Haute Ecole

« ICHEC – ECAM – ISFSC »

Enseignement supérieur de type long de niveau universitaire

EU-JAPAN BUSINESS COOPERATIONS IN THIRD MARKETS: FOCUS ON LATIN AMERICA

Mémoire présenté par :

Inara MONIZ

Pour l'obtention du diplôme de :

Master's degree in Business Management - International Track- 120

Année académique 2022-2023

Promoteur :

Sed SAAD

Boulevard Brand Whitlock 6 - 1150 Bruxelles

ABSTRACT

Connectivity in the 21st century have gained traction as contest between the major powers, reflecting a phenomenon labeled by scholars as "multilateralism 2.0" or "contested multilateralism, in which China has acted as the first mover, followed by Japan and the EU. Engagements in connectivity and infrastructure projects have intensified in the 21st century. At the core of this economic and geopolitical strategy is Asia, but recently it started taking a proactive turn moving towards India and Africa. In the light of this major power competition, the following paper would focus on European Union (EU)-Japan connectivity projects in Latin America, within the ambit of Indo-Pacific concept. It concludes that although promising, so far there has not been enough engagement in the region.

Keywords: European Union; Japan; China; Connectivity; Belt and Road Initiative; Global Strategy

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With that being said, I am very proud of myself for getting it done, and with that closing my student journey, from now on I'm looking forward to keep on learning from the school of life. I'm now pridefully closing this door, so that I can open glorious ones, therefore moving on to bigger and better things.

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Chapter 1. Literature Review

Despite their relevance and role within the complex and highly contested global scene, the European Union (EU) – Japan relationship has not received enough academic attention.
After careful research, it was concluded that, so far, few have scholars covered the Connectivity dimension of the EU-Japanese partnership agreements while providing a curated and individual analysis of the regions to be addressed by initiatives developed under the cooperation agreements.

Notwithstanding, the most notorious body of work on the topic, so far, is Berkofsky et al., (2018). As the first book to provide insight into EU-Japan Economic Partnership Agreement, it analyzes the party's cooperation in terms of security, defense, and trade and looks at how their shared normative values are ultimately put into practice. It explores challenges faced by both the EU and Japan and offers a multidisciplinary approach to studying the relationship between the two.

Currently, most connectivity-related studies tend to focus on China's BRI initiative. Mao & Maximilian Müller, (2020), explore differences and similarities between the most active players, China, Japan, and the EU in the Asian infrastructure connectivity landscape through the theoretical lens of political learning. Other works mainly regarding the Indo-pacific region focus on underlining the security concerns, driven by its importance as a geographic area (Vosse, 2022).

D'Ambrogio (2019) provides a briefing of the process until the ratification of the agreement is updated at key stages throughout the process, from initial discussions through to ratification, Similarly, Borucińska (2022) depicts the EU-Japan's progress towards reaching the status of a comprehensive and fully formalized strategic partnership, the main determinants of the process as well the importance of the political and economic alliances. Additionally, the partnership has been covered by publications of the EU-Japan Centre for Industrial Cooperation. Marbot (2020) presents opportunities for EU-Japan companies while proposing measures for organizations such as the Eu-Japan Centre for Industrial Cooperation to support and encourage partnerships in third markets. Arnu, (2021) provides an overview of business opportunities and best practices for EU-Japan joint projects in third markets, focusing on the digital economy. Nevertheless, most of the existing studies on EU-Japan connectivity, tend to focus on Africa and the Indo pacific region.

Closely to the premise of the following study, Dadabaev et al. (2021) analyze the EU-Japan SPA Connectivity Study on the Western Balkans. The report sums up the results from a survey conducted using financial assistance from the European Union and carried out by the Support Facility for the Implementation of the EU-Japan Strategic Partnership Agreement (SPA).

With all being said, the main challenge to this research was the absence of available data regarding the topic. Indeed, the following study remains a preliminary work to offer a current overview of the dynamic of EU-Japan business cooperation in Latin America. Therefore, the following research aspires to provide a novel contribution to connectivity studies by attempting to understand the trilateral relationship between the EU member states and Japan in Latin America, understood as part of the Indo-Pacific region under **Japan's Free and Open Indo-pacific view**, in the context of the changing global order.

The following research aims at providing a follow-up to EU-Japan Centre for industrial cooperation sequel publications on EU-Japan cooperation in third markets, exploring the EU-Japan's role in supporting and reviving the liberal international order which by nature is a very timely topic given the importance of connectivity in the 21st century. As China seeks to improve regional integration by increasing trade and stimulating economic growth through its economic and political influence in the international arena, with the BRI initiative, I find it interesting to study, what is other global powers response to China's initiative.

EU's connectivity strategy is not intended to be in direct opposition to China's plans, it is certainly a response to the BRI and reflects growing European concerns about the Chinese initiative. According to a report by the European Parliament, EU's connectivity plan, inspired by worries about the strategic ramifications of the BRI for the EU's geopolitical and economic interests, does not aim to directly compete with the BRI, but rather to provide an alternative emphasizing openness, sustainability, and adherence to global standards and norms. (Grieger, 2021)

The EU and Japan, home to many of the world's biggest multinational firms, together the parties make up a considerable portion of global trade. Free trade accords like the EU-Japan Economic Partnership Agreement, promote their economic integration and increase their combined economic power. Overall, the combined potential of the EU and Japan offers them significant economic and political clout around the world. They can collaborate to advance their shared interests and values and influence the global agenda thanks to their strategic cooperation. (Nakanishi & Tambou, 2020)

The phenomenon of globalization has dramatically altered the state of the world economy and increased interdependence between nations. Countries now need to take their economic and political interests beyond their boundaries due to the growing integration of markets, trade, and investment. This is especially true for the European Union (EU) and Japan, two significant global economic players who have acknowledged the significance of globalization and the necessity of cooperating to further their interests. These two regions have come to understand the benefits of cooperating to access new markets and advance common values and interests due to the necessity to develop economic and political interests outside their borders. (Ghaussy, 2003)

The following paper on cooperation is structured into eight sections. Firstly, **Chapters 1** and **2** provide an overview of the EU and Japan's cooperation and describe the nature of their strategic partnership, including its rationale. This is followed by an analysis of existing EU-Japan business cooperation in **Chapters 3** and **4**, including a characterization of the companies operating in the region, challenges and limitations they face, as well as opportunities found in the market. **Chapter 5** aims to provide an understanding of bilateral agreements, presenting a comparison between the EU's bilateral agreement with Latin America and Japan's bilateral agreement with Latin America. In **Chapter 6**, the impact of the emerging new world order led by China and its influence on Latin America is explored. Finally, **Chapter 7** presents key observations based on the research results, addresses the study's limitations, and offers operational recommendations. These recommendations aim to contribute to the broader development and enrichment of the EU-Japan Centre for Industrial Cooperation database regarding the topic at hand and to provide practical guidance for stakeholders in the field.

1.1 Background

With China's rise and growing ambitions to project power and economic influence ultimately improving its international leverage Connectivity projects and industrial corridors have gained traction as major powers attempt to extend their geopolitical and economic influence, through the Belt and Road initiative. The BRI has been endorsed by around 160 countries and international organizations, including over half the EU's 28 member states.

Following accusations of lack of transparency in negotiations and exclusion of local stakeholders, the initiative is perceived as a threat to effective multilateralism and the achievement of the Sustainable Development Goals (SDGs). Aware of Beijing's intentions of turning international order favorable to national interests, EU decision-makers are worried about the possibility of EU companies being driven out of the market, especially in Africa and Central Asia, as China plans to establish itself as the world leader in the development and manufacturing of advanced technological products. (O. Wolf, 2019)

After the EU-Asia connectivity strategy and the EU strategic partnership with India, the EU-Japan Connectivity partnership represents the EU's proactive approach to China's growth program. Even though it is not explicitly mentioned, the EU-Japan agreement constitutes a milestone in Brussels' efforts to face China's rapidly developing and assertive initiative while simultaneously improving the EU's engagement in Asia. Connectivity projects aim in setting inter-regional connectivity by building economic corridors to promote industrialization and regional integration. EU-Japan connectivity is a crucial policy step towards sustainability and a real win-win situation for participating countries. The agreement opens a new dimension in infrastructure development in Eurasia and Africa. (O. Wolf, 2019)

1.1.1 EU-Japan Bilateral relationship

Changes in the International Order in the 20th century, a stronger Japanese role in the international field, and the solidification of the European Union contributed to the development of their bilateral cooperation. In 2001, the parties agreed on a 'Joint Action Plan for the EU-Japan Cooperation', which identified over 100 potential areas for potential bilateral initiatives, ranging from peace and security to strengthening economic and trade cooperation and the promotion of academic and cultural exchanges.

The EU recognized Japan as one of its **"strategic partners"** in 2003. The term, strategic partnership, a synonym of strategic alliance was first used in economics, marketing, and management, to address partnerships between enterprises. However, from the Cold War onwards, the term was widely used in International Relations to designate bilateral relationships between countries.

The Globalization phenomenon brought the countries the willingness to establish partnerships to erect projects through political and economic cooperation, which would later benefit future multilateral negotiations as well as commercial agreements. According to Bernard (2013), there is a diverse range of strategic partnerships, depending on the partner's role in achieving an end, as well as the means to achieve that common end.

Brazilian diplomat Eugênia Barthelmess defends that the objective of a strategic partnership for the European Union is to expand its political power to make front to the American influence. Additionally, EU's partners look forward to establishing their presence on the international scene, promoting their national interests and overall a better placement in the multipolar system. (Souza Silva, 2011; Vasconselos, 2015) (Translated by Google)

United by a common interest in the bilateral, regional, and global vision of international architecture, a strong relationship between Tokyo and Brussels was built based on their strong advocacy for a post-war liberal order. Often described as natural partners, the parties share similar values, including democracy, market economy, human rights, freedom, equality, rule of law, and prioritization of security and defense, as well as similar challenges such as increasing the aging population, ensuring energy security, and exploring space. (Borucińska, 2022)

Their relationship developed gradually and after almost 5 years of discussion only in 2018 resulted in a comprehensive formalized **strategic partnership agreement (SPA)**, said to prove the real power of the EU-Japan alliance in the 21st century. Signed in the form of a dual agreement, **Economic Partnership** and **Strategic Partnership Agreement (EPA and SPA),** between Japan, the EU, and its member states, and implemented from 1 February 2019, aims at strengthening both parties common global interests and further regional policies. (Marbot, 2020)

So far the largest trade agreement concluded by the EU, the EPA establishes a free trade area between the EU and Japan. Out of the three subsets that make up a set of EU trade agreements, which are: – customs unions; – association agreements, stabilization agreements, free trade agreements, economic partnership agreements; – partnership and cooperation agreements, the EPA is regarded as a partnership and cooperation agreement. (Kuznar & Menkes, 2019)

The strategic partnership agreement was developed in the context of European-East Asian mutual prioritization and materialized in the form of a gradual shift from the economic to the normative and security dimensions.

