

Mexico-Japan Relations: A Future-Oriented Strategic Partnership

By Miguel RUIZ-CABAÑAS

In 2009 Mexico and Japan celebrate 400 years of exchanges since their first friendly encounter. This anniversary offers to both Japanese and Mexican people alike an opportunity to remember the fascinating history linking the two countries but also, more importantly, to exchange views about the state of our bilateral relations, the near-future perspectives and the challenges that lie ahead.

Beginning of Friendship

The history of our first contacts begins in 1609, when the Mexican vessel “*San Francisco*” sank in front of the shores of Onjuku, Chiba Prefecture, while attempting to make a trip back from Manila, the Philippines, to Acapulco, then the main Pacific Ocean port of Mexico (then called New Spain). Some 300 survivors, among them Rodrigo de Vivero – former governor of the Philippines –, were rescued by the native population, which offered them shelter, hospitality and trust. Vivero was received by the *Shogun*, Tokugawa Ieyasu, who not only offered him the most courteous welcome, but also suggested that Japan and New Spain/Spain should establish formal relations and develop mutually beneficial trade flows. With financial assistance and political support from the *Shogun*, Vivero and all the survivors were able to return to New Spain in a ship called “*San Buenaventura*” especially built by an Englishman, named William Adams (also known as Anjin Miura). After this encounter, many contacts between the peoples of New Spain and Japan took place, including the famous trip of Hasekura Tsunenaga to New Spain, Spain and Rome to meet with the Catholic Pope Paulus V. These relations were interrupted in 1638 when the *Shogunate* decided to close Japan to all contacts with foreign powers, with the exception of China and Holland. That first encounter, however, was not forgotten by many Japanese and Mexicans on both sides of the Pacific Ocean. The wish to revive the friendship and trade relations would flourish again in the 19th century.

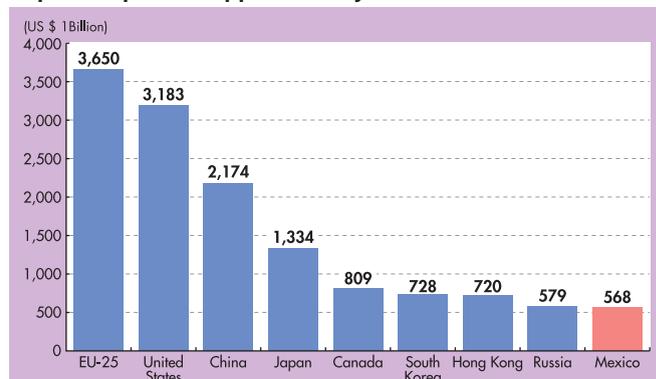
The second chapter in our bilateral relations opened in 1888 when the two countries decided to recognize each other as a sovereign nation and establish formal diplomatic relations. At a time when Japan was trying to strengthen itself to be treated equally by the great European and other Western powers, Japan found an unexpected partner on the other side of the Pacific Ocean to fulfill this aim: Mexico. In that year, both countries, acting as fully independent nations, and willing to respect the sovereignty of each other, signed a treaty which marked the beginning of their diplomatic relations. For Japan, this treaty was the first one that it was able to sign on equal terms with a foreign country. Thus, it was the legal and political foundation to renegotiate the so-called unequal treaties that Japan had signed in 1858, at the time of the *Shogunate*, with the United States, the United Kingdom, Prussia, France, Russia and

Holland. For Mexico, it was the first treaty that my country signed with an Asian power, contributing significantly to diversifying its international relations.

The 1888 treaty, and its various successors approved by the two sides throughout the last century, provided the framework to guide our diplomatic, consular, trade, navigation and cooperation relations for more than 100 years. They were, indeed, most friendly relations with the exception of the years of the Second World War, where they were interrupted until Japan was admitted to the United Nations in 1952, through the San Francisco Peace Treaty.

A third chapter of our friendship was inaugurated in 2004, when both countries negotiated and signed an Economic Partnership Agreement (EPA). As it happened with the treaty of 1888, the EPA reflected once again the vast potential of our bilateral cooperation and its strategic dimension. It meant for Japan the implementation of a new international trade policy to face the global trend in favor of free trade agreements and the possibility to accede in a more favorable position to the market created by the North American Free Trade Agreement (NAFTA). For Mexico, the EPA was the extension of its free trade policy to Asia and fulfilled its interest of reaching a new level of exchange with such an old and reliable partner as Japan. Once again, it was an apparently far-away country that motivated Japan to take a new approach to international trade negotiations through EPAs. (See *Chart 1*)

CHART 1
Major trading nations in the world, 2007
Exports represent approximately 31% of Mexico's GDP



Note: Excluding intra-EU trade
Source: WTO 2007

Mexico-Japan: Strategic Partnership

The EPA negotiations gave a new dimension and content to the bilateral relationship, strengthening the “strategic partnership” that was included in a joint statement signed by the leaders of both countries in 2003. This partnership gave a new impetus to the political relations that for a long time had been friendly, but limited to periodic exchanges at the highest level. As there had not been deep political differences or strategic tensions in the history of our relations, there was the perception that a more meaningful political relationship was not needed. During the postwar period each country focused on how to adapt to the challenges and opportunities presented by the international system that had emerged. However, the international trends at the end of the 20th century made Mexico and Japan rediscover and reevaluate their exchanges. This change was actually confirmed with the establishment of this strategic partnership aimed at strengthening the political dialogue, deepening the economic relations and developing a new bilateral cooperation framework.

