

Amigos from Across the Ocean: Japan's Relations with Latin America

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Introduction

Through time, geography and history has cause Latin America to be more important to the United States then to Japan. As a result of this, Japan has shaped their policies toward reinforcing relationships with Latin America. This was proven in Japanese lending to Latin America after the debt crisis of 1982. Japan realizes it cannot afford not to take into consideration Latin America's considerable resource base and growing domestic market. The outcome of whether or not Japan will become even more interested in Latin America depends on their effort to restructure and revive its economies.

This paper will start by reviewing several events that have taken place in Japan's history with Latin America. Another area covered will be Japan's foreign policy toward Latin America with its main focus being of ensuring long-term stability and reinforcing democracy and a free market economy in Latin America which are the underlying objectives of gaining peace and prosperity in the world economy. Japan has continued to improve economic relations with Latin America over time, this is largely due to pressures from the United Nations after Japans joining in 1956. In regards to the economic relations between both regions, the focus of this paper will then turn toward the Official Development Assistance (ODA) and Japan's active role in promoting democratization and economic reform in Latin America. The economic relations of Japan and Latin

America will then be focusing on the areas of investment, trade, aid and financial matters. Both investment and trade has improved over time except during the 1990's when Japan's economy experienced a slump. The issue of aid and finance from Japan is an area that is in need of improvement. A relative small amount of aid has been given to Latin America and several factors are discussed that could have led to this situation.

Recent trends between Japan and Latin America will then be considered. Several items discussed will be on Japan's continued contributions that have been made to help the democratization and economic reform of Latin America and also the goal of Prime Minister Hashimoto to forge a Partnership for a New Era between Japan and Latin America.

History between Japan and Latin America

Historically there has been an absence of long-term relations between Japan and Latin America but there has been evidence that ties go back a long way. Christopher Columbus's Voyage to the New World led him across the Atlantic in search of a western passage to Asia, but in 1492 when he landed in the Bahamas he believed he was near Japan and started exploring for the fabled gold of the Xipangu. He observed the indigenous people of the island Hispaniola and concluded that he had finally discovered Japan and the western passage to the Orient. In 1613 Date Masamune, the lord of Sendai, sent a mission to Mexico, Spain and Rome in hopes of forming trade links. The mission has an enthusiastic welcome in Mexico but upon returning to Japan they found the political climate had changed and contact with the West was drastically cut, so trade with Mexico did not take place. In 1883 Japan bought a battleship from Chile named the *Arturo Prat* to be used in the Sino-Japanese War of 1894-95. In 1884 Japan bought

another battleship from Chile, named the *Esmeralda* which was also used in the Sino-Japanese War and later to serve in the Russo-Japanese War of 1904-05. Argentina also presented Japan with two cruiser ships to be used in the May 1905 Battle of Tsushima, this would be one factor in the long history of Japanese-Argentine friendship. In July 1918 the great bacteriologist, Hideyo Noguchi went to Guayaquil, Ecuador to conduct research on Yellow Fever. He was named honorary chief military surgeon of Ecuador and received honorary doctorates of medicine from both Guayaquil and Quito universities. Ecuador has named a street in the capital after him and a bronze statue stands in Quito. The research center for tropical diseases at Autonomous University of Yucatan is also named after him. (1)

Prewar emigration is also a factor for the interaction between Japan and Latin America. In 1866 Japan lifted the ban on overseas travel after two centuries of government seclusion. In 1878, Kohei Osu was the first Japanese to emigrate to Guatemala, and in 1887, Kinzo Makino left for Argentina. It was not until 1897 that the first group of 35 Japanese migrated to Latin America. Today more than a million Japanese reside in Latin America. Brazil hosts almost 80% of the group followed by Peru, Argentina, Bolivia, and Paraguay. This flow of immigrants has strengthened ties between the two regions on mutual understanding of financial and technical cooperation.