Based on the previous cooperation and axiological community, the **SPA** refers to Japan and the EU as **like-minded global partners**, urging both parties to cooperate in promoting a fair and stable international order. Additionally, it calls for joint action in more than 40 areas of common interest, such as security, including energy security, cybercrime, terrorism and climate change, and economic and social challenges. Additionally, it involves special features with the potential to mark a historical turning point of dynamism for EU-Japan relations and their presence in the global community. (D'Ambrogio, 2019)

As part of a wider scope of the SPA, the **Partnership on Sustainable Connectivity and Quality Infrastructure agreement between the European Union and Japan** (hereinafter referred to as the EU-Japan Connectivity Partnership) was signed in September 2019.
Under the agreement, Brussels and Tokyo commit to 'work together to promote openness, transparency, inclusiveness and a level playing field for those concerned, including investors and businesses in connectivity', as well as to, 'promote free, open, rules-based, fair, non-discriminatory and predictable regional and international trade and investment, transparent procurement practices, the ensuring of debt sustainability and the high standards of economic, fiscal, financial, social and environmental sustainability'. (European External Action Service [EEAS], 2019)

Perceived as the EU-Japan response to China's Belt and Road Initiative (BRI), the agreement aims at enhancing **cooperation with partner third countries**, under **EU-Japan's connectivity strategy**. This ambitious endeavor comprises four key pillars: (1) digital; (2) transport; (3) energy and (4) people-to-people, with particular emphasis on **digital connectivity**. (Marbot, 2020)

"A focus on digital development cooperation as a cornerstone in Europe's digital connectivity agenda offers opportunities to act on long-term challenges and addresses several key priorities identified by the European Commission and its member states in third countries". Essentially, digital development cooperation entails supporting third countries in addressing challenges of the digital transformation. The latter involves digital connectivity's three strands – namely telecommunications infrastructure, regulation, and business – and has both practical and strategic objectives.

Nevertheless, it is worth noting that, despite its rising importance, the concept of 'digital development cooperation' has not yet received as much recognition in the academic and policy debate as ecological and environmental related aspects in development projects, even though digital is vital for the green transition.

Moreover, these policies framework are expected to bring mutual benefits to both parties, through the joint promotion of common activities with added value. The strategy recognizes the need to mobilize cooperation with private investors, national and international institutions, and multilateral development banks, and provides an opportunity to develop joint projects with partner third countries, notably in the Western Balkans, Easter Europe, Central Asia, Indo-Pacific region, and Africa. (Arnu, 2021)

Understood as an emerging, multipolar, mega-world region of profound relevance in economic, demographic, and geostrategic terms, the Indo-Pacific seems to be at the center of the EU digital connectivity agenda. Among the reasons to invest in digital development cooperation in the region are: (1) The power shift towards the Indo-Pacific; (2) Rapid technological development: The region accounts for a little over half of the world's internet users, and these users are primarily young, over 90 percent access the internet using their phones; (3) Escalation of the US-China tech-trade-data conflict: Gives both the EU, member states – and partners – the opportunity and responsibility to show that there is a 'third way', beyond what China and the US propose. (Okano-Heijmans & Vosse, 2021)

1.1.2 EU-JAPAN and Latin America: Rationale behind a joint approach to Latin America

Latin America is European Union's fifth largest trading partner and a region with which the EU maintains close cooperation and political dialogue, remaining a major Latin American strategic partner in the global scene mainly due to the shared language, cultural and historical ties reflected in shared values, and migration flows.

Notably, it is widely accepted that attention to Latin America has been brought by the entrance of Spain and Portugal to the Union. Starting with the Joint Declaration of Intentions, annexed to the Treaty of Accession of June 1985, which reinforced the idea and presented measures to strengthen cooperation, economic and commercial relations with the region. Nowadays, the EU has multilateral and bilateral cooperation agreements with all nations forming Latin America. Therefore, the EU represents a hub for Latin America's market. Japanese companies expect to take advantage of EU companies existing networks to either set foot in these markets or to replicate an existing partnership with an EU partner in these markets. (Gardini, 2021)

The 21st-century power shift in global order from the Atlantic to the Asia Pacific, lead fast-growing Asian economies to become Latin America's major trade partners, and China emerged as a crucial partner on the international stage, upon extending its influence in the region. The rise of China as a significant external actor is seen as a predatory phenomenon, displacing the EU and the United States alike, from their sphere of influence. Nevertheless, the EU maintains an edge in investment and cooperation.

The presence of external powers has been a constant feature in the region. Besides the aforementioned, France, the Netherlands, Italy, and Germany, are among Latin America's traditional external partners. Additionally, other countries which due to obstacles such as geographical distance, and language barriers, are labeled nontraditional external partners, have also played roles when it comes to International relations. (Gardini, 2021)

Japan's relationship with Latin America traces back to the Japanese state-sponsored migration to the region almost a century ago. Recently its interest in the region has been increasing, perhaps stimulated by China's growing influence and promoted by the late prime minister, Shinzo Abe. The parties' relationship has been built on mutually beneficial trade, diversified investments, and development aids. Despite aggravating corruption, humanitarian and migration crises, among other constant occurrences, Latin America remains a valuable market not only from an economic perspective but as a strategic partner in defending the rules-based international order, from which they benefit. From a business perspective, Japanese companies are challenged by the economic crises and political instability found in some countries of the region.

Japan's Indo pacific diplomacy changed during Abe's term from an explicit counter-China strategy to a policy of regional and global cooperation. In this context, Europe is part of Abe's recent regional and global strategy. Therefore, the **EU represents a hub** for Latin America's market.

From Europe's perspective, Japan is the most developed, stable, and democratic Asian nation cooperating with the EU. The country is characterized by a combination of ultra-modern production and management techniques with traditional patterns of culture and social relations. Another relevant characteristic of its economic structure, is a large number of major companies with a worldwide presence, operating as sub-contractors through smaller firms. (Ghaussy, 2003)

1.2 Methodology

Scope and Definitions

The following research has been carried out from October 2022 to July 2023.
As to provide a descriptive insight on the matter, the analysis is primarily based on qualitative research methods such as books and academic literature review, analysis and interpretation of legal provisions, business reports, and an appraisal of complementary sources such as newspapers articles, press releases from enterprises, as well as interactions, namely through correspondence and calls, with EU business representatives, and some Latin American Embassies in the EU.

Additionally, the research methods include a critical review of existing literature, an analysis of relevant official documents from the European Union, the provisions of the EU-Japan cooperation agreement, as well as results from a survey made accessible to the EU-Japan Centre Business Round Table (BRT) members through the centre's website, during the author's internship. The primary and secondary sources used for the analysis are from scholars originating from the EU, Japan, and other regions.

Nevertheless, limitations to this study are that sources related to business partnerships may stem from companies or organizations, solely portraying successful cases as well as the fact that the research relies only, on publicly disclosed information. Therefore, difficult to assess possible negative aspects or challenges encountered in the partnerships.

Definitions

Latin America

The term Latin was coined by the French when referring to the South of the United States of America. Because the geographical definition is often blurred, the term is used to distinguish it from the Anglo-Saxon side. (Gardini, 2021)

For political dialogue purposes, the European Union considers the Caribbean as part of Latin America However, in terms of development cooperation policies purposes, the European Commission associates the Caribbean to Africa and the Pacific. (European Commission, 2020)

On that note, the term is often associated with Central and South American countries. Following is the list of countries considered as part of Latin American countries for the EU political purposes: Argentina; Bolivia; Brazil; Chile; Colombia; Costa Rica; Cuba; Dominican Republic; El Salvador; Equator; Guatemala; Haiti; Honduras; México; Nicaragua; Panamá; Paraguay; Peru; Uruguay; Venezuela

Chapter 2. Context of EU-Japan industrial cooperation in LA

The completion of the following chapter was limited by the lack of studies, publications, and readily available information on the topic, which posed a major challenge to conducting a detailed assessment of the current state of EU-Japan industrial cooperation in LA. Nevertheless, the findings of this chapter are based on studies formerly written in the Indo-Pacific region, the Balkans, and Africa to provide a better understanding of the state of play of the EU-Japan initiatives in Latin America.

2.1 Indo-Pacific Overview

Instigated by France, -Germany and -the- Netherlands, the first members to publish strategies and- policy- papers- outlining- their- approach- to- the- Indo-Pacific region, an EU Strategy for Cooperation in the Indo- Pacific was subsequently announced in the EU Council Conclusions of April 2021, followed by a comprehensive Joint Communication of the EU High Representative and the European Commission. The inclusive European strategy sets out to deepen cooperation, in particular with like-minded partners, across a broad range of priority areas, including research and development cooperation and connectivity.

Digital development cooperation goes beyond grants and loans for traditional ICT projects and technical training. It includes assistance with the design and implementation of infrastructural broadband projects, as well as capacity building with the aim of governance of the digital domain reflecting norms and values of free and open internet. Japanese policymakers expect both the EU and its member states to work with partners in the region to provide more options for infrastructure development. (Okano-Heijmans & Vosse, 2021)

Japan's connectivity initiatives are realized through its Official Development Assistance (ODA) and Partnership for Quality Infrastructure (PQI). Activities in the region, include the diversification of its partnerships, the establishment of physical connectivity by investing in quality infrastructure, and the promotion of maritime security to ensure that the Indo-Pacific remains free and open.

Similarly, due to the emphasis on soft power tools in foreign policies, Brussels supports its third market initiatives through the provision of official development assistance (ODA). Naturally, Japan and the EU have cooperated in the field of ODA based on their commitment to mutual regional involvement.

Policymakers in Japan understand that competition over infrastructure investments and development models is shaping the region. Therefore, investments in connectivity initiatives constitute a major pillar of the FOIP. Japan is a key investor in infrastructure initiatives in the Indo-Pacific, through its Official Development Assistance (ODA) and the Partnership for Quality Infrastructure (PQI), through multilateral instruments such as the Asian Development Bank. (Dutta, 2022)

2.2 Understanding of the international activities of firms in Latin America

2.2.1 Industries and technological fields

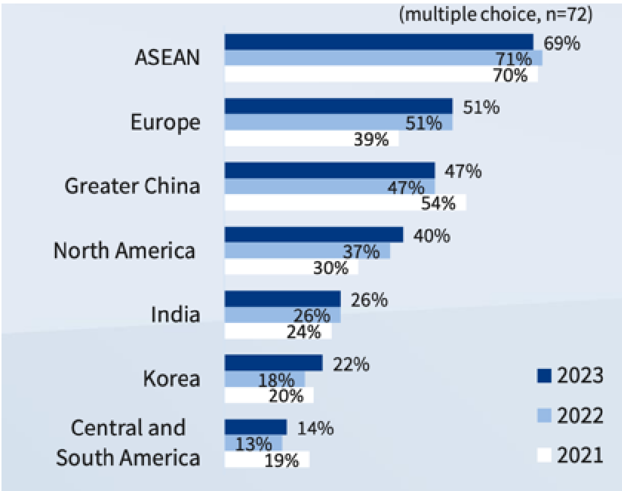
Due to factors related to resources and networks, larger companies seem to be the main actors in EU-Japan cooperation in third markets. More than half of the case studies presented in the previous EU-Japan Centre's study on cooperation in third markets were undertaken by sogo shoshas which reflects their interest in finding European partners for joint projects in third markets. European companies partnering with sogo shosha in third markets can either be large companies or SMEs with highly innovative technologies. (Arnu, 2021)

In addition, the lesser involvement of SMEs can be justified by the lack of understanding of the benefits and opportunities of partnering with Japanese companies. Moreover, SMEs present in third markets seem to be more keen on partnering with, local companies, European, American, and Chinese companies.

