

BOOSTING US-JAPAN COOPERATION WITH LATIN AMERICA IN CRITICAL AND FRONTIER SECTORS

BY MARGARET MYERS

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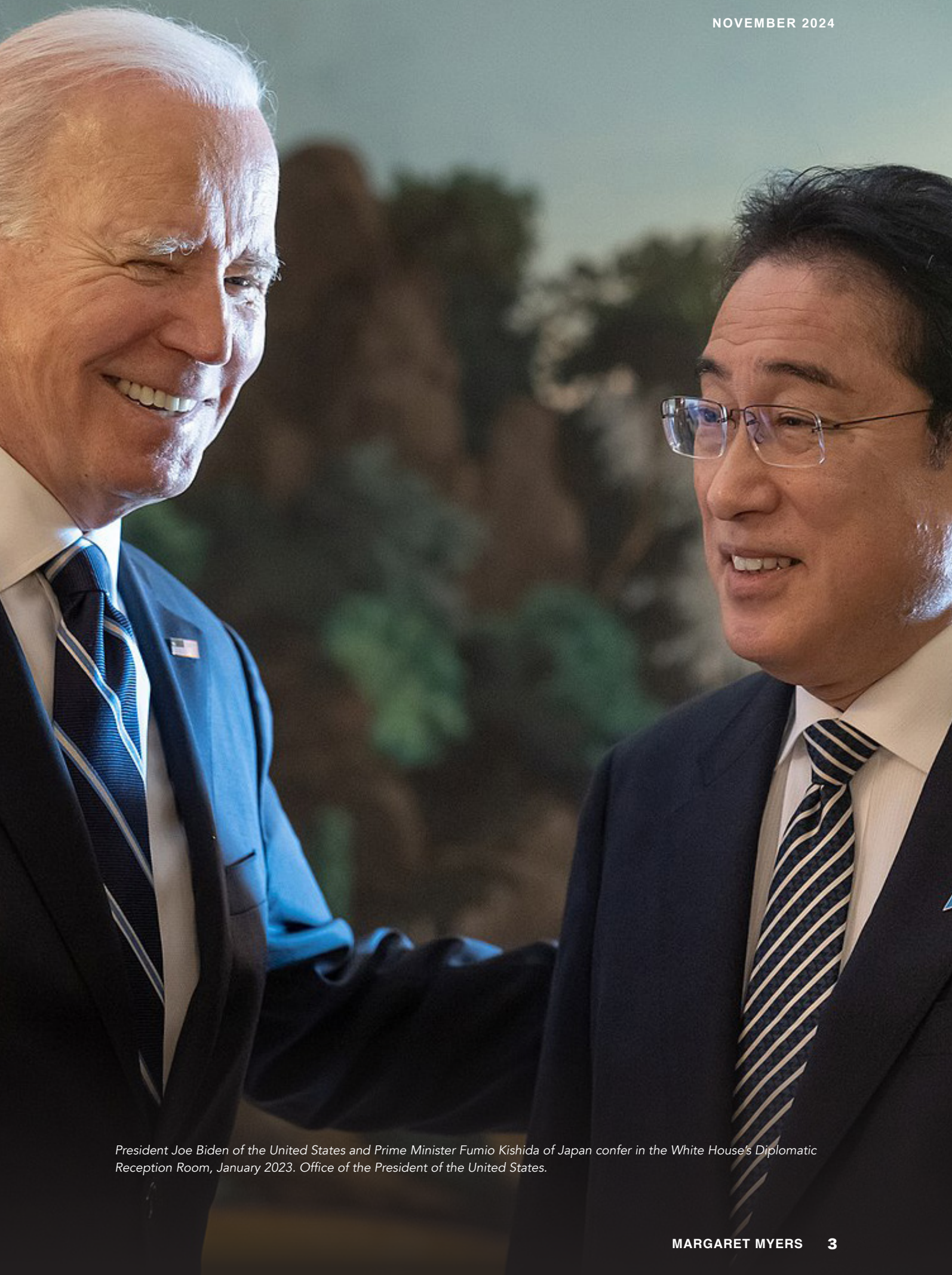
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President Joe Biden of the United States and Prime Minister Fumio Kishida of Japan confer in the White House's Diplomatic Reception Room, January 2023. Office of the President of the United States.

INTRODUCTION

As they recover from the effects of the COVID-19 pandemic, Latin American and Caribbean countries are facing a pivotal moment in their economic development. In the global context, the region looks comparatively stable, home mostly to democracies, including several manufacturing hubs that are booming amid increasing interest among multinational companies in supply chain diversification. At the same time, governments are beset by longstanding and emerging challenges, caught between rival global powers and weighed down by a daunting infrastructure deficit,ⁱ a growing digital divide, high debt, low growth,ⁱⁱ and the intensifying effects of a changing climate.¹

The region—like other parts of the world—has also witnessed significant democratic backsliding. Latin America’s democratic consolidation has in many cases unraveled amid major populist challenges from both the left and the right. Even in the region’s more stable democracies, systemic weaknesses have been laid bare by the pandemic, frequent natural disasters, and economic strain. Weak institutions and other governance challenges are slowing development and leaving countries more susceptible to economic shocks.²

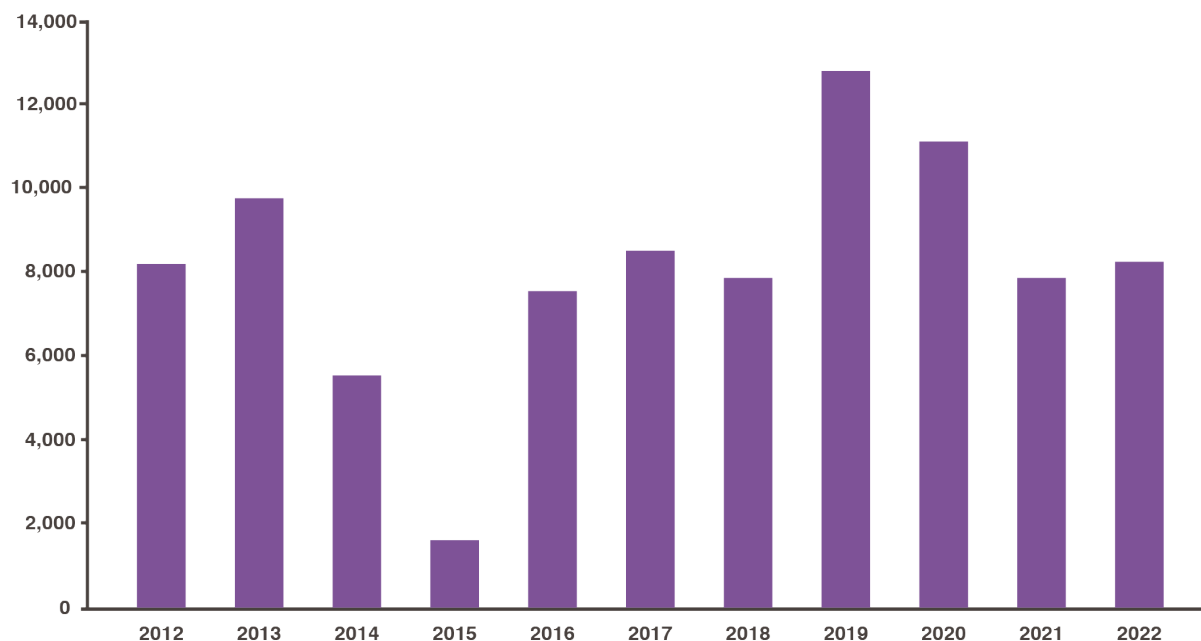
Looking ahead, cooperation with key extraregional partners, especially those committed to strengthening governance and accountability, will be fundamental to economic growth and sustainable development. To meet development goals, the region will rely heavily not only on trade, but also on investments in strategic infrastructure from international partners, including likeminded governments and international financial institutions.

In this context, the United States and Japan will be potentially decisive actors. Both have separately committed to advancing the region’s economic development and, importantly, to promoting transparency and good governance. Japanese finance and investment in the region have grown (see Figure 1) as part of the late Prime Minister Shinzo Abe’s “Juntos” policy, which promoted enhanced engagement across the region. At the same time, Japan has emphasized the links between democracy and development, what it calls the “two D’s.”

i Infrastructure deficit is estimated at 2.5% of the region’s gross domestic product.

ii It is estimated that regional gross domestic product will grow by just 1.5 percent in 2024, slightly below the 1.7 percent estimated in 2023.

