

Interview with Marcos Bezerra Abbott GALVAO, Ambassador of Brazil in Japan

Looking to Future of Japan-Brazil Relations

By Reviewing Historic, Cultural & Economic Ties

Interviewer: Helen FUJIMOTO

What is your assessment of the current relationship between Brazil and Japan?

Galvao: Brazil and Japan have a very positive relationship - we go back a long way. We first established relations in 1895, and in 1908 saw the beginning of the movement of immigration from Japan to Brazil. That led to the presence in Brazil today of 1.5 million Brazilians of Japanese descent. Then in 1990 there began a movement of Brazilian immigration to Japan, and by 2007, there was a community of 310,000 to 320,000 Brazilians residing here in Japan. After the Lehman shock, numbers have diminished a little as many people are returning to Brazil. The Brazilian community in Japan, mostly of Japanese descent, now numbers around 230,000.

In the economic arena, Japanese companies and Japanese agencies such as JICA were very important players in Brazilian development in the 20th century, beginning as far back as the 1950s or even before that, with Japanese companies going into such industries as steel, automobile manufacturing, aluminum, paper and pulp, and ship-building. There has been great progress and Japan has played a very important role in Brazilian development. When Brazil went through a difficult economic period between the '80s and the mid-'90s, and also coinciding with the burst of the financial bubble in Japan, there was a certain retraction on the part of Japanese companies, but they have been moving back since the mid-'90s. I think we can say that since the mid-'90s and especially in the last decade, as more and more things go well with the Brazilian economy, Japanese companies are really rediscovering Brazil.

What is your opinion about the possibility of concluding an FTA between Japan and Brazil?

Galvao: This is an idea that has been floated. It could not be only between Japan and Brazil because Brazil is part of Mercosur. If such a process were to begin, it would be between Mercosur and Japan.



Marcos Bezerra Abbott Galvao

There is no actual process that has been brought forward yet, but it is a possibility. On the part of Mercosur, it would involve a decision not just on the part of Brazil but of all our partners, Argentina, Uruguay and Paraguay.

That said, bilateral trade links between Japan and Brazil have continued to develop in a good direction. According to Brazilian statistics, we have a total trade in both directions of 14.1 billion dollars, more or less balanced - almost half and half at 7.1 in one direction and 6.9 in the other direction. In the last two years there has been a small surplus for Brazil and before that a small surplus for Japan. We would like to balance it also as far as content and diversity is concerned. While Japanese exports to Brazil are very diverse, involving a broad range of high-value-added products, our exports to Japan are highly concentrated in a very narrow range of products, mostly commodities, beginning with iron ore, which is a large part of our exports to Japan. We welcome the

widening of trade relations and intend to work towards diversifying the flow of exports to Japan.

The METI White Paper, published recently, highlights the importance of FTA as an important infrastructure to support the networking of production. The production chain system established by Japanese firms was unfortunately very badly damaged by the earthquake. This is now beginning to recover and we need to strengthen this network in order to restore our economy. In the process of reconstruction, one of the most important factors is infrastructure, and FTA is seen as one of the really important forms of infrastructure in the reconstruction of our production network. In that sense, the FTA with Mercosur is also very important. But unfortunately, even before the earthquake, Japan was rather behind in its efforts in internationalization and its



strategy to promote FTA. What do you think about Japan's trade policy and economic policy, not only after but also before the earthquake?

Galvao: In this regard, Foreign Minister Matsumoto made a very important visit on June 29 and 30 to Asuncion in Paraguay, where he attended the Mercosur summit – held twice a year - and following that, to Brasilia, where he met our foreign minister, Antonio Patriota. In Asuncion, where he met with all the Mercosur leaders, he proposed that there be a dialogue between Japan and Mercosur, a proposal which I think was welcomed by all members of Mercosur. We look forward to that dialogue and we really value Minister Matsumoto's effort in traveling across the world to participate in Mercosur's meeting and the following bilateral visit to Brasilia. I understand that visit very much reaffirmed the importance your government places on this dialogue between our two countries.

Regarding trade policy, ambassadors should not be commenting on the policies of the countries where they are stationed, and I will follow that tradition. That said, however, I can say that this question of the centrality of free trade agreements by region is still something which is under debate in many countries. It is also a subject of debate in Brazil. There are still some questions about just how crucial such agreements are to countries' economic and international relations. So we really understand that this is an important concern of Japan - it is also still the object of debate and interest in Brazil. In our case it involves an additional element in that we do not negotiate bilaterally but as part of Mercosur on one side and the other interested party on the other side. This involves more complex coordination and maturation on the side of both parties.