Japanese companies taking part in joint projects are, most of the time, large companies and Japanese trading companies (sogo shoshas) which are often active in diverse domains such as mining, energy, infrastructure, and manufacturing, all sectors related to the digital economy.

The Bar chart below in Fig 1. produced by AHK(2023) depicts the willingness of German SMEs and large companies operating in Japan of cooperating with Japanese firms in third countries. Results from the survey taken by 118 companies (28% of the prospect) show that 66% of German companies in Japan are cooperating with Japanese companies in third markets. From the markets considered, Latin America is formed by the nations in South and Central America, which is ranked last.

Fig 1. Top 7 target regions of German companies in Japan pursuing 3rd country business with Japan Partners



Retrieved from https://japan.ahk.de/en/infothek/surveys-and-studies

Although results from the survey provide a useful overview of German-japan interest regarding third market initiatives, due to the limited amount of information it doesn't allow us to infer/suppose a similar pattern for EU companies from the 27 EU Member states. Moreover, due to the anonymity of the survey participants, AHK is not able to provide more information regarding the existing cooperation. Therefore the author cannot characterize the companies involved, nor specify the industry in which these companies operate.

Results from AHK 2020 survey and experience with German companies in Japan confirmed that digital connectivity is among the key pillars of EU-Japan business collaborations in third markets, with a focus on establishing the regulatory and data security framework, namely DFFT and international rules on e-commerce. Additionally, AHK highlights, plant engineering, machinery and factory equipment, automotive supply, chemical/pharmaceutical supply, and ICT, all part of the digital economy, as highly promising sectors for cooperation in third markets.

Arnu (2021) conducted a survey directed to EU SMEs to assess the willingness of tech companies in partnering with Japanese companies in third markets. From a total of 40 EU SMEs in a wide range of digital sub-sectors such as secure e-government systems, energy efficiency hardware, healthcare software, smart grid analytics, digital banking, and others. Results from the survey showed a 30% willingness to operate in Latin America. That percentage is broken down into 5% EU SMEs with Japanese partners and 25% EU SMEs with no Japanese partners. In addition, such results would be different if the survey had counted the participation of more Portuguese and Spanish companies. Therefore, this survey does not reflect the opinion of all EU digital SMEs.

On the Japanese side, conclusions drawn from a survey conducted among tech companies and interviews with Japanese companies and government officials in 2020, show that when it comes to venturing into international markets, Japanese companies find Asia and the Pacific Region (ASEAN), deemed as familiar markets, where they have established long-lasting networks. (Arnu, 2021)

Similar to Africa, investments in Latin America are mostly driven by resources, strategic and political gains. According to public information, Japanese and EU private business alliances in Latin America mostly happen between larger EU and Japanese companies often in energy, desalination, and transport infrastructures.

Desktop research resulted in 21 case studies, found in **Chapter 3**. Based on these results, so far, connectivity projects in Latin America are mostly taking the form of **transport, energy,** and, even though limited, **telecommunication infrastructures**. Indeed, the concept of "quality infrastructure" has been a key component of Japan's development policies, and is certainly a strong background for EU-Japan connectivity. (Marbot, 2020)

Nevertheless, the exploration of energy deals seems to be their highest priority, proving the importance of energy concerns' role in EU-JAPAN’S diplomacy, as it is imperative for digital connectivity. Additionally, even the conquest of digital connectivity requires and enforces the relevance of energy security. Formerly regarded as a source of agricultural products and metals, Latin America is now one of the most significant factors in the global geopolitical context for energy as a raw material, particularly oil and possibly natural gas. Despite having fewer energy resources than North Africa or Russia, the region has the potential to become energy self-sufficient and could play a significant role in the geopolitical game of energy. Latin America is part of the so-called ‘minor crescent’, one of the two world zones, which holds almost all of the planet’s hydrocarbon reserves. The "minor crescent" system comprises the energy-producing regions of the western hemisphere, as well as the producing zones of west Africa: a "crescent" that extends from the Arctic waters of Alaska in the north, traverses the vast tar sands of Alberta, Canada, and the oil-producing regions of the western US, and then continues through the Gulf of Mexico (both the Mexican and US parts), the Andean region of South America, and the Atlantic coasts of Brazil and Argentina, concluding in the Gulf of Guinea in west Africa. In line with sustainable development interests, companies are exploring low-carbon-producing sources of energy, as the region offers great potential for developing renewable energy resources, such as solar energy, hydropower, wind, and biomass. (Isbell, 2008)

AHK Japan corroborates that projects in the digital economy are highly promising for EU-Japan business cooperation in third markets, highlighting 5 key sectors that are fully part of the digital economy and which are highly promising for cooperation in third markets: plant engineering, machinery, and factory equipment, automotive supply, chemical/pharmaceutical supply, and IT/telecommunications. The EU-Japan Digital Partnership is expected to intensify the discussions on digital issues aiming at producing tangible results, particularly on secure 5G, "Beyond 5G" / 6G technologies, safe and moral uses of artificial intelligence, and the resilience of global supply chains in the semiconductor industry, while promoting an open and innovative environment. (Arnu, 2021; European Council, 2022)

Case study number 19, 20, and 21, cover joint endeavors in favor of digital connectivity. Case 19, illustrates the acquisition of in 2013 Everis participaciones s.l. (Spain) by NTT data co. (Japan), allowing the company to access LA’s market, even before the EU-Japan connectivity agenda. Case 20 and 21, depicts recent initiatives after concluding the cooperation agreements. While in Case 20 Furukawa Electric LatAm (Japan) partners, in 2018, with Intracom Telecom (Greece) to Address the International IoT and 5G Market, in Case 21, it **partners with Finish giant,** Nokia Corp., in 2022, **to accelerate optical LAN.** Although planned to be deployed at a regional level, for unspecified reasons, both initiatives have Brazil as their starting point.

Overall, cooperation arrangements seem to have devoted much attention to infrastructures, as they promote, both directly and indirectly, growth and the reduction of poverty. The inadequate transportation infrastructure in Latin America has been identified as a significant barrier to the region's further integration in global trade and as a major reason why countries are unable to fully benefit from the plethora of regional, plurilateral, and bilateral trade agreements that have been signed over the past 15 years. (Kotschwar, 2012).

2.2.2 Third country/regions

Latin America is an enormous region, housing seven big countries, namely; Argentina, Brazil, Chile, Colombia, Mexico, Peru, and Venezuela. Latin America's natural resources, favorable demographics, and democratic institutions make it appealing to global entrepreneurs. Although very heterogeneous, common cultural and social aspects, are largely shared with some western states is the reason for union among the countries in the region.

According to their origin, EU companies, including SMEs, are likely to be more present in some regions than others. This closer relationship between the European nation or Japan and the third nation or region may also be the result of a proactive approach to economic diplomacy, as it reflects, for example, the significant relations between some countries and their former colonies. For Instance, as French companies have a large network in Africa and Greek companies have a strong network in the Western Balkans, Spanish companies have a large network in Latin America. This directly implies that the Japanese or European partner company is likely to have prior experience conducting business in this third country or region and a better understanding of the market. Additionally, it could imply that the partner company is more likely to interact with the government of the third country directly or indirectly through its government, which could be strategically significant for, say, projects involving public services and infrastructures or, more generally, information gathering on the local business environment. Conversely, deteriorating diplomatic and trade ties between the country of origin of one of the companies and the third country where the project is based could have an impact on business collaborations abroad. (Marbot, 2020)

Hence, due to shared historic, cultural, and linguistic ties, Portugal and Spain would be expected to be the most active EU members. Findings from the research rank first France followed by Spain as the most active member states in projects involving Japanese companies, therefore the link between the country of origin and the third country does not seem particularly relevant. Additionally, certain trends are discernible when examining the region in terms of particular industries. For example, German businesses profit from a dominant position in the automotive supply industry while France and Spain are primarily operating in the energy sector. Italy, in addition to operating the energy sector, is also active in the transportation infrastructure sector, as well as Portugal. Moreover, the Netherlands, Luxembourg, and Finland are also among the European actors, in the case studies found in **Chapter 3**.

Similarly, there is also an observable pattern regarding Latin American countries.
Results point towards a preference for the Mercosur member countries— Argentina, and Brazil; and associate members — Colombia, Chile, and Peru. Additionally, Panama and Mexico are also stage of joint initiatives.

From the case studies alone, Brazil seems to be center stage for cooperation initiatives. Especially in the energy sector, although Venezuela and Brazil are both the most significant nations in Latin America in terms of energy, with their sectors being dominated by state-run firms (PDVSA and Petrobras, respectively), Brazil seems to be a sort of focal point in the region. (Isbell, 2008)

Agencia Brasileira de Cooperação (ABC), (Brazilian Cooperation Agency) of the Ministry of Foreign Affairs, responsible for planning, coordinating, negotiating, approving, executing, monitoring, and evaluating programs, and projects of humanitarian and technical cooperation to development at the national level and in all areas of knowledge, in bilateral or multilateral formats, says that regarding international technical cooperation initiatives involving the European Union and Japanese in Brazil or the benefit of other countries. Brazil stopped being favored by European bilateral technical cooperation programs since it was considered a developed nation in 2014, by the EU. Furthermore, the agency stressed that European regional programs, developed in the country, have no participation from Japan.

2.2.3 Project Financing

Recognizing the significance of utilizing levers and tools to encourage private investment, the EU and Japan intend to work together to make it easier to finance sustainable connectivity, including through potential joint projects.

In line with the conclusion of the EPA and SPA agreements, a memorandum of understanding (MoU) was signed between the European Investment Bank (EIB) and the Japan International Cooperation Agency (JICA), renewed on March 10th, 2023, to support sustainable socio-economic development and to create business opportunities. The European Investment Bank is a major bottleneck for closer EU-Japan financial cooperation related to joint connectivity projects. The EIB cannot finance more than 50% of a project, hence it usually needs co-financiers, as the beneficiaries don't often have the funds needed. Therefore, the EIB signed two additional memorandum of understanding(MoU) with Japan Bank for International Cooperation (JBIC) and with Nippon Export and Investment Insurance (NEXI). Moreover, the EIB and JICA jointly established MGM Sustainable Energy Fund, a fund to support energy efficiency and renewable energy projects in Latin America and the Caribbean Region (and South East Asia). (Dadabaev et al., 2021)

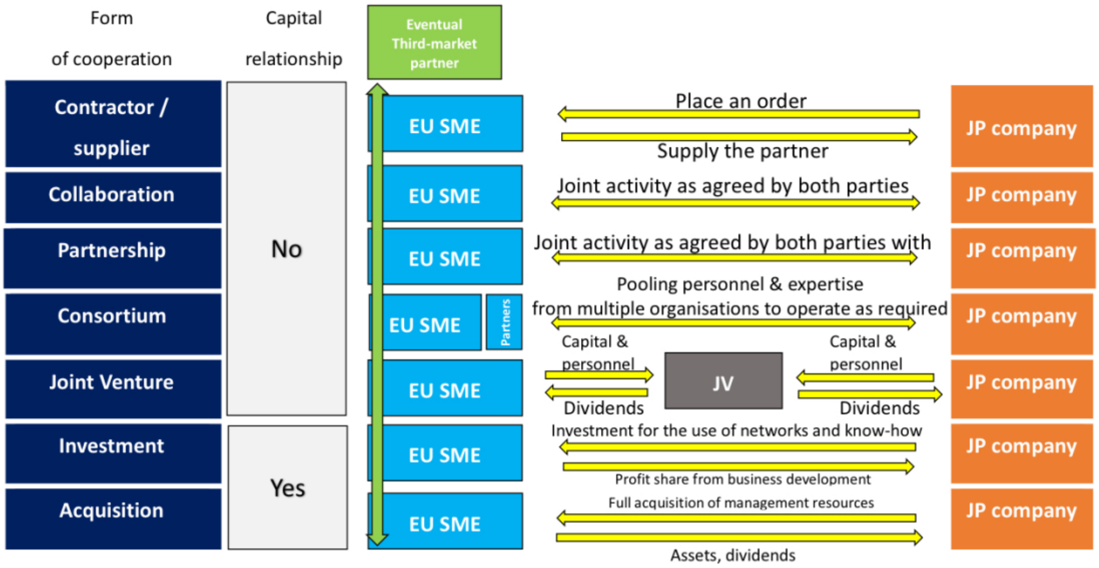
As shown in Chapter 3, most business collaborations are noticeably silent on the involvement of financial institutions in the projects. Curiously, this lack of reference suggests that the collaborative efforts seem to be supported by the resources of the participating enterprises themselves. This intriguing pattern prompts more research into the funding mechanisms that support such collaborative endeavors and questions about the underlying dynamics of these relationships.