Figure 1
Japan's Foreign Direct Investment in Latin America and the Caribbean,
2002-2022 (Millions of US Dollars)

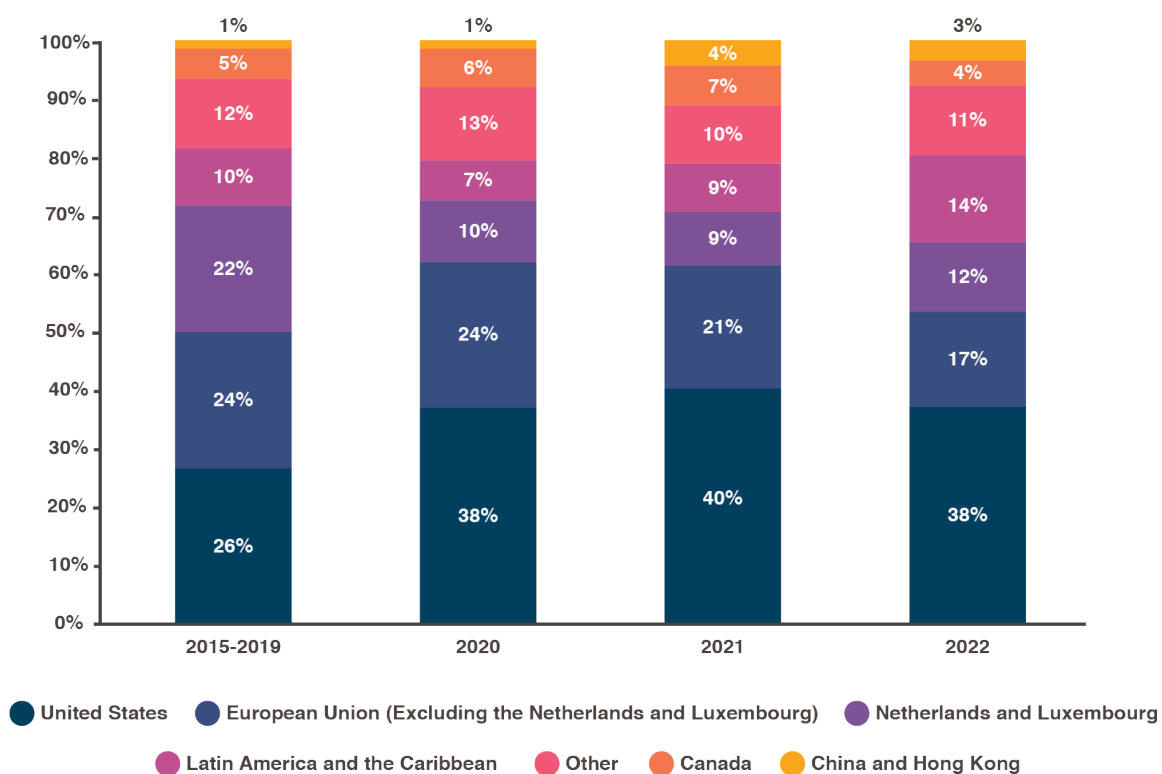


Source: JETRO (excluding Cayman Islands investment)

The United States has also signaled interest in growing its engagement with the region through a series of new policy initiatives, including the Americas Partnership for Economic Prosperity (APEP), which looks to boost economic cooperation through alternatives to traditional trade agreements. Already, the United States is the region's top investor. The US share of mergers and acquisitions in Latin America and the Caribbean increased to 43% in 2022, compared to an average of 20% over the previous decade. The United States was also the top origin of foreign direct investment in 2022 (see Figure 2).³

Still, there is far more that can be done to advance US and Japanese activity in the region. Despite expansive economic and diplomatic ties, the United States is widely perceived as having withdrawn from the region over recent decades, even as the Biden administration puts forth new regional investment initiatives. Japan is regarded as a critical partner in parts of the region, but its trade and investment are relatively limited overall. For example, the region accounts for only 4% of Japan's total trade.⁴ Latin America and the Caribbean represented 8% of Japanese foreign direct investment in 2022, but much of that was directed to the Cayman Islands.⁵

Figure 2
Distribution of Foreign Direct Investment to Latin America and the Caribbean by Origin, 2015–2022 (%)



Source: Economic Commission on Latin America and the Caribbean, 2023

Leaders in the region are anxious to deepen these partnerships. As Hiroyuki Suzuki, director of Operation Policy and Strategy Coordination at the Japan Bank of International Cooperation (JBIC), explained in a recent report, Japan is expected to play a prominent role in global health, climate action, energy security, and infrastructure development, including in Latin America and the Caribbean,⁶ where it has shown particular interest in strengthening supply chains.⁷ Absent a major shift in US policy on Latin America and the Caribbean in 2025, more US capital and attention is expected, including through APEP, as the United States competes with China for regional influence.

In addition to their independent initiatives, there is also room for enhanced US-Japan partnership in this region, building on shared interests, values, and strategies. The prospects for overseas partnership are encouraging as US-Japan relations strengthen. Both sides have expressed interest in modernizing and expanding their partnership in an era of strategic competition between the United States and China. Moreover, many bilateral and multilateral platforms offer opportunities both to strengthen ties and improve coordination when supporting partners in the so-called Global South (see Figure 2). Indeed, this sort of collaboration is well underway in the Asia-Pacific region.

There is nothing stopping the United States and Japan from doing the same in Latin America and the Caribbean, including partnerships on ambitious infrastructure, technology, and other growth-promoting initiatives that leverage their considerable financial resources and experience. This report considers the prospects for enhanced US-Japan cooperation in the region, including recommendations for joint areas of focus and new mechanisms for formalizing this trilateral cooperation.

A STRONG FOUNDATION

The US-Japan partnership is at one of its strongest moments in history, ballasted by long-standing post-war security arrangements and what the United States has called a “substantial reservoir of goodwill” fostered by close ties between the US and Japanese populations, and nurtured by both governments for decades.⁸ Security and economic ties have also strengthened amid shared concerns about China’s expansive and growing global influence. The United States and Japan share an interest in promoting peace, security, prosperity, and the status quo geopolitical order in the Indo-Pacific and around the world. According to a White House summary of a May 2023 meeting between President Biden and Japanese Prime Minister Fumio Kishida, the leaders remain “committed to continue deepening the bilateral relationship.”⁹ Biden and Kishida expressed a similar message following the 2023 G7 summit, noting several areas of shared interest, including opposition to “unilateral attempts to change the status quo by force or coercion anywhere in the world.”¹⁰

Japan has sought to balance its relations with the United States and China, given that both are important trading partners. Even so, Tokyo has been steadfast in its commitment to grow its cooperation with the United States, including on global public health; climate change; strengthening democracy and protecting human rights, including in Ukraine; promoting free and fair trade; and competing more effectively with China around the world.

Strong and growing ties have resulted in the development of an array of cooperative platforms and initiatives, in areas ranging from security and health to space and digital connectivity (see Figure 3). Some of these initiatives are long-standing, established several decades ago. However, most materialized since 2021, as both Japan and the United States noted the value of enhanced cooperation.

As noted in Figure 2, global technology and telecommunications industries feature prominently among those areas where the United States and Japan have sought greater bilateral communication and collaboration. Cooperation on this issue is evident

Figure 3
US-Japan Partnership Platforms and Initiatives

INITIATIVE	PARTNERS	FOUNDED	DESCRIPTION
US-Japan Cooperative Medical Science Program	United States, Japan	1965	Addresses public health in the Asia-Pacific
Japan-US Joint Working-Level Committee Meeting on Science and Technology Cooperation	United States, Japan	2005	Platform to discuss science and technology cooperation, such as quantum technologies, artificial intelligence (AI), biotechnology, and clean energy technologies
Quadrilateral Security Dialogue	United States, Japan, Australia, India	2007	Strategic security dialogue
Japan-US Strategic Digital Economy Partnership	United States, Japan	2017	Initiative to create an “open, interoperable, secure, and reliable” global digital economy
Japan-US Strategic Energy Partnership	United States, Japan	2017	Supports high-quality investment in liquefied natural gas (LNG) infrastructure development
Japan-US-Mekong Power Partnership	United States, Japan, Cambodia, Lao PDR, Myanmar, Thailand, Vietnam	2019	Supports the Mekong region’s pursuit of energy security and encourages greater regional power trade and integration
Blue Dot Network	United States, Japan, Australia, United Kingdom, Spain, OECD	2019	Mechanism to certify infrastructure projects that meet high standards, including for environmental sustainability
Implementing Arrangement for Gateway Cooperation	United States, Japan	2020	Cooperation on the Civil Lunar Gateway project
Papua New Guinea Electrification Partnership	United States, Japan, Papua New Guinea, Australia, New Zealand	2021	Supports Papua New Guinea’s electrification strategy
Quad Critical and Emerging Technology Working Group	United States, Japan, Australia, India	2021	Platform for collaboration on international technical standards development
Japan-US Clean Energy Partnership	United States, Japan, Indonesia	2021	Supports countries in the Indo-Pacific and around the world to accelerate the transition to clean, affordable, and secure energy sources
US-Japan Competitiveness and Resilience Partnership	United States, Japan	2021	Framework to advance innovation, combat the climate crisis, and enhance people-to-people ties
US-Japan Global Digital Connectivity Partnership	United States, Japan	2020	Promotes secure connectivity and a vibrant global digital economy
Japan-US Clean Energy Partnership	United States, Japan	2021	Platform for cooperation on green growth and advancing shared climate goals, including achieving net zero greenhouse gas emissions globally by 2050
US-Japan Climate Partnership	United States, Japan	2021	Supports countries in the Indo-Pacific and around the world to accelerate decarbonization efforts
US-Japan Global Digital Connectivity Partnership	United States, Japan	2020	Promotes secure connectivity and a vibrant global digital economy
Integrated Urban Services Program Launch Workshop	United States, Japan	2020	Promotes sustainable smart cities
Japan-US Network Opportunity Program	United States, Japan	2020	Collaborative research on 5G and 6G mobile networks
Global Subnational Zero Carbon Promotion Initiative	Launched by the United States and Japan	2021	Promotes decarbonization initiatives at the subnational level

