relationship between Latin America and Asia has been thin, their common experience of adverse effects of globalization after the 1990s made them aware of the necessity to cooperate more closely. The progress of the economic integration in each region has made it imperative for both regions to take measures to avoid regional entrenchment that could narrow the future business possibilities. FEALAC is the embodiment of the newly found friendship between Latin America and Asia. Japan is one of the most active participants in the process. The financial resources donated by Japan have already contributed to two actual projects. Japan will be able to make further contributions by rearranging its ODA programs and by promoting trans-Pacific agreements for comprehensive economic cooperation.