Additionally, most of those projects involve sogo shoshas, which are also active investors, both in foreign companies and in activities that may take place in third markets. Although not specified in any of the case studies, as financing coordinator, sogo shoshas occasionally uses JBIC credits as leverage in obtaining contracts, and occupies a key role in the area of project financing. They provide various financial functions, relying on their capabilities to mitigate risks due to their integrated corporate structure. (Marbot, 2020)

2.2.4 Form of cooperation

The employment of a large vocabulary of potentially ambiguous (legal) words has made it difficult to analyze the type of business cooperation, especially when it comes to task and risk sharing between the participating organizations. Nonetheless this study considers the following forms of cooperation's in the figure 2.

Figure 2. Forms of cooperation



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From the list of business cases in chapter 3, the forms of cooperation's between a European and Japanese company in Latin America seem to be relatively spread out.
Noticeably, business cooperation's in third markets involve high risk-taking and high costs that can only be assumed by large companies together in a consortium and joint-venture. Setting up a JV or consortium has the benefit of making it possible to clearly identify the investment, tasks, and risks taken on by each company, exemplified by Marubeni corporation, Mota-Engil Group and Hycsa. group (case 2) or Ternium S.A and Nippon Steel & Sumitomo Metal Corporation(case 18).

Additionally, the Memorandum of understanding (MOUs) seemed to be a crucial and common practice to formalize closer collaboration between a European and Japanese company in the Middle East, Africa and the Asia Pacific. The later form of cooperation is illustrated by case 1: Monorail System in Panama. It represents a sort of "declaration of interests" whereby companies express their will to cooperate, on what grounds, and perhaps more importantly, targeting which third markets.

Another observation, is that the act of taking over ownership of another organization, i.e. acquisition, seems to be particularly strategic for European and Japanese cooperation in Latin America. Among the different motives for pursuing an acquisition, the most compelling reason is the speed with which it allows the company to expand its business portfolio and diversify its geographical coverage. The late is seen in the acquisition of Everis by NTT Data, which allowed the Japanese business to acquire its Latin American portfolio (case 20). Moreover, in industries such as telecommunications, electricity and other public utilities, deregulation plays major role in adopting this form of cooperation. Some stakeholders favor acquisitions, under the belief that acquisitions that might bring a short-term boost to share value. Others tend to be wary of these *speculative* motives since their short term gains can destroy longer-term prospects. (Marbot, 2020; Johnson et al., 2005)

Furthermore, some business partnerships in the form of agreements entitled strategic partnership, in the case of Eolia Renovables, Total Eren and Mitsui & Co. Ltd (case 12) and strategic alliance, seen in Total Eren and Mitsui & Co. Ltd, EDF Renewables and Ecopetrol S.A (case 16). Generally used interchangeably, through a strategic alliance, the parties involved share resources and activities, merging individual interests to pursue a mutual profit.

Chapter 3. Case Studies

This section presents some EU-Japan Business collaborations found in Latin America.
As the EU-Japan cooperation agreements were only concluded in 2017, in order to provide enough data for a better understanding of character pattern of the existent cooperation's in the Ibero-American market. Similarly to other studies written on the EU-Japan business cooperation in third markets, the author figured that a time frame of 10 years would be most adequate observation time frame. Therefore, the following case studies chosen as illustrations to reflect a certain diversity of situations in terms of characteristics and specifications of the companies involved on the partnership ranges from 2013 to 2022.

The rationale behind providing examples prior to signing the agreements stems mainly from as stated in the 2021 EU-Japan Summit statement, both parties "continue to identify concrete projects" after two years of cooperation, which indicates a shortage of joint projects. Furthermore, the author would like to highlight that the information regarding the business case studies were taken from public sources. (Grieger, 2021)

3.1 Transportation

Case 1: Monorail System in Panama

Company Profile

	Hitachi Ltd.
Size	Large
Head Office	Tokyo, Japan
About	Hitachi Ltd. produces consumer electronics, industrial and heavy electrical machinery, communications and electronic equipment, and operates subsidiaries in the wire and cable, metal, and chemical sectors.

	Ansaldo STS
Size	Large
Head Office	Genoa, Italy
About	Ansaldo STS SpA is a provider of high technology for railway and underground systems. The company designs, plans, and implements signaling systems and components for railway and underground traffic management and control.

	Mitsubishi Corporation
Size	Large
Head Office	Tokyo, Japan
About	Mitsubishi Corporation is part of the Mitsubishi Japan's largest trading company. It operates 10 business segments including finance, banking, energy, machinery, chemicals, and food.

Details of the partnership

Type of partnership	Market	Year	Details of joint project
Memorandum of Understanding (MoU) Acquisition	Panama	2018	Monorail System

On August 30, 2018 a **MoU** was signed between Mitsubishi Corporation and Metro de Panamá, S.A. (MPSA), Hitachi and Ansaldo STS to provide a monorail system for Line 3 of the Panama Metro. Under the agreement, Hitachi would supply 28 six-car trains, Ansaldo STS would supply the signaling, telecommunications, and power systems, and Mitsubishi Corporation would handle the commercial aspects. The project would have received a yen-loan from JICA, "to support the improvement of urban transportation systems and efforts to combat climate change, which [would have] been allocated to civil works projects and the procurement of the monorail system,". (Hitachi, 2018)

Case 2: Road Improvement and Maintenance Concession in Southern Mexico

Company Profile

	Marubeni Corporation
Size	Large
Head Office	Tokyo, Japan
About	Marubeni is one of Japan’s largest *Sogo soshas* (trading company). Alongside its subsidiaries, it engages in global operations in Food and Consumer Products segment as well as in Power Projects, among other segments.

	Mota-Engil Group
Size	Large
Head Office	Porto, Portugal
About	Mota-Engil, consists of 228 companies divided into three main business areas: engineering and construction, environment and services, and transport concessions.

	Hycsa group
Size	Large
Head Office	Mexico City, Mexico
About	Hycsa is a construction corporation established in 2006, following the union of CYDSSA and CALCO.

Details of the partnership

Type of partnership	Market	Year	Details of joint project
Consortium	Mexico	2020	Road Improvement and Maintenance Concession

Marubeni Corporation (hereafter, "Marubeni") hereby announces on August 27th, the acquisition of 25% of the stock in APP Coatzacoalcos Villahermosa, S.A.P.I. De C.V. (hereafter, "APP"), a concessionaire to carry out a project for the improvement and 7.5-year maintenance of 135 km of roads between Coatzacoalcos in Veracruz State and Villahermosa alongside Mota-Engil Group, APP‘s largest stakeholder.

The Project is supported by a 10-year concession deal signed in November 2016 between the **Mexican Ministry of Communications and Transportation and APP.** As of May 2019, APP had already finished the project's improvement phase. It had begun managing and maintaining the upgraded roads, a process that will last through October 2026. Heavy trucks and other freight transportation vehicles mostly use the highways, which assist local logistics.As one of the main partners in Australia's Gold Coast Light Rail PPP project in 2011, Marubeni has been growing its presence in the industry and views Public Private Partnership (PPP) projects in the transportation and infrastructure sectors as one of its primary initiatives. (APP Coatzacoalcos Villahermosa, S.A.P.I. de C.V., n.d. ; Marubeni, 2020b)

Additional Information from survey:
Mota-Engil Portugal did not provide any further detail regarding the 2020 Road Improvement and Maintenance Concession in Southern Mexico. In terms of EU-Japan cooperation in Latin America the company says: "Unlike what's expected Portuguese companies are not very present in the Latin America. Among the Iberian enterprises, Spanish ones are the most involved. Generally speaking the capital represents the only handicap for Iberian companies, therefore the main benefit from partnering with Japanese companies is their financial power. EU and namely Iberian companies contribute to the partnership with knowledge of the market, including the functioning of the institutions, of the workforce which are strong contributions to the development of projects. On the other side, Japanese companies are usually highly capitalized and have strong support from Japanese credit agencies. These valences are a very important asset."

Case 3: Financing of electric mobility business in Chile

Company Profile

	NEoT Green Mobility
Size	SME
Head Office	Paris, France
About	NEoT Green is a joint venture formed in 2017 by the French Banque des Territoires and EDF Pulse, alongside Mitsubishi Corp, dedicated to funding Zero emission-mobility. In 2022, Mitsubishi sold its shares to French company, Foresee Power.

	RedBus Urbano SA
Size	Large
Head Office	Huechuraba, Chile
About	RedBus, is a public transport company incorporated by French capital owned by Transdev Group, a private company and public transport operator.

Details of the partnership

Type of partnership	Market	Year	Details of joint project
Collaboration	Chile	2020	Financing of electric mobility business

January 15th, 2020, It was announced that NEot Green Mobility, in partnership with RedBus Urbano was to operate public transport in north and east Santiago. Through a 10 years e-mobility-as-a-service contract, starting in February 2020 NGM will provide 25 electric buses with their CATL battery, as well as 8 ABB chargers. (Neot Capital, 2020; Neot Capital, 2021)

3.2 Wholesale and Retail Trade

Case 4: Acquisition of Top Car Brazil's authorized BMW and MINI brand dealerships

Company Profile

	Sojitz Corporation
Size	Large
Head Office	Tokyo, Japan
About	Sojitz is a *Sogo shosha* (trading company) highly known for its involvement in financing activities and engagement in a wide range of businesses globally, in sectors such energy, automobiles, mineral resources, chemicals, consumers goods, and others.

	BMW & MINI
Size	Large
Head Office	Munich, Germany
About	BMW is a luxury automotive and motorcycle international company. Owner of Mini, a British automotive brand under which it produces a range of small cars assembled in the United kingdom, Austria and in the Netherlands.

	Top Car Veículos S.A. ("Top Car")
Size	Medium
Head Office	Santa Catarina, Brazil
About	Top Car is a company operating in the car dealership sector.