Economic Policy Consultative Committee	United States, Japan	2022	Platform to broaden and deepen bilateral cooperation on economic policy
Memorandum of Cooperation between US Trade and Development Agency and Japan Bank for International Cooperation	United States, Japan	2022	Agreement to strengthen cooperation between on infrastructure, renewable energy, telecommunications, and digital connectivity, mainly in the Indo-Pacific
Japan-US Clean Energy and Energy Security Initiative	United States, Japan	2022	Supports energy security through stable and sufficient energy supplies, including LNG, and by accelerating innovation in clean energy technologies
Minerals Security Partnership	United States, Japan, Australia, Canada, Finland, France, Germany, South Korea, Sweden, United Kingdom, European Union	2022	Initiative to strengthen critical minerals supply chains
Japan-US Energy Security Dialogue	United States, Japan	2022	Supports collaboration on energy security and furthering the energy transition
US-Japan Policy Cooperation Dialogue on the Internet Economy	United States, Japan	13th meeting took place in 2023	A platform for coordination on open, interoperable, reliable, and secure digital connectivity and information and communication technologies to support growth of the digital economy
Industrial Control Systems Cybersecurity Week for the Indo-Pacific Region	5th meeting took place in 2023	13th meeting took place in 2023	Training on cybersecurity for Indo-Pacific representatives

Source: Author compilation from US and Japanese official sources

through the Quadrilateral Security Dialogue (Quad), for instance—a strategic security dialogue between the United States, Japan, Australia, and India. Through that and other platforms, the United States and Japan have strengthened collaboration on 5G supplier diversification, including by promoting Open Radio Access Networks (Open RAN) as an alternative to single-vendor options, where China is often the favored supplier.¹¹ The United States, Japan, and other like-minded countries also supported the 2021 Prague Proposals on Telecommunications Supplier Diversity, which promote a transition to “5G and beyond” through a diverse and competitive marketplace.¹² The two governments have plans to fund joint research and development projects on 5G and more advanced networks, in addition to projects under the Japan-US Network Opportunity program, which encourages National Science Foundation and Japan National Institute of Information and Communications Technology collaboration, including in telecommunications.¹³

The US-Japan Competitiveness and Resilience Partnership is similarly focused on technology, but also on other sectors and issues of strategic importance to both countries. It looks in depth at digital connectivity, cybersecurity, civil space, and supply chain security, for example, while facilitating engagement with other joint initiatives, such as the Japan-US Joint Working-Level Committee Meeting on Science, the Technology Cooperation and the Quad Critical and Emerging Technology Working Group, and the Economic Policy Consultative Committee, among others (see Figure 3). The latter includes coordination on the supply and processing of critical minerals

and rare earths, control of which is dominated by China, and on the development of advanced battery supply chains.¹⁴

Other collaborative platforms have focused on a shared interest in combatting existential crises, such as pandemics and climate change. Among their pandemic-related initiatives, the United States and Japan co-funded joint research projects including “COVID-19 Research in Non-Medical Sciences,” “Digital Science for post-COVID-19 Society,” and, through the US-Japan Cooperative Medical Science Program, “Countermeasures for COVID-19 in Medical Research.”¹⁵ The joint Clean Energy and Energy Security Initiative promotes global energy security and 2050 net zero goals. It includes efforts to stabilize global energy supplies and accelerate innovation and marketization of clean energy technologies, including renewable energy, hydrogen, fuel ammonia, and nuclear power.¹⁶

Cooperation has also focused on the intersection of technology, finance, and security. The United States, Japan, and South Korea launched a trilateral partnership focused on cryptocurrency and detecting North Korea’s illicit use of cryptocurrency to advance its missile program, for instance.¹⁷

Japan and the United States have also focused on securing energy supplies in the Indo-Pacific. The Japan-US-Mekong Power Partnership provides technical assistance and capacity building to support energy security through regional power trade and renewable integration in the Mekong region. Also, the United States and Japan, along with Australia and New Zealand, are collaborating on the Papua New Guinea Electrification Partnership, which supports Papua New Guinea’s goal of increasing its electrification rate from 13% to 70% by 2030.¹⁸

To bolster international infrastructure finance, the US Development Finance Corporation (DFC) and Japan Bank for International Cooperation (JBIC) have sought to coordinate their international outreach, mainly in the Indo-Pacific. This includes the Trilateral Infrastructure Partnership, established in 2018, which supports cooperation between the DFC, JBIC, Australia’s Department of Foreign Affairs and Trade, and Export Finance Australia. The DFC, JBIC, and EFA, for example, supported Australian company Telstra’s acquisition of Digicel Pacific in 2021, after Digicel Pacific reportedly sought a deal with China Mobile.¹⁹ In a 2022 memorandum of understanding, DFC, JBIC, DFAT, and EFA affirmed their commitment to delivering new, high-quality, sustainable infrastructure projects across the region, “emphasizing transparency and respecting the sovereignty and individual needs of countries.”²⁰ A memorandum of cooperation between the US Trade and Development Agency and JBIC similarly

promotes private sector support for infrastructure projects that advance global goals in areas including climate, digital economy, and sustainable development.²¹

The United States and Japan have additionally worked to advance quality infrastructure development through cooperation in multilateral fora. For example, with support from the Organization for Economic Cooperation and Development (OECD), the United States and Japan, together with Australia, promoted the Blue Dot Network, launched in 2019 and supported with upwards of \$2 million from the US State Department. Notably, there are also platforms for US-Japan collaboration at the regional and subregional levels, though largely focused on the Indo-Pacific. The United States and Japan, together with Australia, have partnered with the Federated States of Micronesia, Kiribati, and Nauru to improve internet connectivity by financing the East Micronesia Cable, for instance.

These expansive platforms, groupings, and cooperation mechanisms form the basis for potentially more extensive cooperation on additional issues of mutual interest and in other parts of the globe, even as the Indo-Pacific receives the vast majority of US-Japan cooperative attention. For Japan, Latin America and the Caribbean are much further afield than the Indo-Pacific, but the region is critical for US and Japanese economic security. Moreover, many countries in the region are viewed as partners amid US and Japanese efforts to defend democracy and a free and open maritime order. For that reason, the prospects for enhanced US-Japan cooperation in Latin America and the Caribbean are promising.

JAPAN AND LATIN AMERICA

For Japan, Latin America and the Caribbean are a lesser foreign policy priority than the Indo-Pacific and the broader Asia. But Japanese companies have engaged with the region for decades, attracted by its abundant raw materials, Japan's quest for reliable food supplies, and broader economic objectives.²² Over the same period, the Japanese government, through JBIC and the Japan International Cooperation Agency (JICA), has committed to wide-ranging development projects across the region, helping to transform Brazil's grains trade, Chile's salmon farming, and Mexico's automobile manufacturing sector into some of the region's most important industries. Some Japanese companies, such as Nissan México and Honda de México, entered Mexico long before the 1992 signing of the North American Free Trade Agreement (NAFTA). Today, 1,200 Japanese enterprises operate in Mexico, drawn to the North American market and the 2005 Japan-Mexico Economic Partnership Agreement, which entered into force in 2005.

The region has arguably grown in strategic importance to Japan in recent years, as Japanese investors face seismic shifts in the economic and geopolitical landscape. Japanese banks and other companies are navigating complex trade and investment environments, including in Latin America and the Caribbean. For many in Japan, growing protectionist tendencies in the United States and elsewhere, as well as the supply chain effects of the COVID-19 pandemic, Russia's war in Ukraine, and conflicts in other parts of the world, underscore the need for strategic management of critical supply chains.

Japan's supply chain concerns are also related to its complicated relationship with China. China is Japan's largest trade partner, accounting for 21% of Japan's exports and 24% of its imports in 2021.²³ Japan also depends on China as a manufacturing base and source of resources for its high-tech industry. However, Japan began reducing its dependence on China in 2010, after China restricted its rare earth exports to Japan amid a dispute between Tokyo and Beijing over the Senkaku/Diaoyu islands.²⁴ As Elli-Katharina Pohlkamp, a visiting fellow at the European Council on Foreign Relations, has noted, Japan seeks a "stable and constructive" relationship with China,²⁵ but Tokyo is also exploring strategies to address China's economic leverage.²⁶ Striking new ventures and forging new global partnerships, including with Latin America and the Caribbean, is part of this equation.

Japan additionally views many countries in Latin America and the Caribbean as critical allies in bolstering global democracy, and reinforcing Japan's vision of what it calls a free, open, and inclusive international order, based on the rule of law. During a visit to the Center for Strategic and International Studies in 2022, then-Minister of Foreign Affairs Yoshimasa Hayashi stressed the need for stronger partnership with the United States and other like-minded nations, including in the Western Hemisphere, to address deeper and stronger military coordination between China and Russia, which he described an emerging security concern.²⁷



Former Mexican Foreign Secretary Marcelo Ebrard engages in discussion with Japanese Foreign Minister Yoshimasa Hayashi in Mexico City, January 2023. Secretaría de Relaciones Exteriores.