In September 1951, 49 countries took part in a peace conference in San Francisco; all 20 Latin American countries signed a peace treaty with Japan, restoring diplomatic relations between Japan and Latin America. Latin American countries played a key role in Japan joining the United Nations in 1956. 7 Latin American countries were among the 34 sponsors for Japan's admission, also all 20 Latin American members voted in favor of

Japan's admission into the United Nations thus bringing these two countries closer together. (2)

Foreign Policy toward Latin America

In an international setting, Japan recognizes that its own security and prosperity depends on the peace and prosperity of the international community. Japan in pursuing a foreign policy that will strengthen relations with all parts of the world to achieve a prosperous world economy and increased development. These basic issues have led to the formation of Japan's foreign policy toward Latin America. The basic objectives of the policy are to ensure long-term stability, which is a condition for peace and prosperity, to help reinforce democracy and a free market economy, to strengthen international cooperative mechanisms and to develop better relationships between and Japan and Latin America. The underlying convictions of the foreign policy are that the "two D's" – Democracy and Development shape the policy and without them, true peace and prosperity cannot be reached. (3)

Official Development Assistance Program

Japan has been an active member of the United Nations since 1956 and has since then been under pressure to contribute to the socioeconomic betterment of developing nations such as Latin America. During the 1970's the Japanese government took positive measures to increase its Official Development Assistance (ODA) to developing countries and also the stabilization of the international trade and monetary system. In the 1980's Japan's ODA was at \$3.3 billion, which was a small percentage of their GNP, and below the ODA of other donor countries. Japan continued to focus its assistance on Asia due to its economic ties with the region. Aid to Eastern Europe was also increased in the form

of market rate credits and investment insurance, which was not a part of ODA. By 1987 Japan was the largest bilateral donor in twenty-nine countries. (4)

Japan's foreign aid seems to be motivated by two factors. First, Japanese policy is aimed at their international responsibilities as a global economic power. Secondly, it is believed that the increase in Japan's foreign aid is due to the pressures of the United States and other allies for Japan to take on a greater share of the financial burdens to maintain political and economic interest.

Japan's activity in the ODA for Latin America has been focused on three areas, they are as follows: Support for democratization, economic reform and efforts to deal with global problems such as environmental issues.

Since 1994 Latin American and Caribbean countries have held presidential elections which have strengthened democratization in those areas. Japan has supported these elections with funds and personnel to be election observers. Japan has also held seminars for research on democracy and training courses on election techniques in efforts to develop human resources in Latin America. During the 1980's Latin America was labeled "the lost decade" for economic progress but in the 1990's produced economic stability and development through market-oriented economic reform policies which Japan will offer active support in maintaining. (5). As far as environmental issues go, Japan is actively providing both technical cooperation and financial assistance to Latin American countries to deal with the environmental problems such as urban air pollution and water pollution. In the area of women in development (WID), Japan has developed along with the United States a training program to promote the education of women in Guatemala. Japan is also striving to expand assistance to Latin American countries in the

areas of education, health, and economic and social activities. Another part of the ODA is The Japan Overseas Cooperation Volunteers (JOCV). The JOVC takes advantage of the skills and knowledge of young Japanese who want to take part in the training and development of other countries. JOVC was set up in 1965 and since then has had more than 16,000 volunteers with over 2,300 servicing overseas. Some of the volunteers have been sent to little towns in Latin America to help teach children different sports. This program has helped in promoting friendships between Japan and developing countries such as Latin America. (6)

Future economic cooperation from Japan will focus on several areas. First is Latin America must meet infrastructure requirements, future economic growth in Latin America will create a demand for infrastructure improvements that can not be meet with just domestic funds and foreign assistance, the private sector must also participate. A second area to look at is grass-roots grant assistance for social development projects which will directly benefit impoverished groups through providing basic requirements such as medical care. A third area is Japan's continued support of third-country training programs used to relay technical cooperation experience to developing countries such as Latin America.

The achievements of Japan's ODA to Latin America has grown, in the 1970's about 70% of Japan's ODA to Latin America was in the form of ODA loans which amounted to about 20% for technical cooperation while grant aid only made up a few percent of the total aid. By 1995 however, the amount of technical support and grant aid has grown to about 38.7% for ODA loans, 32.9% for technical cooperation and 28.4% for grant aid. The ODA loans have been directly associated with agriculture and economic

infrastructures related to transportation, energy and communications. This large increase in the ODA loans from 1980's to the 1990's is based upon efforts of Latin America to promote democratization and also the introduction of market-oriented economies. Grant aid to Latin America is largely focused on public health and medical care aid, the environment, and transportation, communication, the public welfare and agriculture. (7)

Economic Relations

Japan's status as an economic and technological superpower along with its policy on internationalization and its behavior overseas has led to a cautious evolution of Japan's foreign policy toward Latin America. Japan's presence in the area could continue to grow in the area of investment, trade, and aid and financial matters, generally, these issues are connected to Japan's economic security. Japan has taken interest in three particular Latin American countries they are Brazil, Mexico, Panama and Chile.

