



Minutes: Building Post-Covid Supply Chains: Japan and the Americas

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Speakers

- **Ambassador Teiji Hayashi**, Assistant Minister, Latin American and Caribbean Affairs Bureau, Japanese Foreign Ministry
- **Ambassador Márcia Donner Abreu**, Secretary for Bilateral Negotiations in Asia, the Pacific, and Russia, Brazilian Ministry of External Relations
- **Ambassador Julio Fiol**, Ambassador of Chile to Japan
- **Rob Strayer**, Executive Vice President for Policy at the Information Technology Industry Council
- **Jerry Haar**, PhD, Professor & Executive Director, Office of Executive & Professional Education, Florida International University
- **Eric Farnsworth**, Vice President, Council of the Americas (moderator)

Discussion Topics

Ambassador Hayashi gave keynote remarks that focused on three aspects of the Japan-Latin America alliance:

1. The basics of the relationship
2. The importance of a free and open international order
3. Economic partnership and digital cooperation

Ambassador Hayashi expounded on the long relationship between Japan and Latin America. Beyond the social relationship, Japanese companies have been operating in the region for decades, working with local communities to foster growth and development. With almost 3,000 Japanese companies in the region, automotive corporations Toyota, Nissan, and Honda have made remarkable inroads in the region. Latin America is an indispensable manufacturing base for the Japanese automobile industry, according to Ambassador Hayashi.

Strategic to trade with the U.S. East Coast, the Panama Canal and Central America are geo-politically important to Japan. A major importer of liquefied natural gas (LNG), Ambassador Hayashi spoke on the importance of the region in securing Japan's energy security.

Covid impacted the Japanese automobile industry in Mexico. To overcome Covid challenges, there is an increased need for international cooperation with like-minded countries, stated Ambassador Hiroshi. Japan has provided more than \$7 million USD in medical equipment to 20 Latin American countries and contributed \$3 million USD to the Pan American Health Organization (PAHO), and other funds to Latin America, noted the ambassador.

Furthermore, Ambassador Hayashi elaborated on the importance of a free and open international order as a basis of stable supply chains. He noted various values and principles that has guided Japan and Latin American relations in the past years that revolve around shared values and economic progress. The principle of a free and open international order is not just limited to the Pacific Alliance countries in Latin America but countries like Brazil. Speaking on cooperation between the United States and Brazil, Ambassador Hayashi discussed the launching of a framework for trilateral dialogue aimed at building a free and open international order based on common values. From the perspective of promoting supply chains, he touched on the economic partnership between Japan and Latin American countries, green and digital cooperation.

The ambassador focused on the importance of mitigating the risk from protectionism stemming from the COVID-19 pandemic. Creating a multi-layered supply chain helps to maintain free trade, he noted. From this perspective, Japan needs to further strengthen its trade and investment not only with Asia but with Latin America, he said.

Lastly, the ambassador spoke at length about the importance of digital cooperation between Japan and Latin America, including Japan's intention to build 5G networks in Brazil and other parts of the region, the key to twenty-first century growth.

Digital and Technology Cooperation

Rob Strayer elaborated on some of those topics by giving an overview of where Japanese and Latin American cooperation stands today in the digital and technology sphere. He pointed out the evolution of digital ecosystems are critical to addressing challenges of poverty and improving standards of living in the Latin America. With the Covid recovery, there are opportunities to accelerate nascent achievements:

- Broadband infrastructure expansion
- Access to digital payments
- Leveraging e-commerce
- Embracing cloud services
- Government I.T. improvements

Strayer also highlighted Japan as a leader in privacy, cyber security, 5G, and other digital trade areas. There is an opportunity for growth for small- and medium-sized companies in Latin America to take

advantage of digital infrastructure. He noted six areas for robust cooperation between Japan and the Americas.