“Juntos!!”

With all this in mind, Japan has sought in recent years to reorient its approach to Latin America and the Caribbean, reaffirming its commitment to the region’s economic development while also focusing more intensively on sectors of strategic importance. The first signals of a new Japanese approach were evident in 2013, during then-Japanese Foreign Minister Fumio Kishida’s visit to Mexico City, where he spoke of a “new voyage” marked by “enhanced cooperation for mutual prosperity.”²⁸ The late Prime Minister Shinzo Abe’s five-country tour in 2014, the first in a decade by a Japanese head of state, further underscored Japan’s renewed focus. While in São Paulo, the prime minister outlined Japan’s newest foreign policy agenda for the region (see Figure 4). Abe’s speech, titled “Juntos!! Bringing Infinite Depth to Japan-Latin America and the Caribbean Cooperation,” suggested that Japan and the region would “progress together,” “lead together,” and “inspire together,” including through enhanced economic engagement and cultural exchanges.²⁹

“Juntos!!” imagined progressing together through the promotion of free and open economic systems, with an emphasis on global value chains and quality infrastructure. This led to Japan’s de facto leadership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a reconfiguration of the Trans-Pacific Partnership that no longer involves the United States but still includes Chile, Mexico, Peru, seven other nations along the Pacific Rim, and now the United Kingdom. The CPTPP, which accounts for 15% of global GDP, is viewed as safeguarding a multilateral trading system in which Japan and Latin American and Caribbean nations have a considerable stake. It has importantly opened new avenues for its Latin American members to engage with Asia-Pacific countries. Japan, Mexico, Peru, and Singapore increased imports from the CPTPP as a share of their total imports in 2020 compared to 2011 or 2017,³⁰ even as trade with China, which is not a member, grew at relatively high rates in member nations, eroding expected CPTPP gains.³¹

To “inspire together,” Japan hopes to share innovative, evidence-based approaches to global development challenges. This goal is clear in Japan’s new Development Cooperation Charter, which calls for greater dialogue and collaboration with Japan’s partners throughout the developing world.³² It also calls for greater collaboration among the Japanese institutions responsible for overseas development assistance and other international financing, including JBIC and JICA, but also lesser-known institutions, such as the Nippon Export and Investment Insurance, Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development, Fund Corporation for the Overseas Development of Japan’s ICT and Postal Services, and

the Japan Organization for Metals and Energy Security.

The objective to “lead together,” which implies joint support for values-based and rules-based multilateralism, is a response to shifting geostrategic realities, including China’s growing role in shaping the global order. Japan has expressed concern that “some nations, not sharing universal values, are making attempts to revise the existing international order” and “gaining influence over those states that have defended academic freedom and market economy principles.”³³ Japan seeks to engage the region, emphasizing a values-based and rules-based agenda.

Figure 4
Japan’s Policy Toward Latin America and the Caribbean

2014-2018	2018-PRESENT	DESCRIPTION
“Juntos!!”	→ “Juntos+”	Enhancing Japan-LAC connectivity
Progress Together		Enhancing connectivity, mutual promotion of free and open economic systems, development of GVCs and quality infrastructure
Lead Together		Values connectivity, support values-based and rules-based multilateralism
Inspire Together		Knowledge connectivity, collaboration on SDGs

Source: Author compilation from US and Japanese official sources

With China’s maritime claims and activity front of mind, Japan, the United States, and other nations have additionally called for stronger protection of a free and rules-based maritime order. Although Latin America and the Caribbean is not involved in maritime disputes in Asia, Japan has upheld the importance of policy dialogue with Latin American and Caribbean governments on maritime governance, noting China’s efforts to reshape the maritime order in the Indo-Pacific region, but also its growing maritime presence across the globe, including in Latin America and the Caribbean. During a 2019 visit to Washington, Ambassador Takahiro Nakamae, then-director general for Latin America and the Caribbean at the Japanese Ministry of Foreign Affairs, identified a “need to improve maritime enforcement capabilities” in the Latin America and Caribbean region to protect international freedom of navigation.³⁴

Economic Security

More recently, Japan’s growing focus on economic security has also shaped its foreign policy, including toward Latin America and the Caribbean. As Jun Osawa noted in a

publication by the Wilson Center's Asia Program, the rise of China as a security threat and economic rival has led the Japanese government to reevaluate its approach to national security and refocus its efforts on economic security.³⁵ This process began in 2014 under the Liberal Democratic Party, accelerated in 2017, and culminated in 2022 with the passage of the Economic Security Promotion Act and a new National Security Strategy that links economic competitiveness and national security.³⁶

Japan's newest National Security Strategy asserts that "some states are attempting to expand their own power by exerting economic coercion on other countries by restricting exports of mineral resources, food, industrial and medical goods, and by providing loans to other countries without regard to their debt sustainability." Noting the implications for Japan's economic security, it identifies four strategic objectives, including securing a stable supply of critical commodities, including through heightened engagement with critical commodities providers; ensuring the safety of key infrastructure; supporting the development of cutting-edge critical technologies; and developing a secret patent system to protect sensitive technologies from intellectual property theft.³⁷ The latter is part of a broader focus on cybersecurity following growth in cybertheft against Japanese companies in industries prioritized by Beijing's "Made in China 2025."³⁸

The effects of Japan's enhanced focus on economic security are already evident in Latin America and the Caribbean. As noted in its annual report, JBIC has focused on identifying energy projects in the region and strengthening strategic materials value chains (see Figure 5).³⁹ A 2022 agreement with the FONPLATA Development Bank and its member countries (Argentina, Bolivia, Brazil, Paraguay, and Uruguay) aims to support Japanese private sector investment in areas such as renewable energy and green hydrogen.⁴⁰ Recent projects have also supported the stable supply of base metals, including copper, which is expected to be in higher demand amid the global trend toward decarbonization. A loan to Mitsubishi Corporation will expand the company's financing of copper production in Peru. This builds on Japan's existing interests in the region's critical metals and minerals, including a 2011 acquisition by Nippon Steel Corporation, JFE, POSCO, and their partners of a 15% stake in a Brazilian niobium miner. In 2008, Japanese trading company Itochu Corporation, alongside six Asian steelmakers, paid \$3 billion for a 40% stake in Brazilian iron ore company Namisa.⁴¹

Japan's cybersecurity cooperation with Latin America and the Caribbean is not nearly as advanced as in the Indo-Pacific, where Japan conducts numerous trainings. But Japanese companies are nevertheless active in the provision of high-tech solutions, noting their commitment to safety, security, and convenience. There is a possibility of

enhanced cooperation in this space, following Japan's creation of an Economic Security Unit within its National Security Secretariat to advance international cooperation on technology security and support Japan's broader cybersecurity objectives.⁴²

BOOSTING US-JAPAN COLLABORATION IN THE AMERICAS

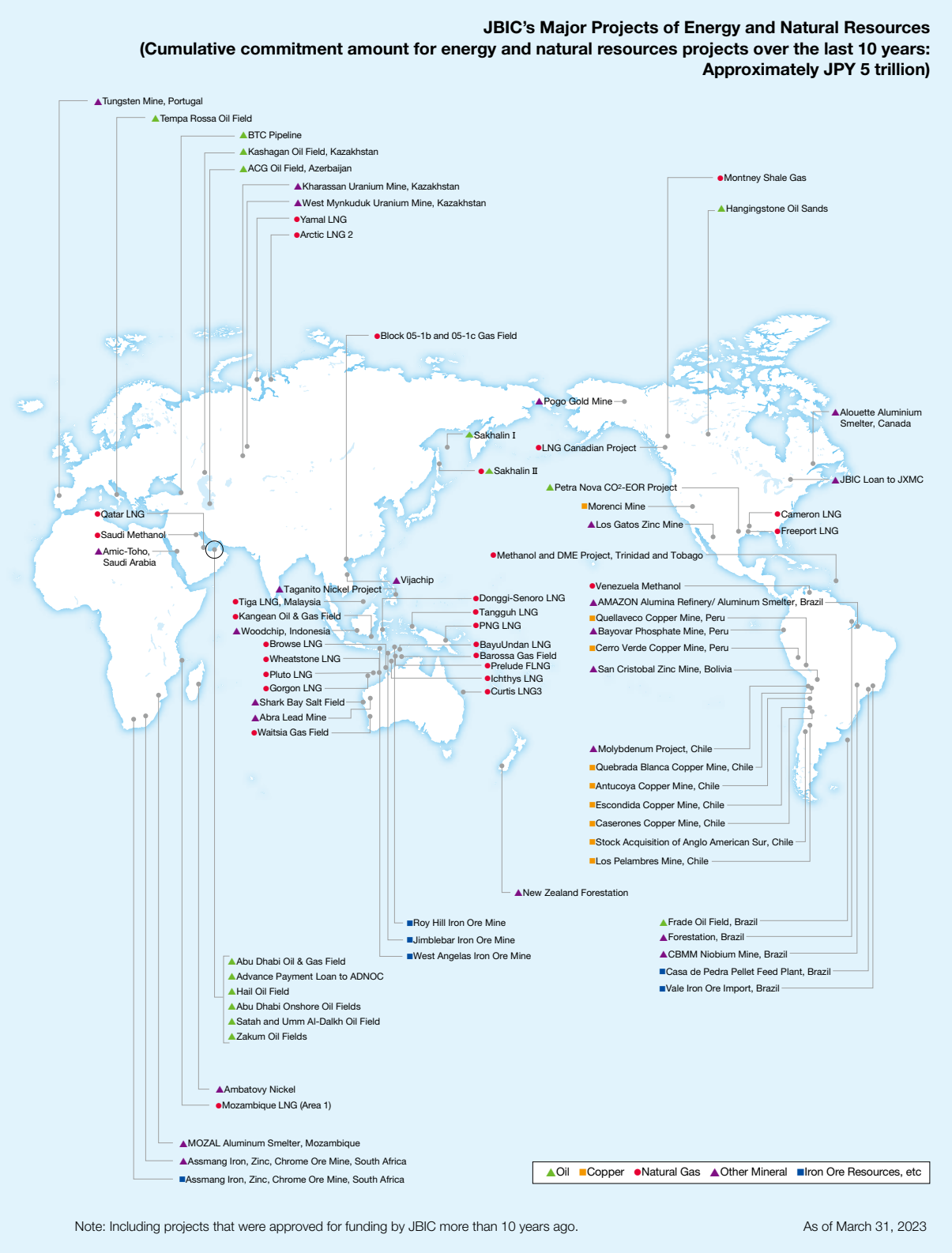
There is considerable rationale for, and even momentum toward, enhanced US and Japanese engagement in the Western Hemisphere, both in partnership-based upon shared interest in addressing China's growing influence in the region—and individually, in light of Japan's renewed focus on the region since 2013 and Washington's new Latin America initiatives.