Mexico’s interest in further developing its relations with Japan derives from two elements: the complementarities that both countries share in the political, economic and cultural fields as well as from the opportunities that a joint effort opens to face different global challenges requiring coordinated action. Nevertheless, the challenge for Mexico is to clinch this partnership through concrete actions, so it would not remain only in words. The task is not easy. On the one hand, Japanese foreign policy has for a long time been focused in its alliance with the United States, or in Asian regional issues. On the other hand, Mexico still has to deepen its foreign policy diversification towards Asia and show the advantages of its wide network of free trade agreements. In this regard, the strategic partnership between both countries represents an ideal framework to revise the current state of bilateral relations.

New Bilateral Dialogue

The Mexico-Japan partnership considers the widening and deepening of their political dialogue through bilateral high-level consultations. At the same time, it recognizes the relevance of exchanges among parliamentarians, businessmen, universities and other sectors of civil society in favor of the relationship. Five years after its establishment, the political dialogue between both countries has reached unprecedented levels due to the identification of common interests and priorities.

In this regard, President Felipe Calderon has met with the Japanese prime ministers in office since 2006. The latest formal meeting took place in November 2008, when President Calderon held a meeting with Prime Minister Taro Aso during the APEC Summit in Lima. They have also held talks under the G-20 umbrella to tackle the global financial crisis. President Calderon traveled to Hokkaido in 2008 as well to participate in the Outreach Dialogue between the G-8 and the G-5 (Brazil, China, India, Mexico and South Africa), where he had a meeting with then Prime Minister Yasuo Fukuda.

At the foreign ministerial level, Aso, then foreign minister, made an official visit to Mexico City in 2007, the first Japanese foreign minister in 14 years to do so. On the other hand, Mexican Minister of Foreign

Affairs Patricia Espinosa has conducted two official visits to Japan, holding meetings with Japanese officials at the highest level, in addition to her attendance at the Hokkaido Toyako Summit. Both countries have also institutionalized their dialogue at the vice ministerial level. In 2008, they held separated consultations both on bilateral and multilateral issues. This dialogue was particularly relevant as both countries were elected as non-permanent members of the UN Security Council for the 2009-2010 term. In these meetings, Mexico and Japan agreed to cooperate closely on issues such as global warming, UN reform, and development of the human security concept. Both countries keep close cooperation also in international bodies like APEC and the OECD.

The common element in all these meetings is that the agenda has not been limited to bilateral topics, but has included issues such as climate change and alternatives to face the international financial crisis. This confirms the fact that Japan and Mexico identify themselves as partners that can discuss and cooperate with pressing matters on the international agenda. At the same time, Mexico’s message in all these meetings has been unequivocal: it grants great priority to its relations with Japan and it has the solid determination to deepen the strategic partnership.

The relevance of the dialogue between both countries is also shared by other instances. While an increasing number of Mexican parliamentarians are interested in exchanging experiences and information on a number of issues, such as promotion of agricultural products or development of clean technologies, academics and experts from both countries have started engaging in a future-oriented dialogue, which is focused on the coincidences and potential cooperation between Mexico and Japan. A good example of this dialogue was a seminar organized by the Japan Economic Foundation and the Embassy of Mexico in Tokyo in November 2008 on the occasion of the 120th anniversary of diplomatic relations.

Economic Relations

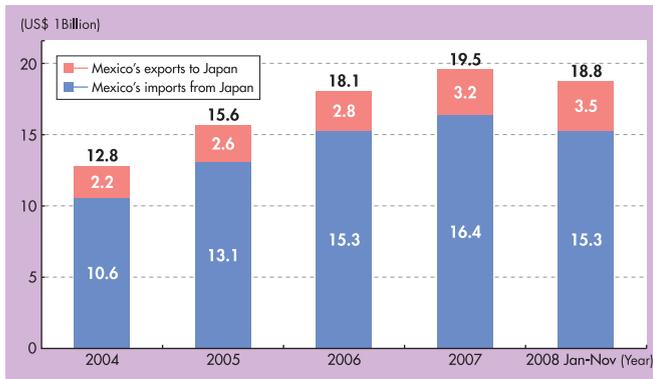
The most evident outcome of our strategic partnership is the EPA that was signed in September 2004 and entered into force in April 2005. The results for both countries have so far been very positive. The biggest achievement has been precisely to strengthen the bilateral strategic relationship as trans-Pacific partners. The EPA has also had a positive effect in both economies since our trade has substantially increased in real terms. One important point is that this increase has not been to the detriment of exchanges with other countries or regions.