Details of the partnership

Type of partnership	Market	Year	Details of joint project
Acquisition	Brazil	2015	Acquisition of local authorized brand dealer

Sojittz Corp. announced the acquisition 80% stake in Top Car Veículos S.A, a local authorized dealer of the German BMW and MINI brand vehicles and BMW motorcycles, operating in Blumenau and Florianópoles. (Sojitz, 2015)

Case 5: "*Autofinancimiento*" Business in Mexico

Company Profile

	Volkswagen & SEAT Group
Size	Large
Head Office	Wolfsburg, Germany
About	Volkswagen Group is a multinational producer, and seller of motorcycles, passenger and commercial vehicles, engines, and turbomachinery in addition to providing related services. SEAT is a Spanish car manufacturer acquired by Volkswagen Group in1986.

	Sojitz Corporation
Size	Large
Head Office	Tokyo, Japan
About	Sojitz is a *Sogo shosha* (trading company) highly known for its involvement in financing activities and engagement in a wide range of businesses globally, in sectors such energy, automobiles, mineral resources, chemicals, consumers goods, and others.

	Auto Financiamiento Automotriz (AFASA)
Size	Small
Head Office	Mexico City, Mexico
About	AFASA is a local consumer services operator.

	Drako Capital de Mexico, S.A. de C.V.
Size	Medium
Head Office	-
About	Drako Capital, is a latin America independent investment group.

Details of the partnership

Type of partnership	Market	Year	Details of joint project
Collaboration	Mexico	2022	Acquisition of Volkswagen and SEAT Mexican official distributor

Sojitz Corp. acquires Autofinanciamento Automotriz (AFASA), Mexico's authorized distributor for the Volkswagen(Germany) and SEAT(Spain). Sojitz in partnership with Drako Capital de Mexico, S.A. de C.V., established SOCAFI, S.A. de C.V, using AFASA's self-financing system (SFS) providing opportunity to customers who cannot benefit of loans from financial institutions. (Sojitz, 2019)

Case 6: Operating a wholesale tire and service network in Mexico

Company Profile

	**Michelin**
Size	Large
Head Office	Clermont-Ferrand, France
About	Michelin is a leading mobility firm which creates and offers tires, and products including digital services, maps, and guides. The company is investing in high-tech materials, 3D printing, and hydrogen to service a number of industries, from aerospace to biotech.

	**Sumitomo**
Size	Large
Head Office	Tokyo, Japan
About	Sumitomo is one of the world's biggest (sogo shosha) trading companies. The company engages in a variety of activities including the production of metal products, infrastructure, transportation, real estate, financial services, logistics and the industries of energy and mineral resources, chemicals.

Details of the partnership

Type of partnership	Market	Year	Details of joint project
Joint Venture	Mexico	2018	Wholesale tire and service network

Michelin North America Inc. (MNAI) and Sumitomo Corporation of Americas (SCOA) entered into a 50/50 joint venture, by which they will combine their respective North American tire replacement distribution and related service operations creating the country's second-largest tire distributor. The united wholesale operation, operating under the new brand name NTW will function as one of TBC Corporation's operating entities. This new business is expected to expand its wholesale distribution capabilities for customers and improve tire product availability across North America at all price points. The JV will also allow the two businesses to increase customer service capacity, quality, and speed. The partnership will unite Sumitomo COA's TBC, one of the country's largest vertically integrated tire marketers, with Michelin NAI's TCi, the fourth largest wholesale tire and service network in the United States. (Michelin, 2018)

3.3 Energy

Case 7: The Majes and Reparticion solar power plants

Company Profile

	Sojitz Corporation
Size	Large
Head Office	Tokyo, Japan
About	Sojitz is a *Sogo shosha* (trading company) highly known for its involvement in financing activities and a wide range of businesses globally, in sectors such energy, automobiles, mineral resources, chemicals, consumers goods, and others.

	Grupo T-Solar Global SA
Size	SME
Head Office	Madrid, Spain
About	T Solar is a independent renewable power producer. The company core business consists in developing, financing, construction management and operation of solar power plants.

Details of the partnership

Type of partnership	Market	Year	Details of joint project
Acquisition	Peru	2015	Operation of two solar power

On August 17, 2015, Sojitz announced the acquisition of 49% stake of project consisting of two solar power stations in Peru, owned and operated by T-Solar Global SA.
The Majes and Reparticion solar plants, located in Arequipa in southern Peru, have a combined capacity of over 44 MW. Beginning operation in July 2012, the projects powers the country's national grid under a 20-year fixed price power purchase agreements guaranteed by Peru's Ministry of Energy and Mines. (Sojitz, 2015a)

Case 8: Bolero Solar PV Park

Company Profile

	Marubeni Corporation
Size	Large
Head Office	Tokyo, Japan
About	Marubeni is one of Japan's largest *Sogo soshas* (trading company). Alongside its subsidiaries, it engages in global operations in Food and Consumer Products segment as well as in Power Projects, among other segments.

	EDF Renewables
Size	Large
Head Office	Paris, France
About	EDF, is a world leader in clean energy electricity mainly focused in wind and solar photovoltaic power. The company has plants in more than 20 countries, however, it operates mostly is Europe and North America.

Details of the partnership

Type of partnership	Market	Year	Details of joint project
Partnership agreement	Chile	2016	Solar PV Park

Developed by Helio Atacama Tres and Ingenostrum Chile, Bolero Solar Park is a 146MW solar PV power project, equally owned by EDF Energies Nouvelles and Marubeni. The parties have entered into a partnership agreement to jointly invest in the Project, located at the Atacama desert, which receives some of the highest insolation levels in the world. Valued $294.803m, the park generates 362,000 MWh electricity and its capable of powering 191,000 households per year, while decreasing C02 emissions by 380 000 tons. (EDF, 2018)

Additional Information from survey:

The partnership was established with objective leveraging the good reputation and robust financial support of Japanese investors to of gain a foothold in the South American continent in renewable energy. While EDF brings its technical and industrial expertise, besides financial capability, which is the main benefit of the cooperation, the Japanese partner also contributes with its legal expertise. This partnership resulted in better knowledge of the Chilean market, which opened doors to new opportunities for EDF Renewables in Chile.
Comment by company: "This project has been sold in early 2023 in order to reinvest in other projects abroad. It is common practice to invest in renewables projects for a few years and then to divest. This is the "breathing space" we need to continue developing new projects without increasing our debt."

Case 9: Sojitz Joins Largest Solar Power Project

Company Profile

	Sojitz Corporation
Size	Large
Head Office	Tokyo, Japan
About	Sojitz is a *Sogo shosha* (trading company) highly known for its involvement in financing activities and engagement in a wide range of businesses globally, in sectors such energy, automobiles, mineral resources, chemicals, consumers goods, and others.

	Alten Renewable Energy Developments
Size	Large
Head Office	Amsterdam, The Netherlands
About	Alten is an independent power producer (IPP) and provider of investment services to the renewable energy industry. The company's services are available in Spain, Mexico and Netherlands.

Details of the partnership

Type of partnership	Market	Year	Details of joint project
Acquisition	Mexico	2017	Solar Power Project

On August 9, 2017, the Japanese trading company, Sojitz completed the acquisition of 66.7% stake of Alten Renewable Energy Developments American subsidiary giving it 20% stake in each two solar power portfolio in Mexico. Both companies alongside Sojitz, are expected to construct two solar plants totaling 348MW. The electricity from the plants will be sold to a fully-owned subsidiary of Mexico's state-owned power company, Comisión Federal de Electricidad (CFE). (Sojitz, 2017b)

Case 10: Huatacondo solar independent power producer project (IPP)

Company Profile

	Eiffage SA
Size	Large
Head Office	Vélizy-Villacoublay, France
About	Eiffage SA is a Civil Engeneering and construction company, operating a numerous business lines including energy and infrastructure construction, public works, metal, and public-private partnerships.

	Sojitz Corporation
Size	Large
Head Office	Tokyo, Japan
About	Sojitz is a *Sogo shosha* (trading company) highly known for its involvement in financing activities and engagement in a wide range of businesses globally, in sectors such energy, automobiles, mineral resources, chemicals, consumers goods, and others.

	Yonden Shikoku Electric Power Co.,Inc
Size	Large
Head Office	Takamatsu, Japan
About	Yonden is an electric power provider primarily in the prefectures of Ehime, Kagawa, Koichi, and Tokushima, Japan

Details of the partnership

Type of partnership	Market	Year	Details of joint project
Joint Venture	Chile	2017	Solar independent power producer

Sojitz Corp. has signed a joint venture agreement with Yonden Shikoku Eletric Power and Eiffage SA, for the construction and operation of the Huatacondo solar independent power project in which Sojitz owns 60% stake, while Shikoku and Eiffage SA owns, 30% and 10%, respectively. The plant located at the Atacama Desert, northern Chile's, has a capacity of 103,000 KW. The power produced by the plant will be sold to Chile's wholesale electricity market. Operating since, September 2019, the plant produces enough clean energy to power 100,000 households, offsetting 124,650t of carbon dioxide emissions (CO2) a year. (Yonden, n.d.)

Case 11: Onshore wind farms and solar photovoltaic plants

Company Profile

	Tokyo Gas America Ltd.
Size	Medium
Head Office	Tokyo, Japan
About	Tokyo Gas America Ltd., is a subsidiary of Tokyo Gas Co., Ltd, is a producer and supplier of liquefied natural gas, manages gas supply equipment and sells air conditioning appliances. Tokyo Gas America serves customers worldwide.

	ENGIE SA
Size	Large
Head Office	Courbevoie, France
About	ENGIE is a multinational which produces, trades, transports, stores, and distributes natural gas in addition to providing energy management, climatic and thermal engineering, and a full range of electricity, gas, and related energy and environment services.

Details of the partnership

Type of partnership	Market	Year	Details of joint project
Joint Venture	Mexico	2019	Onshore wind farms and solar photovoltaic plants

Tokyo Gas and ENGIE established *Heolios EnTG, a joint-venture company to develop renewable energy projects in Mexico, aiming to support the countries clean energy ambitions.* The company will finance, construct, ownership, operate and own six four are solar photovoltaic projects and two are onshore wind projects located in, Villa Ahumada, Abril , Tres Mesas 3, Tres Mesas 4, Calpulalpan, and Trompezon. (*East Texas Project*, n.d.; Tokyo Gas, 2019)

Case 12: “Vientos Los Hercules” wind farm

Company Profile

	Eolia Renovables
Size	Large
Head Office	Madrid, Spain
About	Eolia Renovables is an European leading independent producers of wind and solar photovoltaic energy. Its investment approach is concentrated on small to mid-sized renewable energy firms.

	Total Eren
Size	Large
Head Office	Paris, France
About	Total Eren, a subsidiary of EREN groupe, is an independent power producer from renewable energy sources. The company develops, builds and operates hydroelectric, wind powered and photovoltaic plants around the globe.

	Mitsui & Co. Ltd
Size	Large
Head Office	Tokyo, Japan
About	Mitsui, is a global trading and investment company operating in a variety of businesses, ranging from iron and steel, textiles and energy to real estate and development projects.