Of course, there are also numerous obstacles to enhanced US and Japanese engagement with the region. For one thing, both the United States and Japan have in many cases prioritized engagement with regions outside of the Western Hemisphere. Japan remains predominantly focused on its own region. The Biden administration requested less than \$2.5 billion in foreign assistance for Latin America and the Caribbean in the 2024 fiscal year under accounts managed by the State Department and the US Agency for International Development (USAID). That amount was 17.4% more than was awarded for the region in the 2022 fiscal year, including supplemental appropriations, but still only accounts for 4% of total foreign assistance managed by the State Department and USAID. Ukraine, Ethiopia, Jordan, Afghanistan, Somalia, and Yemen were among the top recipients of US foreign assistance in 2023.⁴³

Additionally, for both US and Japanese companies, which drive much of each country's engagement with Latin America and the Caribbean, the region's economic underperformance factors prominently in decision-making about investment. Challenges such as heightened insecurity have a further dampening effect on investment by US and Japanese firms.

That said, some US and Japanese companies are relative mainstays in the region. Mitsubishi, Mitsui, Marubeni, Nissan, and Sumitomo have maintained a presence even amid economic downturns and security complications. Japanese firms such as IUSA, a subsidiary of Toyobo, and Insinca, a subsidiary of Toray, stayed in El Salvador throughout the country's civil war.⁴⁴ The same is true of many US businesses. The United States remains the region's top investor, representing over 38% of foreign direct investment flows in 2022.

Figure 5
JBIC's Major Energy and Natural Resources Projects (2012-2022)



Source: JBIC website, accessed October 30, 2023

Limitations imposed at the government level have also occasionally limited prospects for engagement with the region, while also precluding US-Japan engagement in certain areas. Japanese experts have noted that US-Japanese collaboration is sometimes thwarted by limits on DFC and other US activity in the region. That is because the DFC cannot work in high-income countries and faces limits on its investments in upper middle-income countries. As Rebecca Brocato and Lauren Cochran, two former senior DFC officials, note, “these requirements are meant to ensure communities most in need of DFC tools are prioritized, but in practice, they limit engagement with many critical partners,” whether in Latin America and the Caribbean or other regions.⁴⁵ DFC finance has also typically been reserved for those countries with which the United States has strong political partnerships.

Finally, despite a flurry of activity and promises surrounding the 2022 Summit of the Americas in Los Angeles, 2023 G7 Hiroshima Summit, and APEC leaders’ week in San Francisco in 2023, and also associated with the Biden administration’s APEP, Partnership for Central America, and other newly established regional initiatives, there is a sense in the region that US and broader G7 promises have been slow to materialize. This is accompanied by a view that US engagement is limited by scant support in Washington for trade liberalization, as evidenced by US disinterest in the CPTPP or in negotiating new bilateral trade agreements. However, US and Japanese plans to mobilize private capital to fund infrastructure and industrial capacity in developing countries may still bear fruit, especially as the Partnership for Global Infrastructure and Investment (PGII), announced in Hiroshima in 2023, prompts G7 nations to seek out opportunities in the region. The US Inflation Reduction Act of 2022 is another potential tool to drive investment to Latin America, including to build up clean energy supply chains in the hemisphere.

A WAY FORWARD

Despite the obstacles to enhanced Japanese and US engagement in Latin America and the Caribbean, there are relatively minor policy changes that Washington and Tokyo could adopt to help catalyze meaningful trilateral cooperation with the region. This is especially true in areas such as clean energy and digital services that the United States and Japan have prioritized individually and in partnerships in other regions, including through joint finance, trainings, and initiatives specific to the Indo-Pacific. Meaningful steps toward enhanced Japan-US collaboration would magnify the impacts that each country has on its own in the region and provide a model that could be replicated in US partnerships in the region with South Korea, India, and Taiwan.

The following recommendations for the United States and Japan draw upon interviews conducted by the author with dozens of Japanese and US officials, private sector representatives, and experts, including individuals based in Brazil, Costa Rica, Chile, Colombia, and Mexico. Given differences in US and Japanese approaches to the region, and their different strengths, some of these recommendations aim to boost joint US-Japan activity and others envision bilateral, though still complementary, US and Japanese projects.

1. Where possible, create the conditions to advance projects in critical and frontier sectors in Latin America and the Caribbean

A. Boost Japan-US institutional dialogue on project finance and development assistance, with a focus on Latin America and the Caribbean

There is much possibility for enhanced dialogue and partnership among the Japanese, US, and other institutions responsible for financing projects in critical and frontier sectors in Latin America. Indeed, JBIC and the DFC are expected to cooperate on mobilizing private capital for US-Japanese collaboration on projects of mutual interest, especially following the Japanese Diet's recent efforts to expand JBIC's functions⁴⁶ to include strengthening supply chains for critical materials and bolstering cooperation with multilateral development banks.⁴⁷ JBIC recently noted its commitment to fortifying collaboration with policy-based financial institutions in Japan, the United States, and Australia, and with public financial institutions, such as the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD).⁴⁸ JICA and USAID have similarly developed dialogue mechanisms to identify and address areas of synergy.

Of course, ensuring that finance and development assistance is directed toward Latin America will require a concerted effort on the part of the Latin America divisions within these institutions to establish mechanisms for informational exchange and collaboration. Collaboration among US and Japanese officials posted to Latin America is also key to identifying bankable projects in the region, as is information-sharing between "deal teams" in US embassies and their Japanese counterparts.

Enhanced US-Japanese partnership is also possible within the Inter-American Development Bank (IDB), including on infrastructure development. In 2018, the IDB, IDB Invest, and JICA formalized an agreement to promote joint, high-

quality infrastructure projects and co-finance eligible projects for the private sector, generating opportunities for Latin American and Japanese companies. JBIC also signed a 2023 agreement with the IDB focused on social infrastructure development, in addition to several other priority areas for Japan, such as hydrogen and ammonia, supply chain resilience, and energy security.⁴⁹

Prospects for US-Japan collaboration on aid provision and other international outreach are also promising, given the wide range of ministries and other bodies that participate in Japan's "international cooperation." In addition to JBIC and JICA, and the Nippon Export and Investment Insurance, Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development, Fund Corporation for the Overseas Development of Japan's ICT and Postal Services, and Japan Organization for Metals and Energy Security, there are numerous other ministries and agencies tasked with carrying out elements of Japan's overseas development assistance. These include the Ministry of Foreign Affairs, Ministry of Finance, Ministry of Education, Culture, Sports, Science, and Technology, the National Police Agency, Financial Services Agency, and more. Efforts to boost dialogue on overseas engagement between these institutions and their US counterparts would be fruitful, even if Latin America is not always a primary region of focus.

B. Take stock of examples of successful US-Japan collaboration in the Indo-Pacific and apply them where possible in Latin America

So far, US-Japanese collaboration on project identification and development has been slow to materialize, even in the Indo-Pacific, but barring a major shift in US foreign policy in 2025, more is likely to happen as banks, companies, and government agencies work together to identify opportunities for engagement on standards-setting, infrastructure development, industrial cooperation, and in other areas of interest to partner nations. Progress is also evident in Latin America and the Caribbean, as US-Japan dialogue bears fruit. There is supposedly talk, for instance, of a possible US-Japanese-EU-supported coast-to-coast railway project in Honduras—a response to China's many efforts to develop alternatives to the Panama Canal.