As a result, in 2007 Mexico became Japan’s largest trade partner in Latin America. At the same time, Japan has become the third largest trade partner of Mexico. In fact, our annual trade exchanges are beyond \$20 billion (*Chart 2*). It is important to mention that the private sector actively participates in the evaluation process of the EPA. Tourism in both ways has also expanded and there are now four direct flights between Mexico City and Tokyo every week. More than 100,000 Japanese visited Mexico in 2008, while 30,000 Mexicans visited Japan the same year.

The EPA has been significant for Japan in several ways. Japanese companies established in Mexico are now in a position to compete on

CHART 2

Mexico-Japan bilateral trade



Note: Data is based on registered Imports in both countries.

Source: Mexico's Secretary of Economy and Japan's Ministry of Finance

equal terms, both in the Mexican market and in exporting from Mexico to third markets such as the United States and the European Union, countries and regions with whom Mexico has free trade agreements. As a result, Japanese companies' investments in Mexico have notably increased, reaching levels of around \$1 billion per year. Japanese companies increasingly recognize the size and importance of the Mexican market, which is one of the 12 biggest markets for industrial products such as vehicles and electronics.

Japanese exports have notably increased as well since the EPA's adoption. They increased at an annual rate of 23% in 2005, 17% in 2006 and an additional 7% in 2007. Although Japanese exports are the main component of bilateral trade, an important portion of this trade is used to produce final products in Mexico that are then exported to third countries. More than 350 Japanese companies are now established in Mexico and, since the EPA's inception, some of them have won public biddings for the construction and operation of energy generation plants and for the installation and operation of natural gas terminals, such as a new one in the Port of Manzanillo on the Pacific coast.

Mexico has also received important benefits from the EPA. For instance, Japanese investment has contributed to gradually making Mexico a strategic hub for industrial production, trade and transportation between Asia and the Americas. This investment accounts for nearly \$4 billion since September 2004 and is focused on such areas as automotive and auto parts, electric and electronics, energy generation and the agro-industry. *Tables 1 & 2* show Mexican vehicle production and Japanese participation in it.

At the same time, Mexican exports to Japan have reached more than \$3 billion per year for the first time and have actually grown more than originally expected. Mexico has become Japan's main supplier of agricultural products like avocados, melons, lemons (limes), mangoes and chickpeas as well as bluefin tuna. In recent years, beef, pork, tequila, mescal and fresh mango exports have notably increased. It is significant that, for the first time in history, Mexican companies have opened representative offices in Japan.

The potential of economic exchanges between both countries is still large. For example, our bilateral trade represents only 1.5% of Japan's international trade, while it represents 3.6% of Mexico's. Both countries can make bigger efforts to further intensify their economic relations. The EPA's results so far clearly show that the trends in our bilat-

TABLE 1

Mexico's total vehicle sales, exports & production

	Sales		Exports	Total production*
	Retail	Wholesale		
2007	1,099,866	1,076,903	1,613,313	2,022,241
2008	1,025,520	928,086	1,661,406	2,102,801
January 2009	69,664	60,527	51,061	81,533

Note (*): Automobiles & light trucks

Source: Mexican Automotive Manufacturers Association (AMIA)

TABLE 2

Production of Japanese car output in Mexico

In 2008, Japanese car companies were responsible for 26% of Mexico's total automobile production.

	Honda	Nissan	Toyota	Total*
2007	26,374	498,288	32,249	556,911
2008	51,253	449,447	49,879	550,579
07-08 % change	94.3%	-9.8%	54.7%	-1.1%
January 2009	4,180	26,975	3,995	35,150
January 08-09 % change	-2.6%	-25.1%	-7.5%	-21.3%

Note (*): Automobiles & light trucks

Source: AMIA

eral trade are in the right direction. But additional efforts are needed to cap many opportunities waiting to be exploited. Mexico and Japan need more trade and more investment. There are new sectors where Japanese companies can find enormous opportunities, such as infrastructure, tourism, clean energy and the aerospace industry. No country has been spared the effects of the current international financial crisis, but the fundamentals of the Mexican economy remain strong with inflation under control, moderate interest rates and a solvent banking system.

At the same time, Mexican exporters still have many opportunities in the Japanese market. The high quality of Mexican agricultural products is definitely the best guarantee of these exports to the Japanese market. The potential of this market even in difficult economic times cannot be ignored. However, it is also true that there are some issues that have not been sorted out yet regarding further access of Mexican agricultural products to Japan. But I'm confident there are no situations and challenges that cannot be resolved with trust and cooperation.

The bilateral relationship between Mexico and Japan has been transformed since the establishment of the bilateral strategic partnership. The EPA signed in 2004 gave further strength and potential to the exchanges between both countries. Since then, the bilateral relationship has reached an unprecedented level, being characterized by a frequent political dialogue that allows both countries to discuss, jointly solve, and promote cooperation with other nations to tackle international challenges. The deepening of the political relationship has been accompanied by bigger economic exchanges. As a result, Japan is the most important ally that Mexico has in the Asia-Pacific region. The 400 years since the first contacts between the people of Mexico and residents in Japan that we commemorate in 2009 should be just the beginning of an even more promising relationship for the direct benefit of our peoples.

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