Details of the partnership

Type of partnership	Market	Year	Details of joint project
Strategic Partnership	Argentina	2021	Wind powered plant

Mitsui, Total Eren, and Eolia Renovables created Vientos los Hércules. Through its subsidiary, MIT Argentina Generation Holding Ltd., Mitsui acquires 34% shares in Total Eren’s Vientos Los Hercules, corresponding to 9.1 GW of the 97.2 MW wind fam, located in Santa Cruz southern Argentina. As for the farm’s output, a 20 year Power purchase agreement was signed by the end of January 2017 with local wholesale energy operator, CAMMESA. On December 2017, Total Eren announced the closure of financing agreements with KfW IPEX-Bank (Euler Hermes), the Dutch development bank(FMO) and the German development finance institution (DEG). (Total eren, 2017; Total eren, 2018; KFW ipex bank, 2017; Power Technology, 2021)

3.4 Oil and Gas

Case 13: Deepwater FPSO Charter Project for Marlim Field of Brazilian Offshore Oil Field

Company Profile

	PETROBRAS SA
Size	Large
Head Office	Rio de Janeiro, Brazil
About	Petroleo Brasileiro S.A (PETROBRAS) is a Brazilian state owned multinational company operating as an oil and gas exploration and production company.

	Marlim1 MV33 B.V.
Size	Large
Head Office	The Netherlands
About	"MV33" was established by MODEC.

	MODEC
Size	Large
Head Office	Tokyo, Japan
About	MODEC is the world leader in developing and managing floating solutions for the offshore oil and gas sector.

	Mitsui O.S.K. Lines
Size	Large
Head Office	Tokyo, Japan
About	Mitsui O.S.K. Lines is a transportation firm among the biggest shipping firms in the world. The MOL fleet consists of dry cargo vessels, LNG carriers, Ro-Ro vessels, oil tankers, container vessels, and container terminals.

	Mitsui & Co. Ltd
Size	Large
Head Office	Tokyo, Japan
About	Mitsui, is a global trading and investment company operating in a variety of businesses, ranging from iron and steel, textiles and energy to real estate and development projects.

	Marubeni Corporation
Size	Large
Head Office	Tokyo, Japan
About	Marubeni is one of Japan's largest *Sogo soshas* (trading company). Alongside its subsidiaries, it engages in global operations in Food and Consumer Products segment as well as in Power Projects, among other segments.

Details of the partnership

Type of partnership	Market	Year	Details of joint project
Collaboration	Brazil	2020	Investment in a long-term charter business

MODEC, Inc., Mitsui & Co., Ltd., Mitsui O.S.K. Lines, Ltd. (MOL), and Marubeni Corporation invested in a long-term charter business currently promoted by MODEC. for the purpose of providing a floating production, storage, and offloading system (FPSO) for use in the Marlim field, off the coast of Brazil. On January 30, 2020, the four companies entered into related agreements on 30th January 2020. Under these agreements Mitsui, MOL, and Marubeni invested in Marlim1 MV33 B.V. (MV33), a Dutch business founded by MODEC, and the three corporations then worked together to carry out the project.

The Brazilian national oil giant Petrobras has given the Dutch firm Marlim MV33 a Letter of Intent for a long-term charter deal for the deployment of the FPSO in October 2019. This charter agreement provides for a 25-year charter of the FPSO. (Marubeni, 2020a; Marubeni, 2020b)

Case 14: FPSO Charter Project for Tartaruga Verde and Tartaruga Mestiça Oil Fields Offshore

Company Profile

	Japan Bank for International Cooperation (JBIC)
Size	Large
Head Office	Tokyo, Japan
About	JBIC is a public financial institution and credit agency partaking in projects all around the world.

	PETROBRAS SA
Size	Large
Head Office	Rio de Janeiro, Brazil
About	Petroleo Brasileiro S.A (PETROBRAS) is a Brazilian state owned multinational company operating as an oil and gas exploration and production company.

	Tartaruga MV29 B.V. (TARMV29)
Size	Large
Head Office	-
About	TARMV 29, is a consortium established by MODEC, Inc.; Mitsui & Co., Ltd. Mitsui O.S.K. Lines, Ltd. and Marubeni Corporation. The company carries its businesses in the Netherlands, operating in Oil & Gas production and exploration.

Details of the partnership

Type of partnership	Market	Year	Details of joint project
Project financing	Brazil	2015	Oil fields offshore

Tartaruga MV 29 signed by 27 February 2015, a 20 years charter agreement by which it provides FPSO charter service to Petroleo Brasileiro SA, commonly known as Petrobras, to be deployed at the Tartaruga Verde and Tartaruga Mestiça Oil Fields Offshore. JBIC reported that it would be taking part at the projects by **providing a loan of up to $252 million** to the project. A total of $1.263 million of the **loan is co-financed** by Sumitomo Mitsui Banking Corporation, alongside a the following financial institutions: Mizuho Bank, Ltd., ING Bank N.V., Overseas-Chinese Banking Corporation Limited, Clifford Capital Pte. Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd., DVB Bank SE, Natixis, Societe Generale, Mitsubishi UFJ Trust and Banking Corporation, Sumitomo Mitsui Trust Bank, Limited and Credit Industriel et Commercial. (Mitsui O.SK. Lines, 2015; Jbic, 2015)

Case 15: Offshore FPSO

Company Profile

	**Eni México S. de R.L. de C.V**
Size	Large
Head Office	Mexico City, Mexico
About	Eni México, is a wholly **subsidiary of Eni S.p.A an Italian** multinational company considered one of the world's major players in oil industry.

	**MODEC Inc**
Size	Large
Head Office	Tokyo, Japan
About	MODEC, has been for 50 years, a leading supplier of offshore floating production solutions such as Floating Production Storage and Offloading (FPSO) and Tension Leg Platforms (TLPs) in the oil and gas industry.

Details of the partnership

Type of partnership	Market	Year	Details of joint project
Letter of intent(LOI)	Mexico	2018	Deployment of FSPO

October 11, 2018 MODEC, announced that it was awarded a letter of intent(LOI) from Eni Mexico, for the supply, charter and operation of a Floating Production Storage and Offloading (FPSO) to be deployed at the Offshore Area 1 .
The charter agreement has a 15 years duration, including an extension of five additional years as well as a purchase option. Production at the Miztón field started earlier, in February 2022 following the arrival of MIAMTE MV34 (FPSO). First cargo from the FPSO was exported in April 2022. Production in the remaining two platforms, Amoca and Tecoalli fields are also expected to begin, even though full field development will only be completed by 2024.(MODEC, 2018; Eni, n.d.)

Case 16: Ecopetrol closes alliances with international companies to develop low-carbon hydrogen strategy

Company Profile

	Total Eren
Size	Large
Head Office	Paris, France
About	Total Eren, a subsidiary of EREN groupe, is an independent power producer from renewable energy sources. The company develops, builds and operates hydroelectric, wind powered and photovoltaic plants around the globe.

	Mitsui & Co. Ltd
Size	Large
Head Office	Tokyo, Japan
About	Mitsui, is a global trading and investment company operating in a variety of businesses, ranging from iron and steel, textiles and energy to real estate and development projects.

	EDF Renewables
Size	Large
Head Office	Paris, France
About	EDF, is a world leader in clean energy electricity mainly focused in wind and solar photovoltaic power. The company has plants in more than 20 countries, however, it operates mostly is Europe and North America.

	Ecopetrol S.A
Size	Large
Head Office	Bogotá, Colombia
About	Ecopetrol, is a state-owned oil producer and energy company, active in all links of the hydrocarbon chain: exploration, production, transportation, refining and commercialization.

Details of the partnership

Type of partnership	Market	Year	Details of joint project
Strategic Alliance	Colombia	2022	Alliance to develop low-carbon hydrogen strategy

Ecopetrol announces partnership with foreign companies with the purpose of advancing its low-carbon hydrogen strategy, essential for its energy transition plans. From a pool of 80 companies, the ones selected **as strategic allies,** were Total Eren, EDF, Siemens Energy, H2B2, Mitsui and Empati (United Kingdom).

The companies will articulate actions to strengthen the development of the low-carbon plan, through projects to decarbonize production of hydrogen at the refineries as well as to generate industrial and sustainable mobility.
Moreover, the aim of the alliances can be resumed as follows:

- Achieving competitiveness of the production cost of low-carbon hydrogen.
- Structure financing and investment opportunities as well as integrate supply chain of new technologies.
- Identify markets at early stages.
- Potentiate access to renewable energies and accelerate projects execution. (Ecopetrol, 2022)

3.5 Water & Waste Management

Case 17: Construction of a pumping system for the concentrator plant of the Antamina mining project

Company Profile

	ACCIONA
Size	Large
Head Office	Madrid, Spain
About	Acciona S.A. is a global organization that creates and oversees solutions for sustainable infrastructure, particularly in the field of renewable energy. The full value chain of our business is covered, from design and building to operation and maintenance.

	Mitsubishi Corporation
Size	Large
Head Office	Tokyo, Japan
About	Mitsubishi Corporation is part of the Mitsubishi Japan’s largest trading company. It operates 10 business segments including finance, banking, energy, machinery, chemicals, and food.

	San Martín
Size	Large
Head Office	Santiago de Surco, Peru
About	San Martín is one of Peru’s leading construction companies and provider of mining operations and infrastructure solutions.

Details of the partnership

Type of partnership	Market	Year	Details of joint project
Collaboration	Peru	2019	Construction of a pumping system

Antamina, a joint venture between Australian BHP Billiton, Swizz Glencore, Canadian Teck and Mitsubishi, is one of the world's ten largest mines in terms of output volume and one of Peru's top producers of copper and zinc concentrates. ACCIONA was awarded a contract to construct a pumping system for the concentration plant at the Antamina mine. For the purpose of carrying out this EPC contract, ACCIONA is in charge of the consortium, which is also comprised of the Peruvian construction firm San Martin. Through this project, ACCIONA's Water business (ACCIONA Agua) would be able to solidify its position in Peru in a critical industry like mining, which contributed 10% of the nation's Gross Domestic Product (GDP) in 2017. The system will transfer tailings to the tailings pond from the concentration facility.

Among other facilities, the new infrastructure will have a pumping station and more than 5 kilometers of 54" HDPE pipeline (5.4 kilometers in the North line and 3.6 kilometers in the South line). It will make it possible for the mine to ensure operational stability and output levels. (Acciona, 2019)

3.6 Manufacturing

Case 18: Steel-manufacturing plant in Mexico

Company Profile

	Ternium S.A
Size	Large
Head Office	Luxembourg, Luxembourg
About	Ternium is the top producer of is a producer of flat and long steel products in Latin America, with highly integrated processes for producing steel. The company owns production facilities in Argentina, Brazil, Mexico, Guatemala, Colombia, and the United States.

	Nippon Steel & Sumitomo Metal Corporation
Size	Large
Head Office	Tokyo, Japan
About	Nippon Steel & Sumitomo Metal Corporation, funded after the merger of Nippon steel and Sumitomo Metal is a company operating mainly in the Mining & Metals sector.

Details of the partnership

Type of partnership	Market	Year	Details of joint project
Joint Venture	Mexico	2018	Steel-manufacturing plant in Mexico

In October 2010, Nippon Steel & Sumitomo Metal Corporation and Ternium S.A. achieved an understanding to form a joint venture, "TENIGAL," for the production and distribution of automotive hot-dip galvanized and galvannealed steel sheets. With an estimated investment of $300 million USD, this factory is equipped with cutting-edge machinery comparable to that found in NSSMC's newest facility in Japan, enabling it to produce high-grade, high-quality automotive hot-dip galvanized & galvannealed steel sheets, including outer panels and high-strength steels. Future growth of the Mexican automobile market is anticipated, and it will continue to be a significant market for Ternium and NSSMC. Both businesses will effectively meet the demands of Mexican manufacturers for premium, high-quality automobile steel sheets through TENIGAL. (Nippon Steel, 2013)

3.7 Telecommunication

Case 19: Consulting in technological applications in Latin America

Company Profile

	NTT DATA Co.
Size	Large
Head Office	Tokyo, Japan
About	NTT Data Co. primarily offers a large-scale system integration and networking system services, which includes Internet-related and linked computer networks, data provision and management, and data transmission system design, sales, leasing, and services.