Looking ahead, one possible area of priority focus of the United States and Japan in Latin America is the energy transition. This is an area in which important progress is already being made in the Indo-Pacific. The United States and Japan, along with Australia and New Zealand, are collaborating on the Papua New

Guinea Electrification Partnership. After an August 2023 trip to the country, USAID Administrator Samantha Power promised an additional \$1.2 million to establish a solar mini-grid system in Papua New Guinea, in partnership with clean energy company WEnergy Global.⁵⁰ Also in the Indo-Pacific, the Japan-U.S.-Mekong Power Partnership provides technical assistance to support energy security through regional power trade and renewable integration in the Mekong region. Additionally, in 2021, Japan and the United States launched the Japan-US Clean Energy Partnership to support countries in the Indo-Pacific to accelerate the transition to clean energy sources. Under this framework, Japan and the United States worked with the Indonesian government on financial and business matchmaking and clean energy capacity building.

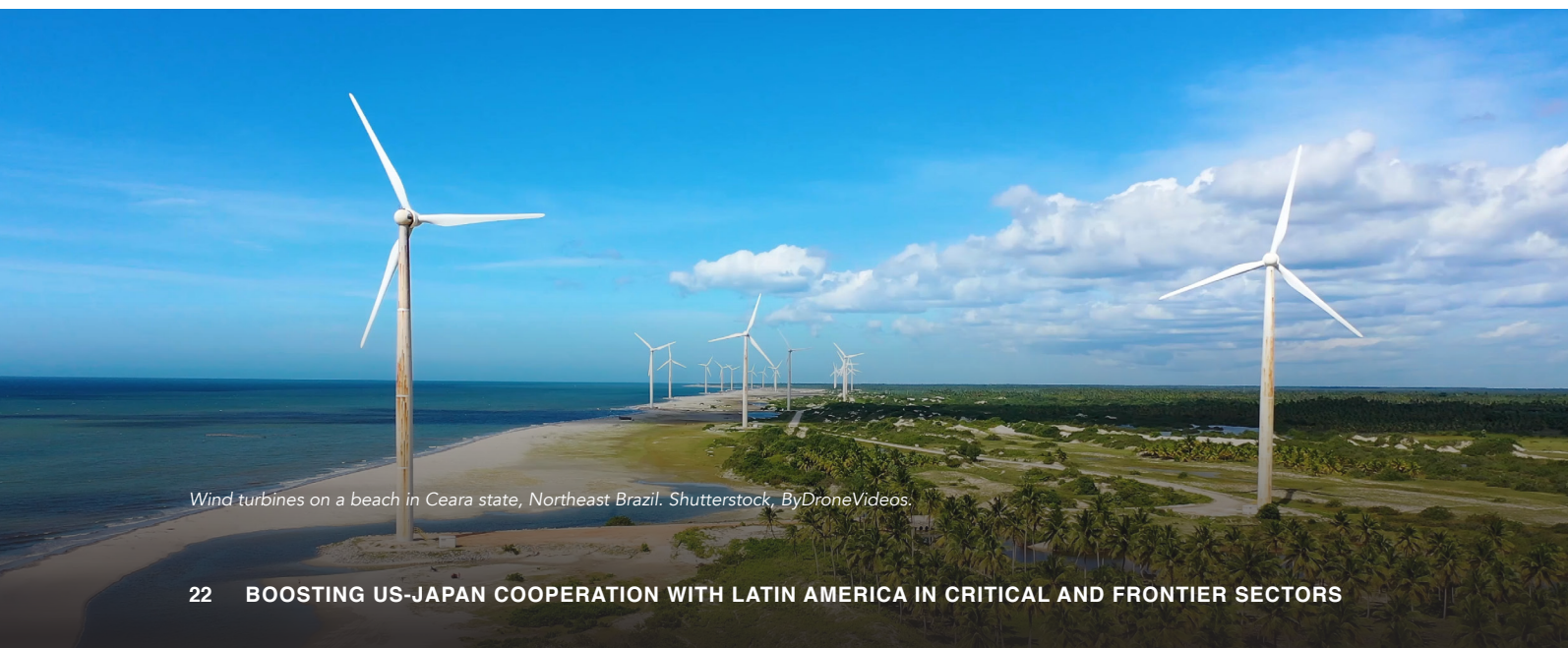
Latin American and Caribbean needs in this area are immense—and in many cases are being met by other actors. For a decade, China’s major electricity companies have been laser focused on energy generation and transmission in Latin America and the Caribbean, a trend accelerated by the departure of competitors, including Brazil-based Odebrecht and several major US and European companies. The latest evidence included China Southern Power Grid’s bid for Enel’s Peruvian energy distribution assets, valued at \$3 billion.⁵¹ Energy transition needs are also largely being met by China, as Chinese companies bring low-cost infrastructure in support of national and subnational projects. China provided financing and materials for construction of Argentina’s Cauchari solar park, for instance, the largest solar generation facility in South America.

Japan and the United States have expressed interest in catching up, however. Ryuji Satomi, Japan’s parliamentary vice-minister of economy, trade, and industry, underscored the potential for greater cooperation with the region on its energy transition during his trip to Argentina, Brazil, Chile, and Colombia in 2023.⁵² For Japan, this includes a focus on developing the region’s green hydrogen industry—especially in Chile, which leads the region in hydrogen preparedness. Under its green hydrogen roadmap, Chile aims to integrate green hydrogen production with industrial development throughout the country, while encouraging private investment and insisting upon environmental, social, and economic sustainability. Chile has also expressed a commitment to boosting domestic demand for hydrogen-based clean energy, exploring green hydrogen export opportunities, and improving its regulatory framework.⁵³ Investment in this industry has reportedly increased amid energy supply disruptions related to Russia’s war in Ukraine. In February 2023, Japan’s Sumitomo Corporation and Chilean power supplier Colbun agreed to collaborate in production of green hydrogen and blue

ammonia, a carbon-free fuel and hydrogen carrier.⁵⁴ Colombia is also increasingly active in this space—its 2021 national strategy outlines the country's hydrogen production routes, identifies domestic sources of demand, and highlights export opportunities.⁵⁵

Just months before Satomi's trip to the region, US Deputy Secretary of Energy David Turk also traveled to Brazil, Chile, and Argentina to hold a series of dialogues with government officials, experts, energy associations, and industry representatives to deepen energy and climate collaboration. While there, Turk emphasized the enormous opportunity for the Western Hemisphere to become a major exporter of clean energy fuels and technologies, citing many of the same areas of focus as his Japanese counterpart, including a need to create and bolster supply chains critical to the global energy transition. The trip also highlighted efforts by Chile and Argentina, as founding members of Net Zero World—an initiative led by the US Department of Energy—to partner with countries on decarbonizing and developing clean and affordable energy systems.⁵⁶

There is great value in deepening US-Japan trilateral cooperation in information and communications technologies, too. The potential benefits of these technologies in the region are numerous, ranging from improving health outcomes and addressing social and economic challenges to boosting access to information and enabling communication. But the region continues to encounter difficulties in the delivery of key equipment and services, resulting from technical, social, legal, and policy obstacles related to interoperability, radio spectrum, bandwidth availability, cybersecurity, privacy, regulations, protectionism, and a skill gaps in the workforce, among other barriers.⁵⁷



Wind turbines on a beach in Ceara state, Northeast Brazil. Shutterstock, ByDroneVideos.

As previously noted, both Japan and the United States have already worked to promote Open RAN technology as an alternative to single source telecommunications hardware providers, such as China's Huawei. Japan and the United States launched an Open RAN training academy in Southeast Asia to expand the pool of skilled workers needed to deploy Open RAN and promote supplier diversity. Similar outreach is possible in Latin America and the Caribbean, where Huawei is a preferred option for most of the region's major telecommunications providers. Japanese providers of virtualized RAN, such as Ratuken Symphony—the Open RAN-focused vendor spin-out from Japanese mobile operator Rakuten Mobile—see the region as a promising market. As the company's CEO observed in 2022, "there are significant opportunities in Latin America."⁵⁸ US and Japanese officials and private sector representatives have engaged Latin American officials in visits, workshops, and seminars to promote secure 5G networks and build regional interest in open and interoperable technologies like Open RAN.

The United States and Japan can additionally accelerate the local development and adoption of information and communication technology platforms across the region by individually and jointly addressing some of the region's stubborn obstacles to technology adoption. This is already happening in the Indo-Pacific, based on common US, Japanese, and third nation commitments to "open, interoperable, secure, and reliable" networks. The Japan-US Strategic Digital Economy Partnership supports digital economy projects in third countries, with a focus on the Indo-Pacific. Recent investments include the Japan-Guam-Australia Fiber-Optic Submarine Cable System Project and support for the Global City Teams Challenge, a public-private program sharing smart cities best practices. The United States and Japan also promoted sustainable smart cities during the Integrated Urban Services Program Launch workshop in 2021, part of the US-ASEAN Smart Cities Partnership, and at an APEC conference in 2022. Finally, the two countries have collaborated on workshops and events promoting the APEC Cross Border Privacy Rules system.