1. Data governance and privacy
2. Cybersecurity
3. 5G and other advanced technology related to supply chains
4. Closer collaboration with U.S. telecom institutions
5. Digital tax cooperation
6. Digital trade

Lastly, Strayer said there's opportunity for Japan to work with Latin America and allied partners to see best practices put in place in a number of digital policy areas that will lead to economic growth.

The Brazil-Japan Relationship

Ambassador Abreu spoke about the complementary nature of the Japan and Brazil relationship and the shifting dynamic of supply chains. Japan is a key partner of Brazil. With over 125 years of diplomatic relations between the two countries and a large Japanese community in Brazil, the country has a strong foundation for continued cooperation in many areas.

Ambassador Abreu noted that Japanese companies like SoftBank Group invest in technology, innovation, and real estate in Brazil. Japan and its companies have trillions of dollars for capital investments in Brazilian “unicorns” or unlisted companies that are involved in digital platforms like fintech and the sharing economy. Based on the ambassador's presentation, Japanese FDI in Brazil grew 21 percent in 2020. Japan is a major importer of key minerals and energy and Brazil is a major producer and exporter of clean energy. These are areas of potential growth for the two countries.

There is a tremendous opportunity to develop agriculture supply chains between the two nations. Brazil is an agriculture powerhouse and top food exporter. Japan imports 63 percent of the food it consumes, creating a demand that can be further supplied by Brazil, according to Ambassador Abreu's presentation.

Foreign investment in the agroindustry is a priority in Brazil. The three i's—Infrastructure, innovation, and green instrument—are key to Brazil's growth, allowing the country to become more integrated into Japan's global food value chain strategy. Lastly, she discussed how OECD accession will support Brazil's reform agenda and how Japan, Brazil, and the United States share common values that unite the strategic partners.

The Chile-Japan Relationship

Ambassador Fiol spoke the long history of Japanese investment in Chile and current Japanese involvement in the areas of renewable energy, waste management, and water treatment. Chile, like many other Latin American countries, benefits from a broad cooperation platform of joint exploration activities with Japanese organizations and institutions like JICA and JETRO.

Speaking on a key element of the Chile-Japan relationship, Ambassador Fiol spoke about effective crisis management mechanisms—including strict fiscal controls, debt regulations, and banking legislation—that are essential to a healthy investment environment. Larger Japanese companies are broadening their views of Latin America as a region for investment. The region can benefit from working with Japanese investors who often want long-term relationships with shareholders in the region serving as reliable and dependable partners.

Chile and Japan have mutual concerns on climate change. Both declared their intentions of becoming carbon-neutral countries by 2050, creating future possibilities for cooperation in the areas of green energy, including green hydrogen, according to Ambassador Fiol. In addition to climate change, Chile and Japan can collaborate among other areas in sharing their expertise on disaster preparedness, essential to countries both in Asia, Latin America, and the world.

Timing and Supply Chains

Dr. Haar focused his presentation on supply chains and slowly improving conditions of the world economy. The possibility of Latin American economic growth post Covid could be an opportunity for the region to take advantage of emerging supply chain opportunities in the Pacific rim.

Based on research findings in Dr. Haar's presentation, Chile, Colombia, Costa Rica, and Mexico are the countries most ready in Latin America. Although Japan has well-integrated automotive investments in Mexico, there will be a few obstacles in deepening supply-chain integration with Japan in other sectors such as the digital and technology space. Deficiencies in infrastructure, logistics, e-commerce, and legal and regulatory policies inhibit deeper cooperation between Japan and the Americas and limit the region's ability to participate in nearshoring.

In their final remarks, Ambassador Hayashi mentioned Japan having a strong interest in developing more e-commerce with Latin America. Strayer noted the importance of building more sustainable e-commerce flows of trade between the Japan and the region. Dr. Haar insisted we look at supply chains in a larger context surrounding tax, regulatory policy, public-private partnerships, and a more coordinated relationship with Japan. Ambassadors Abreu and Fiol reiterated the importance of taking advantage of the new digital revolution and adopting best business practices from Japan before Eric Farnsworth thanked the speakers and closed the program.