	Everis Participaciones S.L.
Size	Large
Head Office	Madrid, Spain
About	ICT Group acquired by Acciona. Acciona S.A. is a leading international developer and service provider of solutions for reverse osmosis desalination, large civil infrastructures, and renewable energy.

Details of the partnership

Type of partnership	Market	Year	Details of joint project
Acquisition	Latin America	2014	**Consulting in Tech applications**

Everis became an entirely owned subsidiary of NTT DATA in January 2014 after concluding an acquisition agreement in November 2013. The acquisition, valued in around 50 billion yen, was part of NTT DATA's strategy to speed up globalization and expand its portfolio. In fact, the purchase of Everis gave the Japanese business access to the Spanish and Latin American markets, where the Spanish business had a number of clients. A key component of the collaboration has also been the sharing of resources, expertise, and other assets. (Nishihata & Francés, 2016)

Case 20: Furukawa Electric LatAm and Intracom Telecom partnership to Address the International IoT and 5G Market

Company Profile

	Furukawa Eletric LatAm S.A
Size	Large
Head Office	Tokyo, Japan
About	Furukawa LatAm is a subsidiary of The Furuaka Eletric Co., Ltd, an electric and electronic components provider. Furuaka has been in the Latin American for over 50 years with facilities in Brazil, Argentina, Colombia and Mexico.

	Intracom Telecom
Size	Large
Head Office	Attika, Greece
About	ICOM is a global telecommunication and information provider, subsidiary of INTRACOM S.A.

Details of the partnership

Type of partnership	Market	Year	Details of joint project
Strategic partnership	Brazil (Latin America)	2018	Partnership to Address the International IoT and 5G Market

Intracom Telecom, entered into a strategic partnership with Furukawa Electric LatAm S.A. (Brazil), focused on the development of Fiber-Wireless integrated solutions.
Under the agreement, Furukawa Electric will provide the GPON, WDM, and cabling solutions, while Intracom Telecom deploying its Wireless Transport & Access solutions, offering a larger tool-box of solutions to homogeneously address fixed and mobile transport network with multi-gigabit transport options. (Furukawa, 2018)

Case 21: Nokia and Furukawa Electric LatAm partner to accelerate Optical LAN

Company Profile

	Nokia Corp.
Size	Large
Head Office	Espoo, Finland
About	Nokia, is a multinational communications and IT company, and the world's largest mobile phones manufacturer. The company operates in network infrastructure and advanced technologies.

	Furukawa Eletric LatAm S.A
Size	Large
Head Office	Tokyo, Japan
About	Furukawa LatAm is a subsidiary of The Furuaka Eletric Co., Ltd, an electric and electronic components provider. Furuaka has been in the Latin American for over 50 years with facilities in Brazil, Argentina, Colombia and Mexico.

Details of the partnership

Type of partnership	Market	Year	Details of joint project
Strategic Alliance	Brazil (Latin America)	2022	**Partnership** for optical LAN deployment in the Latin American enterprise market

Nokia signing of a strategic alliance with the network cabling firm Furuaka LatAm, to accelerate optical LAN deployments in Latin America enterprise market, starting in Brazil.

Under the terms of the agreement, Nokia’s optical LAN hardware will be incorporated into Furukawa Electric’s Laserway passive optical LAN offering. Optical LANs, are known for providing extra capacity and performance of fibre networking, offering better coverage for extended areas and challenging architectures, as well as offering increased security and lower power consumption. (Nokia, 2022)

CHAPTER 4. Lessons: challenges, deficiencies, and opportunities

Despite the advantages of business cooperation between European and Japanese companies in third markets, there are some obstacles that might affect the cooperation itself. These obstacles may also deter companies from seeking cooperation by making it difficult to determine whether their counterparts are more promising partners than rivals.

The following section presents the lessons from the recent expansion of EU-Japan initiatives into Latin America as well as the challenges they encounter in setting up and sustaining their operations there.

4.1. Challenges and deficiencies

4.1.1 Language, culture and management

The issues of linguistic and cultural barriers, along with discrepancies in management viewpoints, present themselves as a first obstacle when initiating negotiations for cooperation as well as jointly performing a project. The latter can have a considerable impact on negotiation procedures, how the final product is delivered, and possibly even compliance standards. Additionally, factors such as distance and time difference between the local teams in the third nation and the European and Japanese headquarters can emphasize it. Differences in managerial perspectives and corporate cultures may also have more noticeable effects on commercial collaborations. Aya Yamazaki's research on French and Japanese business partnerships for functioning in third countries has accumulated several comments from businesses on notable disparities in management perspectives. Organizational problems, whereby Japanese businesses would emphasize formality and procedure over results, were among the main difficulties French businesses faced when collaborating with their Japanese counterparts. Similarly, French businesses would complain about the length of time it takes to establish a relationship based on trust with Japanese businesses and the slowness of decision-making because Japanese businesses make their decisions more on agreement. Japanese businesses, on the other hand, would find the French "Cartesian spirit," or the extremely logical and analytical decision-making and management, as well as the ensuing brusqueness in negotiations, to be bothersome despite acknowledging these traits as qualities. (Marbot, 2020)

4.1.2 Regulatory and political instability

A questionnaire conducted during the author's internship at the EU-Japan Centre for Industrial Cooperation revealed Regulatory and political instability as prominent challenges faced by businesses considering investment in the Latin American market. Similarly to corruption, it is highly known that Latin American countries often experience frequent periods of political instability and changes in laws and regulations, which creates an uncertain environment for businesses. Inconsistent regulatory frameworks can be challenging for companies to plan and adapt their operations accordingly. This volatility can lead to increased compliance costs and hinder long-term strategic planning. Despite offering multiple opportunities for firms to establish or expand their businesses, Latin America is equally surrounded by high levels of red tape. Many Latin American countries have complex bureaucratic processes and administrative procedures that can be time-consuming and burdensome for businesses. (*Managing Bureaucracy in the Latin American Market*, 2016)

4.1.3 China as a competitor

China has been increasing its investments in the region. Taking advantage of economies of scale and lower production costs, Chinese businesses frequently provide attractive pricing for their goods and services. Because of this, it may be difficult for Japanese and EU businesses to compete on pricing. China's "no strings attached", even when conducting business with more dubious countries, which translates to selecting investments regardless of the host country's domestic issues, aids in successfully advancing diplomatic ties. This policy gives an advantage over American and European companies.

Additionally, growing trade ties with a non-democratic country like China put can jeopardize the region's commitment to democracy. At least for those economies in Latin America that are strong democracies, this fundamental difference in political and cultural systems would limit connections regardless of how deep Chinese contacts with particular countries can naturally evolve. (Pahuamba et al., 2015)

Neverthless, China's involvement in the region will be further developed in **Chapter 6**.

4.2 Opportunities

4.2.1 Need for infrastructure investment

The need for numerous infrastructure investments, limits many Latin American countries from achieving their full economic potential. In the past, domestic banks, foreign banks, and international development banks have offered to fund infrastructure development, however the scope of the infrastructural needs, is greater than what the local banks financial capacity. The deficit can be filled by funding from the EU and Japan, while fostering development in the area. (Pahuamba et al., 2015)

4.2.2 Digital Economy

Latin America's digital economy is still lagging behind much of the rest of the world.
With the aid of regional digital innovation, Latin American states may be able to boost the value of their exports and promote growth. The region still faces considerable barriers to technological innovation, in addition to the overall lack of precise planning by the majority of regional administrations. Although Latin America's adoption of the internet is increasing, it still behind many other emerging countries. With the exception of largely metropolitan residents who have digital transaction accounts, digital services like mobile payments, online shopping, and e-commerce are still not a reality for majority of Latin Americans. (Pahuamba et al., 2015)

4.2.3 Green Hydrogen exploration and development

A substantial amount of hydrogen is now produced from unrestricted fossil fuels in the five major economies of Latin America—Argentina, Brazil, Chile, Colombia, and Mexico—for use in oil refineries, the chemical, iron and steel, and chemical industries. These countries also possess the region's largest and most diverse industrial sectors, the most developed natural gas infrastructure, and, in some cases, sizable fossil fuel deposits. To explore further low-carbon hydrogen applications for both present and future end uses, these five countries may take advantage of already established industrial capabilities and value chains.
There are two primary methods for creating low-carbon hydrogen, one through the prevention of emissions from the fossil fuels used for production from escaping (for instance, using carbon capture and storage) and by electrolyzing water with low-carbon energy. Latin America may offer opportunities to explore both pathways by utilizing its current fossil fuel output and reserves as well as its abundance of renewable resources. (International Energy Agency, 2021)

Some nations in the region are still unaware of hydrogen's potential applications and potential contribution to decarbonization plans, particularly for hard-to-abate industries. On the other hand, other nations with a distinct vision and a plan want assistance in creating and putting into action flagship initiatives. Additionally, the region lacks a green-origin certification scheme, which therefore hinders the development of the green hydrogen economy. As green hydrogen's decarbonization potential is still in its infancy stage, Latin American countries face many obstacles, such as in integrating it into their national industries as well as in taking advantage of regional and international value chains. Among those obstacles is the lack of financial instruments and incentives for green hydrogen. Particularly in nations that are further along in the planning stages of hydrogen-related efforts, there is an absence or restriction in the availability of tools and incentives to finance capital-intensive hydrogen projects. Although there is commercial interest in several nations for hydrogen projects, the majority of actions are limited to the signing of MoUs between the public and private sectors. The conversion of an initial interest into project evaluation and implementation would be facilitated by clearly defined and readily accessible funding mechanisms. (Green Climate Fund, 2023)

Chapter 5. Individual Bilateral Agreements

5.1 EU bilateral relationship with Latin America

Latin America and the Caribbean have privileged relations as natural partners. The relationship between both parties is subject to interregional ties, as they collaborate on a strategic bi-regional partnership, established in 1999 and intensified in throughout the years. The development of a vast network of *association agreements* was encouraged, as a component of an interregional policy between the European Union (EU) and Latin America. "*Interregionalism*" can take the following forms: as relationships between regional groups; as bi-regionalism or trans-regionalism, which refers to a dialogue between regions that includes not only relationships between regional blocs but also bilateral relationships between some countries belonging to different regions; as relationships between one association of integrations plus some countries. (Mori, 2018; Bonilla & Sanahuja, 2022)

Due to Latin America not being a uniform continent, the coexistence of several conflicting regional integration projects and organizations. Therefore, the EU's engagement with LA nations comprises multiple forms of regionalism, including bilateral relationships with specific nations, and bi-regional ties with blocs in the region, which include the Andean Community (CAN) and Central America and Mercosur. (Gardini & Ayuso, 2015)

Bi-regional relationships

Integration as a framework to address their historical and strategic issues, as well as to promote joint development and assimilate into the global community. Used as a stepping stone towards deeper integration with Latin American blocs', association agreement (AA) is deemed "the most far-reaching agreement the European Union can conclude with a third country or region".