On cybersecurity, the United States and Japan are among the like-minded countries defending a free and open internet, where civil liberties are protected and governmental control is limited. China and Russia have sought to rewrite the rules on cyber governance to confer greater authority and control on national governments.⁵⁹ Latin America and the Caribbean are a battleground in this global tug-of-war. That makes US-Japan regional activities on telecommunications and cybersecurity fundamental. Here, Japan is a particularly attractive partner for the

United States; in the region, trust in Japan is high on technology and related issues. Joint or complementary investment in the region's technology sector would not only promote favorable standards and technologies, but also support the region's promising digital economy.

For now, the United States is mostly working with the European Union on issues of technology and cybersecurity in the region. The United States and the European Union provided support to Costa Rica on the rollout of "secure, resilient, and inclusive digital connectivity," for example. The program includes US and EU technical assistance on telecommunications security and plans to help finance Costa Rica's 5G rollout, without Huawei involvement. The United States and partners are also providing Costa Rica with assistance to secure its networks and critical infrastructure, including through the establishment of a subregional hub for cyber skills.⁶⁰

For its part, Japan has worked through the IDB, and bilaterally, to support the region's digital transformation, including by making more Japanese funds available to the private sector. A 2021 IDB-Japanese Ministry of Finance agreement made capital available to the IDB's innovation laboratory, IDB Lab, and to IDB Invest.⁶¹ Japan has also focused considerable attention on technology partnerships with Brazil, including through companies such as NEC. In 2023, the METI parliamentary vice-minister exchanged views with his counterpart in Brazil, Vice Minister Tatiana Prazeres, on the potential for expanding cooperation on startups to advance Brazil's transition to a digital economy.⁶²

C. Create the conditions in the region for enhanced US, Japanese, and partner nation investment

Improvements to investment conditions across the region would naturally boost prospects for greater investment by US and Japanese firms. Here, Japan and the United States, working separately or together, could help. There is considerable opportunity for JICA, USAID, and other US and Japanese public institutions to help Mexico, Central America, the Caribbean, and other subregions become more attractive to foreign investment. In Mexico, Japan has worked for years to incorporate local industries into global value chains through targeted investment and technical cooperation.⁶³ In 2012, for example, JICA initiated a program to identify and increase productivity among potential Mexican suppliers through training in Japan's "kaizen" management practices, which promote continuous improvement.⁶⁴ A second phase of the program focuses on the development of

automotive “clusters,” including support for automobile industry associations like the Automotive Cluster of Guanajuato, and technical education in automobile manufacturing hubs. These initiatives are supportive of both Japanese and regional exports of manufactured goods.⁶⁵

The United States is similarly focused on creating the conditions for high-quality investment in Central America and the Caribbean, including through wide-ranging social development programs and initiatives such as USAID Invest, which mobilizes private capital in support of development. USAID and the Global Trade Alliance, which advises companies and organizations on international trade and investment, have begun working with the Dominican Republic to attract nearshoring investment by boosting capacity for medium-sized enterprises and women-owned businesses.⁶⁶ Also in Central America, projects such as Access to Credit boost credit availability for small- and medium-sized businesses through US government-backed loan guarantees, in partnership with local banks, including Banco de America Central, Promérica, Banco Azul, and La Fise.⁶⁷

These efforts leave space for greater US-Japan cooperation, including USAID-JICA collaboration, especially in support of good governance that would reassure foreign investors. In a September 2023 meeting, USAID Administrator Samantha Power and JICA President Akihiko Tanaka committed to close cooperation, including on supporting democracies and expanding digital connectivity, both topics of urgent importance throughout the Americas.⁶⁸ Continued institutional dialogue on the issue will be fundamental to advancing this agenda.

For the time being, Japan and the United States are mostly working in parallel to support economic development in Central America. Japan’s work in Central America, which is carried out by JICA for the most part, is focused on education, health, and building capacity among the region’s small- and medium-sized enterprises. In 2008, for example, JICA launched its “Project to Develop the Capacities of Facilitators in Improving Productivity and Quality for SMEs,” which trains institutions that support SMEs in Central America and the Caribbean, including in Belize, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama. Trainers use Japanese management techniques to build management capacity among executives at small businesses across the region.⁶⁹

There is potential for the United States and Japan to improve investment conditions in the Americas by working together with the IDB and its private sector

division, IDB Invest. The United States and Japan each pledged \$500 million to the IDB's \$1.2 billion Multilateral Investment Fund, which provides technical assistance grants to help build a modern work force and reduce financial barriers for microenterprise and small enterprises. JICA has also worked closely with the IDB since the late 1980s through the Japan Special Fund, which has provided \$400 million in finance for upwards of 650 social inclusion and economic recovery projects.⁷⁰

Though unlikely to create the conditions for immediate investment, Japan and the United States have additionally considered partnership on stability-enhancing measures in moments of regional crisis. In 2021, Japan suggested a commitment to addressing jointly the root causes of migration from the Northern Triangle countries of Central America, for instance.⁷¹ Discussion has also centered on Haiti and a resolution to the Venezuela migration crisis. Joint work on these and other issues could be even better facilitated through direct communication between the policy planning divisions of the US State Department and the Japan Ministry of Foreign Affairs. A consistent, policy planning staff dialogue on Latin American affairs has yet to be instituted, according to interviewees.

2. Maximize the impact of limited resources

A. Remove barriers to effective Japan-US collaboration

By working together, Japan and the United States can better leverage limited resources in the region in support of key projects, development goals, or other objectives. This is best achieved through close communication and collaboration, but also by taking steps to reduce barriers to effective US-Japan cooperation, where possible.

Frustrations with DFC lending limitations are one possible area of focus. To this end, Rebecca Brocato and Lauren Cochran suggest aligning the DFC to the World Bank's International Development Association (IDA) and International Bank for Reconstruction and Development (IBRD) lending standards, putting the corporation better in line with its partners, including USAID, which does not have these restrictions.

Though a landmark piece of climate legislation, the Inflation Reduction Act (IRA) is also viewed as a challenge to US climate and economic cooperation with the region, and to US-Japan cooperation on matters of economic security in

Latin America, since the legislation's generous tax benefits are only available to domestic suppliers of inputs for clean energy technologies or their counterparts in countries that have signed free trade agreements with the United States. That leaves out countries with significant reserves of critical minerals, such as Argentina and Brazil.

More broadly, the legislation is viewed by many US partners as detrimental to their national interests and evidence of US retreat from multilateral trade liberalization.⁷² Noting these issues, global energy policy specialists Sagatom Saha and Shayak Sengupta have suggested adding a foreign policy element to the IRA.⁷³ They proposed bolstering commercial diplomacy to facilitate joint ventures, engaging in bilateral research and development partnerships, and reaching trade and investment agreements with target countries for the specific clean technology that the IRA will commercialize and make cheap. Although passage of the IRA was based on its expected domestic benefits, incorporating Latin America and other nations in the process would do much to solidify partnerships. Moreover, there is great prospect for working with Japan or other like-minded partners on IRA-related activities.

B. Take stock of each other's relative strengths and limitations

There are instances where Japan is better positioned to take the lead on issues of common interest. The same is true of the United States or other partners, given the differences in resources that each can bring to bear, their respective sectors of focus, countries of focus, and the varied perceptions among partner nations of US and Japanese involvement in the region.

China has focused extensively on hard infrastructure development in parts of Latin America and the Caribbean, but Japan is also present in this sector, at a scale that

Former Argentinian Foreign Minister Santiago Cafiero holds talks with Japanese Foreign Minister Yoshimasa Hayashi in Buenos Aires, Argentina, January 2023. Ministerio de Relaciones Exteriores, Comercio Internacional y Culto de la República Argentina.

the United States is not. High-quality Japanese transport engineering is being brought to bear through the Partnership for Global Infrastructure Investment (PGII)—the G7’s pledge to generate \$600 billion in global infrastructure funding by mobilizing private capital in other parts of the world, including Bangladesh, India, and the Philippines.⁷⁴ Japan has a presence in Latin America and the Caribbean, too, of course, though not under the auspices of the PGII. Hitachi, Mitsubishi, NEC, and Nippon Koei, among other Japanese firms, have played a prominent role in transport and digital infrastructure development in the region in recent years. The PGII, which prioritizes climate security, digital connectivity, gender equality, and health security, to distinguish it from China’s Belt and Road Initiative, is one platform through which the G7 can better coordinate to develop a pipeline of key transport and other development-related projects.

US, Japanese, and partner nation institutions and companies have additionally emphasized the importance of working independently and in tandem to ensure critical minerals supply. This will necessarily drive attention to Latin America, where critical metals and minerals, including copper and lithium, are abundant. Both Washington and Tokyo have noted their overreliance on foreign sources, including “adversarial nations,” for critical minerals and critical minerals processing.⁷⁵ Globally, China controls most of the market for processing and refining cobalt, lithium, rare earths, and other critical minerals. Moreover, demand for these metals and minerals is likely to increase amid a global transition to clean energy and growing competition among the world’s manufacturers of clean energy technologies.