Brazil, by far, receives the largest amount of attention from the Japanese government and private sectors. The abundant resources, enormous number of Japanese residents and the industrial development has made it attractive to Japanese investors along with the motivations of being viewed in Washington, DC as a supporter of development and modernization in Western world. (8). A controversial tie between the two countries is the outstanding debt from Japanese bank lending in the 1970's. Japan will continue to provide funding to Brazil due to its efforts to support development in the Third World but on a basis that is no more or no less than it has already helped in the past. Japan has shown concern over Brazil's lack of progress in restructuring their economy but a decrease in aid would cause criticism from the United States and other countries over not taking the same risks in Brazil as Japan does in Eastern Europe or the

former Soviet Union. Today the Japanese business world is showing great interest in strengthening economic ties with Brazil after the Brazilian government opened and liberalized its economy and put a halt on inflation. (9)

Mexico is another country that Japan has shown a special interest in, several factors have led to Japan being the third largest investor to Mexico, among these is the access to Europe given the instabilities in the Middle East along with the geographic location to the United States. Japan has joined Panama and the United States in the Study Commission for Alternatives to the Panama Canal to construct a second waterway across Nicaragua because of the advantages that Japan would gain from this. This leads to Panama, which is important to Japanese trade, finance and information with Latin America and the Atlantic coast. The Panama Canal and the free-trade zone of Colon are essential for approximately 25% of Japanese automobiles being exported through the Canal. In the free-trade zone, the largest stores of Japanese electronics and automobiles can be found. (10). Today Japan is the second largest trading partner to Latin America next to the United States. The Latin American countries that represent major trading partners to Japan include Mexico, Chile, Argentina, Brazil and Panama. There are three characteristics that identify Japanese-Latin American trade, they include: (1) trade in percentage terms is low, this shows Japan's economic crisis, mainly that of debt, (2) but on the other hand, Japan has developed in monetary terms from year-to-year with some fluctuations, (3) Japan is slow in moving toward the balance of trade, this has reduced Japanese profits. In 1974, Japan's worldwide exports amounted to \$55.536 billion and its imports amounted to \$62.11 billion. Latin America accounted for 10% of this total export but only 3% of the total imports. In 1986 however, Japan's worldwide trade grew

but Japanese exports to Latin America fell to less than 5% of the total and imports rose 5%. This continues in 1987 reducing the trade imbalance from \$3.3 billion in 1986 to \$2.4 billion in 1987. This pattern continued into 1988 when imports reached \$8.3 billion, which was equal to a 30% increase. (11)

At the beginning of the 1990's the business conditions in Latin America began to take a favorable turn in direction. The strong economic growth caused a steady expansion in Japan's exports to Latin America. In 1990 exports totaled \$9.7 billion and rose to some \$19.7 billion in 1995 with Latin America making up about 4.45% of Japan's total exports. The major items that were exported are metal products, chemical products and machinery. Japan's imports from Latin America slowed down for a while during the 1990's due to the slump in Japan's economy, which reduced the demand for raw material. These imports to Japan dropped from \$9.4 billion in 1990 to \$7.9 billion in 1993, but by 1994 this figure rose to around \$9.1 billion and then up to \$11.9 billion in 1995 totaling to about 3.55% of Japan's imports. (12). The major items imported to Japan included food, materials used in the textile industry and in the metal industry. When we break down the imports to Japan in 1995 we find that about 33% is processed products, 24% foods, 23% raw materials. This growth in imports could be the result of progress in Latin American countries in upgrading and expanding their industrial bases. Food imports have increased in the Japanese market including Mexican mangoes, Brazilian orange juice, and kiwi fruit and grapes from Chile. (13). Today Latin American trade accounts for some 4% of Japan's total trade and is expected to grow much larger in the future.