Our foundation is particularly interested in regional free trade agreements, especially an APEC FTA or a possible Asian Economic Community. The EU is one precedent, but Mercosur is certainly one of the models for such regional economic integration. Some METI officials have started preliminary research on the economic advantages of Mercosur. What do you consider to be some of the merits and demerits of Mercosur for your country and for Latin American generally?

Galvao: We also follow other models and of course Europe is a reference for all of us, as they were the first to start such a process of regional integration. As do we all, they also still have to face

challenges, especially in the Euro zone. Mercosur is currently in discussions with the EU, working towards a trade agreement.

However, as with Europe, Mercosur also has a political origin. The first steps towards Mercosur occurred after countries in the region evolved from the authoritarian regimes of the 1960s to the 1980s towards the full democratic regimes that we have now and which I'm certain will continue into the future. One great contribution of Mercosur was to consolidate and bring substance to the confidence-building process that the new democracies in South America started to develop in the second half of the 1980s. This culminated in the signing of the Asuncion Treaty in 1991, although we continue to refine and develop the process, notably in the amended and updated Treaty of Ouro Preto in 1994, in which a full customs union is one of the components of the continuing process of integration.

I think this is a successful experience. It began with a situation in which there was confidence-building to be conducted, and there was a history of sub-optimal communication in the past. In playing a major role in bridge-building, Mercosur has had an extraordinary impact on economic links and trade, as well as on the wider relationships among all members and particularly between the larger members, Brazil and Argentina. If you take the trade figures among Mercosur members, there is a very steep upward curve and it is quite obvious that Mercosur played a major role in this development.

Brazil is one of the new emerging countries, and I feel that the current second stage of globalization seems to be led by BRIC, not only in terms of economic growth but also in terms of other important policy issues such as trade and the global environment. In that sense Mercosur, as a Latin American economic community, could make a great contribution to global governance. The first stage of globalization was led by the G7 but there is a sense that the global governance system seems not to be working so well. That can be seen in the failure to conclude trade negotiation items such as tariff reductions, even for manufacturing products. The IMF and G20 also don't seem to be working so well in stabilizing the global economy. Could Latin American countries or Mercosur make a contribution to the improvement of global governance?

Galvao: On one point I beg to differ. If the issues that are pending in

the Doha Round were simple, I think they would have been solved. They involve crucial interests, and interests that are not always convergent. That is why I think it takes so long, precisely because it is so complex, politically and economically.

Regarding global governance, I wouldn't say that the transformation of globalization is being led by BRIC, but it is being conducted in a framework that includes BRIC in an important role, and I think that the main symbol of that is the rise of the G20 as the premier forum for international coordination on economic and financial affairs. I was part of this process in the last three years, and attended five summits in my role as Brazil's economic and financial negotiator in the G20. We saw a tremendous transformation of global governance, and it was really an imposition of reality when the economic and financial crisis of 2008 came – I understand that you call it the Lehman shock.

It was probably increasingly evident to the leading economies of the world that discussions and the articulation of solutions had to involve the main emerging nations. The rather late recognition of that fact led to a transformation of global governance. The G7 is still very

much with us, having just played an important role after the earthquake here regarding exchange rates, so it still has an important role to play. The G8 is also still here. But it was the G20 that was chosen by global leaders as the premier forum. Other multilateral and plurilateral institutions have been transformed to include BRIC and other emerging countries. Among them are the Financial Stability Board, which was previously almost limited to G7 countries; the Basel Committee on Banking Supervision, which was previously also limited to developed countries; and other economic and financial forums and institutions. I think the emerging countries are making a considerable contribution through their greater economic dynamism, which is also for us a requirement of our reality. We have millions of people to be brought out of poverty.

In Brazil's case, continued growth is a central necessity. Tens of millions of people were brought out of poverty in the past few decades, but there are still 15 to 16 million Brazilians who live in poverty. Bringing them out of poverty is the top priority of our country, our society, our public opinion and our government. And this requires that we grow economically in order to bring these people out of the situation of hardship in which they still live.

Regarding global governance I'd also beg to differ with your statement that the G20 isn't working. I think we need to take into account everything that the G20 has accomplished until now. The Basel III work on banking regulations was generated within the G20. The package of 1.1 trillion dollars, which was articulated in the London summit of April 2, 2009, was a very important response to the crisis in terms of reassuring markets of the political commitment on the part of all global leaders in their response to the crisis. Then there were the two rounds of reform in the IMF and the World Bank conducted under the leadership of the G20. So I think we have accomplished a lot.