Thus far, Japanese and US approaches to building secure critical minerals supply chains have differed in important ways. Japan’s JBIC (see Figure 5) and METI are directly supporting Japanese acquisition of critical metals and minerals, even as Japanese investors appear reluctant to take on new critical minerals projects in the region, citing political and economic uncertainties. The METI vice minister has also cited concerns over Chile’s moves to establish a state-owned lithium company and increase taxes on mining. He urged Chile to “ensure safety in the investment environment.”⁷⁶ By contrast, the DFC does not operate in many of the countries that have substantial critical minerals deposits.⁷⁷ Rather, through the IRA, the Biden administration has focused mostly on domestic critical minerals production, processing, and recycling.⁷⁸ The United States has otherwise historically relied on private enterprise to invest directly in the region, such as US company Albemarle’s longstanding investment in Chile’s lithium.

Tokyo expressed concern about its supply of critical minerals over a decade ago, prompting the creation of the Japan Organization for Metals and Energy Security. This institution integrates the functions of the Japan National Oil Corporation, which sought a stable supply of oil and natural gas, and the former Metal Mining Agency of Japan, which was responsible for assuring a stable supply of metal and mineral resources. The new organization has supported projects worldwide. In 2020, it focused on the construction of smelting and refining works, including a lithium hydroxide plant in Naraha that relied upon lithium from a joint venture between Australia's Allkem and Japan's Toyota Tsusho, which operates in Argentina's Jujuy province.

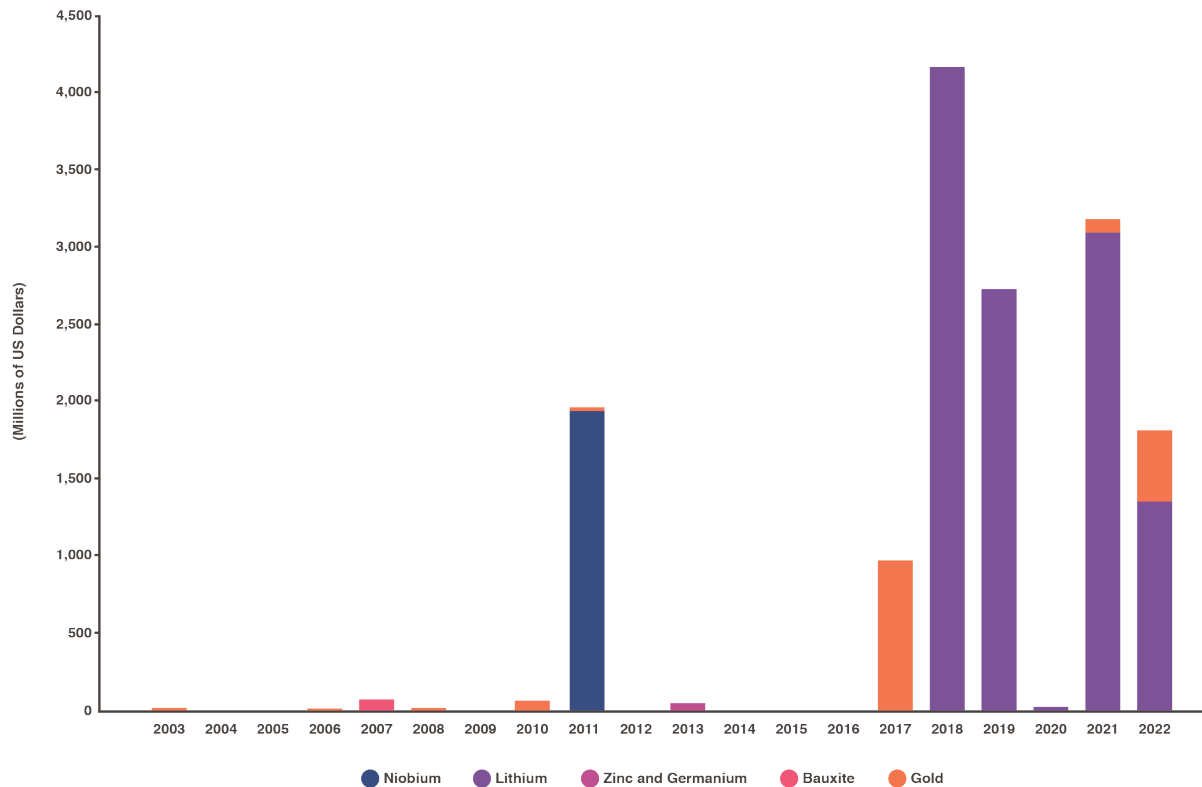
For the United States, collaboration with Japan and other G7 partners on critical minerals supply is increasingly fundamental. Growing demand for critical minerals and the challenges associated with securing their supply have prompted what the Carnegie Endowment's Bentley Allan, Noah Gordon, and Cathy Wang call "joint industrial policy," or a phenomenon when states coordinate their industrial strategies at the international level and build supply chains collaboratively.⁷⁹ The US-led Minerals Security Partnership, which was launched in 2022 to assess and support mining projects in partnership with other members, such as Australia, Canada, Finland, France, Germany, Japan, South Korea, Sweden, the United Kingdom, and the European Commission, is a prominent example. As of October 2023, members were working on five projects in the Americas, seven in Africa, three in Europe, and two in the Asia-Pacific, scrambling to keep up with China's expanding global footprint in the critical minerals industry (see Figure 6).⁸⁰

Growing demand for critical minerals collaboration in the Americas is likely as Inflation Reduction Act funding is disbursed in support of US-based clean energy development, electric vehicles production, and critical minerals processing, though with a likely focus on those Andean countries that already have free trade agreements with the United States, such as Chile and Peru. Latin America's lithium, and also its copper, graphite, zinc, and other metals and minerals, will be essential for the development of these industries.

C. Promote a vision of Latin American as fundamental to both US and Japanese economic security

So long as the Indo-Pacific and broader Asia-Pacific regions are a central front in the West's strategic rivalry with China, US-Japan trilateral collaboration will naturally focus on the Indo-Pacific.⁸¹ With this in mind, ensuring sufficient US and

Figure 6
Chinese Investment in Critical Metals and Minerals in the Americas,
by type (2003-2022)



Note: According to available data, there were no announcements of new Chinese investment in critical metals and minerals across the Americas in the years 2004, 2005, 2009, 2012, 2014, 2015, and 2016.

Source: Inter-American Dialogue (2024), author compilation using FdiMarkets and Dealogic data

Japanese attention on the Latin American and Caribbean region will require US and Japanese stakeholders to embrace a new vision of Latin America, taking full stock of the region’s relative importance. Latin America and the Caribbean should be understood as a critical economic partner, a relative bastion of democratic principles, and as being fundamental to both countries’ economic security.

If the United States and Japan expect to compete effectively in high-tech industries, to strengthen democratic governance, to maintain economic interoperability, or even simply to maintain geopolitical relevance in the hemisphere, Latin America will be a critical part of the equation. The region is also of primary importance as the United States and Japan look to make progress on global technological standards-setting, climate mitigation, and supply chain securitization, among other objectives.

In addition to boosting engagement, the United States and Japan must clearly articulate the logic and value of their propositions to Latin American and Caribbean partner nations in the coming months and years. Across sectors and on wide-ranging policy measures, the United States and Japan are looking to set

themselves apart from China by promoting their trustworthiness, commitment to privacy and security, and attention to quality investment.⁸² This is best done not just through policy pronouncements and strategic communications, but also through the co-creation with regional partners of successful and inclusive projects.

Nor should the United States and Japan only engage when China ventures into areas of strategic concern. US-Japan co-financing and investment cooperation have been largely reactive thus far. This is true of US and Japanese cooperation on the Humboldt underseas internet cable project. Japan's NEC was awarded a contract to build the cable after the United States expressed concerns about China's Huawei being involved.⁸³ Japan, the United States, and Australia will evidently provide some of the finance for the project, though the details are still being worked out by Desarrollo País, Chile's state-run infrastructure fund.⁸⁴

Noting the imperative of ensuring Japan and partner nation economic security, Hiroyuki Suzuki, a former chief representative of the JBIC Washington Office, has gone so far as to call for a new US approach to economic statecraft, whether in Latin America or elsewhere, noting that "[i]t is not appropriate to leave the restructuring of supply chains solely to the private sector."⁸⁵ Indeed, US and Japanese engagement in economic security-related industries will only be effective if sizeable investments and financing are available, especially as China focuses more intensively on "Made in China 2025" and so-called "new infrastructure" sectors, such as 5G, big data, artificial intelligence, industrial internet, ultra-high-voltage electricity transmission, electric vehicles, and urban rail transit.

The United States and Japan plan to maintain their status as providers of ultra-high technologies, such as quantum technologies, biotechnology, and climate change technology.⁸⁶ But greater investment—in domestic scientific and technological development and in research and investment cooperation across the globe—will be critical if the United States, Japan, and other partner nations expect to remain competitive in these fields. New thinking on Latin America's role in the process, coupled with the selective application of "joint industrial policy" with like-minded partners, will do much to advance both countries' interests, while also supporting quality and sustainable outcomes in the region—whether in support of traditional development objectives or the delivery of new technologies, clean energy, and critical infrastructure.

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