In the area of investments, for decades Asian investors have stayed away because of the stratospheric inflation and protectionism of Latin America. The only serious

investor in the region was Japan who saw Latin America on as a source of raw materials. From 1951-1987 Japan's total accumulated investment in Latin America amounted to 18% of its total investment overseas. Japan's greatest investment in Latin America happened during 1988-89 when Japan increased its investments abroad to 20% of GNP, this increase can be explained by Japan's desire to place itself in Europe before the 1992 unification. Of all the capital investment in Latin America, over half of it was made in the past five years with about 25% going to transportation, 16% in banking and insurance, 8% in mining and an increasing percentage in industrial production. Japan however, still invests more in its own country then it does in all of the North America, to modernized factories, equipment and machinery. (14). Panama is ranked first in Latin American countries for Japanese investment mainly for the transport industry in connection with convenience. Since the beginning of the 1990's the Latin American economy has progressed and maintained a steady growth, this has caused the private-sector businesses of Japan to turn their attention to investing in these areas. Current activity in Latin America has included Japanese automobile manufactures setting up operations in Argentina and Brazil, investment in the pulp factory in Brazil and investment in oil refineries in Brazil. The Japanese Government is doing its part in public relations with Latin America in hopes that Latin American countries will actively try to improve their image in the business communities of Japan. (15)

The issue of aid and finance is a major problem of Japanese-Latin American relations due to Latin America's persistent economic crisis and the decline in the purchase of Japanese goods by Latin America. The path of aid and finance to Latin America has followed almost the same path as that of the trade between Japan and Latin

America in the fact that aid is a small percentage of the Japanese Gross National Product. There has also been fluctuation from year to year in aid from Japanese due to other interests worldwide. As far as aid for development, in 1987 Latin America only received 8.3% of the total aid given by Japan compared to 20.5% of total aid going to the United States. This small amount of aid could be due to the fact that the two regions have fairly new relations with other and that both regions are distant in geography and influence. (16)

Recent Trends

Recent trends in Japanese-Latin American relations led to the development of the Japan-Central America Forum for Dialogue and Cooperation. The forum was established in November of 1995 after Central America entered “an era of new progress” that peace and democracy has worked to achieve economic reconstruction and development. Japan saw this as a chance to expand dialogue between the regions. The forum was established to regularly consult between Japan and Central America in order to build mutual understandings about foreign policies and also to provide the opportunity to exchange points of views on all areas of mutual concern. (18)

Other trends include Japan’s continued contributions to peace and economic reconstruction in Central America. This continued contribution is reflected from recognition that democratization and a market-oriented economy in Central America has contributed to peace and stability. In recent years Japan has been a leading donor in assistance to Central American countries. Japan’s continued support of Democratization is apparent in its financial cooperation for election monitoring. Over the years Japan has contributed large amounts to various organizations in support of Central America such as

the United Nations Observation Mission for Central America (ONUCA) where Japan contributed \$6.6 million for peace-keeping operations. Also \$240,000 was contributed to the OAS to support the Observation Mission for the Nicaragua Presidential Election (October 1996). Japan also continues to dispatch election observers to Central America.

In 1996 Prime Minister Ryutaro Hashimoto visited five Latin American countries with the goal of forging a Partnership for a New Era between Japan and Latin America. Japan recognized that Latin American countries are the key to developing a global society in the twenty-first century, this is based on the efforts made at the beginning 1990 toward democratization, economic reforms, and economic integration. Japan also realizes that it must stay active in contributing to the development of Latin America as a way to reinforce its ties with the United States because the U.S. has close interests in Latin America. (16)

Conclusion

In conclusion, Latin America has emerge from the “lost decade” in the 1980’s into the “growth decade” of the 1990’s causing Japan to reassess its relationship with Latin America. The rich resources and large and developing markets of Latin America have become extremely attractive to Japan providing that Latin America continues to restructure and improve its economies. Latin America was the first place that Japan invested heavily in during the postwar era and during the 1970’s Japan looked to Latin America for a stable source of natural resources and by the late 1970’s considered it a major lending market. By the 1980’s, Latin America was a production base for exports to other countries, but by the mid- 1980’s the debt crisis in Latin America and Japan’s continued focus on its own domestic market rather than expanding into the external

market caused the relationship between the two to become inactive. However, during the 1990's this relationship improved with speculation that Japan could be expected to become a dominant player in Latin America due to its increasing economic power and ever growing role on the international scene.

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16. Economist, April 1994 pg. 49
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18. MOFA – Prime Minister sec. III

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