The G20 is necessarily more diverse. It represents a more diverse world than the world represented by the G7 and the G8, and a world that is more diverse than that represented by the current arrangement in the United Nations. The UN Security Council is a picture of the past and not of the present. Of course consensus-building is more complex because you have more diverse views, more diverse situations and, therefore, more diverse interests. So we may take more time, but it's a more democratic order than we had before. We still have a lot to do in terms of further democratization of the global order. In this regard, in terms of the UN Security Council reform, Brazil and Japan are working side by side. Although we may take more time, and although movement may sometimes appear slower than required, the fact is that it is more challenging to achieve consensus when you have such a diverse group. But the consensus that you do achieve within this diverse group is a lot more representative, legitimate and solid.





How do you assess the growth potential of the Brazilian economy in the light of the three remarkable reforms that Brazil experienced in the last three decades, the democratic reform in politics in the 1980s, the market-oriented reform of the economy in the 1990s, and the reform of social welfare in the 2000s?

Galvao: It is certainly true that after those reforms, in particular the political and economic reforms, the economic growth potential of Brazil has been significantly raised. However, I would like to emphasize that Brazil is now paying attention to achieving a more egalitarian society in pursuing social improvement. I believe that equality of income distribution should be central to the achievement of higher economic growth. Inequality of income distribution is a serious obstacle to the growth of personal consumption and thus lowers the growth potential. We are aiming to avoid such a situation. To that end, Brazil is now trying to pursue a capitalistic economic model with a social focus, and so far it has been working well. At the same time, we are fulfilling our international responsibility as a member of G20 and our regional responsibility as a member of Mercosur.

I think you know that a key problem in Japan is the aging of the population and the danger this poses to the vitality of the economy and society. One of the solutions being put forward, but that has not yet been adopted in Japan, is immigration. What is the situation regarding the aging of the population in Brazil?

Galvao: Well, Brazil is at the moment in a very different situation from Japan or Europe, but there are clear signs that in the future we will be facing similar problems. At present we are in the fortunate position of having a rather low dependency ratio, in that the largest proportion of the population is the group between 15 and 65 in the work-force, and at present they have a relatively small ratio of dependents. However, it is quite clear that this situation is changing rapidly. The fertility rate is declining quite sharply, and the aging of the population is progressing with increasing speed. Between 1999 and 2009, the percentage of the population aged 60 and over grew from 9.1% to 11.3% but, by 2050, it has been predicted that at least 30% of the population will be over 60. In addition to the rapid aging and the decline in the fertility rate, now 80% of our population lives in the urban areas. So in a decade or so, we will be facing similar situations, needs and challenges with the aging of our population as are being faced now in Europe and Japan. It is perhaps even more

serious for us, in that we have not yet reached the same levels of development as Europe and Japan, and still face the challenge of bringing many people out of poverty.

As far as immigration is concerned, Brazil is a country that has been created by immigrants. There have always been far greater numbers of people entering the country than leaving - the emigration of Brazilians to Japan is the exception rather than the rule. Japanese immigrants have played a very important role in Brazil's economic progress, and the largest Japanese community outside Japan is settled in Sao Paulo. But from the 16th century, when the Portuguese entered and settled in Brazil, we have had a large flow of immigrants from around the world. The largest groups have been from Europe - Italy, Germany, Spain, Poland - from Africa first as forced immigrants in the slave trade and more recently some continuing immigration from African countries, and also from the Middle East, from such countries as Lebanon and Syria. So our population is extremely diverse and culturally very rich. We see this cultural diversity not as a weakness but as our major strength. In the globalized high-technology world, a wide range of different ideas and ways of thinking lead to creative technology and products, building a competitive edge. So we consider our diversity a major source of creativity.

What is your impression of Japanese people, in particular, their attitude towards the recent disaster? And what role do you think Japanese residents in Brazil could play in achieving successful foreign relations between Japan and Brazil?

Galvao: We have great admiration for the Japanese people, and for their courage and resiliency in the face of the recent disaster. The Brazilian community demonstrated their feeling for Japan in their immediate response to people's suffering. There were several groups of Brazilians who immediately went to visit the Tohoku region just days after the disaster and worked side by side with rescuers. The Brazilian community has continued to send volunteers to the hardest-hit areas. And the response has not only come from the Brazilians in Japan. Did you know that donations were also collected by many different groups in Brazil? There was one group of children who gathered a collection - they were very poor themselves and it was not much in terms of amount because they have very little, but they showed their concern by giving what they could. **JS**

Helen Fujimoto, Australian resident in Japan for 30 years, is now a Speaking Circles facilitator after retiring from Japan College of Social Work.