In 2007, **The EU and the Andean Community** launched negotiations for a possible association agreement. AA is intended to be a comprehensive agreement that encompasses the full spectrum of the complex interactions between the two blocs. The agreement's goals are to boost bi-regional commerce and investments, intensify and improve their cooperation in a wide range of areas, and improve political communication between the two regions.

However, despite several negotiation rounds, asymmetries between the negotiating parties and the inability to formulate a common trade position among the CAN member states (Bolivia, Colombia, Ecuador, and Peru) led to failure and later suspension of negotiations in 2008. Since then, negotiations for an association agreement between the EU and the Andean Community have not been reactivated. Instead, the EU has pursued bilateral agreements with individual countries within the Andean Community. For example, the EU has signed and implemented bilateral trade agreements with Colombia and Peru, known as the EU-Colombia Trade Agreement and the EU-Peru Trade Agreement, respectively.(SZEGEDY-MASZÁK, 2009; Rodriguez, 2009)

The **European Union and Central America** have a close and complex historical relationship, which is reflected in the association agreement (2012), the largest interregional pact in the EU. The primary objectives of the agreement are to promote dialogue, cooperation, and mutual understanding between the EU and Central American countries. In addition to provisions to promote trade and investment, the agreement recognizes the importance of development cooperation as a means to reduce poverty and inequality in Central America. The relationship between Latin America and the EU is characterized in large part by articulation through regional integration procedures, which is verified in the relationship between the EU and the central American economic and political organization SICA (in Spanish). Since it is the first bi-regional agreement to incorporate the elements of political discussion, cooperation, and trade, the Association Agreement between the EU and Central America (AAUECA) is significant in this perspective. The three AA pillars have grown in different ways. Outside of the trade pillar, which functions temporarily thanks to the Commission's mandate and the approval of Central America, the remaining pillars are left with little impact due to obstacles to their ratification. (Bonilla & Sanahuja, 2022)

Negotiations regarding the **EU and Mercosur** association agreement took over 20 years before reaching a political agreement in 2019. Efforts to create an interregional agreement have been hampered by the infamously polarizing character of discussions surrounding agricultural concerns, both inside the EU and amongst Mercosur member states (Argentina, Brazil, Paraguay, and Uruguay). Similar challenges presently confronting the two regions' negotiations as those that caused them to be postponed in the past. These are related to the trade policies of the two blocs: there has been a significant rise in tariffs, and there are sector-specific regimes for activities that are crucial to bilateral relations, like the EU's Common Agricultural Policy (CAP) or the agreements governing automotive trade between MERCOSUR countries. Nevertheless, the election of Lula da Silva as Brazilian president gave hopes that the EU-Mercosur negotiations will eventually be solved (Mazzella, 2017)

Bilateral relationships

It is crucial to remember that in addition to engaging in the aforementioned bi-regional agreements, the EU signed several bilateral agreements with various Latin American nations. Through trade, investment, political cooperation, and cultural exchanges, these agreements seek to promote cooperation, dialogue, and collaboration between the EU and Latin American countries. Mexico (2000), Chile (2002), Colombia, and Peru (2010) are among the signatory nations engaging in those comprehensive bilateral association agreements. (Santander, 2010; Mori, 2018)

Mexico and Brazil

By the time of this research, Brazil and Mexico are the only Latin countries in the EU’s strategic partners list. The goal of the EU's Strategic Partnerships, which take place outside of interregional cooperation plans, is to single out specific historic or developing nations by strengthening bilateral ties. A SPA goes beyond a typical bilateral relationship and expresses a desire to strengthen stronger cooperation. This form of agreement is thought to increase the EU's flexibility on a global scale. (Luciano, 2023b)

The EU and Brazil SPA (2007), marks an important adjustment on the EU's foreign policy. Before it, the EU prioritized inter-regionalism as a strategy for its global insertion. But more recently, to participate more actively in current multilateral discussions, it has chosen to interact with emergent state actors in addition to traditional state actors. In Mexico’s case, the SPA (2008) is seen as redundant and pertinent, but it differs from the other nine in character. It has provided a solid foundation for preserving not just the economic and trade flows that the Global Agreement (2000) had already guaranteed, but also a forum for political discussion and creative action.

Both SPA’s have been defined and grown in very particular ways. The strategic partnership with Brazil marked a shift in the EU's approach to South America, it is a direct result of the stagnation of the EU-Mercosur association agreement, and it recognizes the country's growing relevance and status in the international arena, whereas the strategic partnership with Mexico is sort of an evolution and further development of an already existing framework created by the Global Agreement (2000). Furthermore, while both SPAs have suffered periods of inactivity, the EU-Mexico SP currently exhibits greater vitality than the EU-Brazil SP.
An important aspect of the strategic cooperation between the EU and Mexico is that both parties have a clear understanding of their interests, which include trade and investment, and know what to expect from one another. Although the EU-Mexico SP goes beyond the modernization agreement, both sides use the future of these discussions as a gauge for whether or not the relationship will be successful. Meanwhile, the EU waits for stability and more clarity, Brazil was not in a position to engage with the EU. (Blanco & Luciano, 2018; Marcus et al., 2015; Luciano, 2023b)

Similar to the EU-Brazil SP, ties between the EU and Latin America currently lack direction, are overly reactive, and are in critical need of a political push. The European EU-LA partnership seems to have been neglected over the years, thus it is far from reaching its full potential. When compared to other parts of the world, Latin America was rarely considered a priority for most of the EU countries. There is no denying that since Russia invaded Ukraine in February 2022, the strategic importance of Latin America and the Caribbean (LAC) has grown for the European Union. The moment has come for Latin America to be seen as a more important global partner for the EU and to garner more attention than only that of the Iberian nations. With a Spanish EU Council Presidency, 2023 marks a turning point in the interregional relations between the EU and LAC.

From the EU 2023 agenda, the ongoing trade negotiations with Latin American nations, more specifically the signing of the EU modernization agreements with Chile and Mexico as well as the conclusion of negotiations for an association agreement with Mercosur, will undoubtedly be one of the main priorities of the EU Spanish Presidency regarding the EU-LAC interregional agenda. (Luciano, 2023b)

5.2 Japan bilateral relationship with Latin America

As previously mentioned, Japan has a lengthy record of involvement in Latin America. The foundation for Japan's diplomacy with Latin American has been laid by the principles of the "Juntos!!" initiative, proclaimed in 2014 by the late Prime Minister Abe. Following that, he unveiled an initiative to enhance Connectivity between both parties, under which Japan has been working to strengthen its cooperative ties with Latin American and Caribbean nations. (Ministry of Foreign Affairs of Japan, 2022)

So far, Japanese engagement with Latin America evolves around economic relationships and increased international cooperation. The active development of economic diplomacy seems to be among the main points of Japan's foreign policy agenda. Though significant, Japan's economic connection with the region spans a variety of forms of cooperation and partnership, going far beyond trade and investment. Despite not having a formal bilateral relationship with all of the states in Latin America, it has participated in numerous forms of collaboration and partnership with both individual countries and regional blocs. So far, in terms of agreements, their relationship seems to be limited to economic partnership agreements (EPAs) with Mexico, Chile, and Peru (negotiations with Colombia are ongoing), and also engage with those countries in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP, also known as TPP11), along with other Pacific Rim countries. The sort of EPAs Japan has signed were developed based on the idea that cooperation must be added to trade liberalization to achieve sustainable development. Additionally, there has recently been talk of establishing an EPA with Brazil. Although it can be challenging, to negotiate an EPA bilaterally with a single Mercosur member country under its current Customs Union format, in 2015 the Brazilian National Industry Federation (CNI) and Japan's Keidanren (Japan Business Federation) called for an EPA between the two nations. (YAMADA, 2013; Kuwayama, 2019; Kuwayama, 2015)

The Ministers of Foreign Affairs and Foreign Trade of Chile, Colombia, Mexico, and Peru on behalf of the Pacific Alliance signed with Japan a joint declaration to strengthen this mechanism's external projection, in which the parties expressed a desire to deepen their cooperation in areas of shared interest, including SMEs, green growth and sustainable development goals, trade and investment, disaster risk reduction, and science, technology, and innovation. (Alianza del Pacífico, n.d.)

Despite having signed agreements with almost all of the Pacific Alliances members, Japan has no comprehensive agreement with the bloc. It has "observer state" status, alongside more than sixty other observer states. So far, only Singapore was designated an "associate state" after signing a free trade agreement with the PA. This associate state status aims to deepen cooperation and enhance economic ties between the two regions. Therefore it allows Singapore to engage in dialogue and cooperation with the Pacific Alliance member countries, promoting trade, investment, and other areas of collaboration. A comparable agreement should be taken into consideration by Japan to strengthen its already-existing bilateral ties with each member, boost investment, make government procurement easier, and improve access for service providers in many other industries. (Alianza del Pacífico., 2021; (Estevadeordal, 2023)

Overall, there is a scarcity of academic works covering Japan and Latin America's diplomacy, which is believed to translate the diplomatic relationship between both parties. Besides the aforementioned, it seems like there are no interactions with other blocs in the region, despite reports by news outlets on possible Economic Partnership Agreement (EPA) negotiations with Mercosur. Additionally, the country has entered into International Investment Agreements with, Argentina, Uruguay, Colombia, and Peru. Those agreements arise from the will to further encourage investment to strengthen economic ties and intend to further establish secure, just, advantageous, and open conditions for investors in their territories. (Ministry of Foreign Affairs of Japan [MOFA], n.d.)

Similar to the EU, Japan is looking forward to strengthening relationship with Latin America. Latin America has historically and geographically been a lot more significant to the Europe, Japan has still a long way to go. From it was concluded that different from the EU, which places more emphasis on trade and cooperation on human rights and sustainable development, trade and economic partnerships seems to be a key priority for Japan, the country also recognizes the importance of fostering cooperation in other areas.

5.3 Recommendations based on analysis

	EU+LA	JA+LA
General Bilateral Agreement	Strengthening economic and trade relations between the EU and LAC can help both regions overcome the effects of the pandemic and establish the conditions for a sustainable and inclusive recovery, using the technological knowledge and experience of the EU in matters such as renewable energy, digital transformation and social inclusion.	Take action in order to strengthen cooperation with the Pacific Alliance, and Mercosur. Japanese companies doing business in Latin America would tremendously benefit from greater regional integration. Perhaps, though initiatives to promote supply chain links in the region or functional funding bring the countries towards the goal of deeper economic integration.
	Trade agreements with big economies of Latin America should continue to be pursued. Due to its geopolitical dimension by strengthening links with Latin America in the supply of raw materials and green hydrogen, encouraging the diversification of the EU's energy suppliers, and lowering its reliance on less reliable partners	Identifying priority areas for cooperation, aligning development strategies, and enhancing project implementation capacities can maximize the impact of Japan's assistance. Emphasizing human resource development, capacity building, and knowledge transfer can help Latin American countries achieve development goals.
	Seek EU's energy security, by improving links with Latin America in the supply of raw materials and green hydrogen, encourage the diversification of the EU's energy suppliers, and lessen its reliance on unstable partners. The Spanish Presidency may contribute to the energy security of the EU, through pursuing more extensive partnerships with the Lithium Triangle nations.	Promoting collaboration in innovation, and research, by encouraging partnerships between universities, research institutions, and startups can lead to knowledge sharing, joint projects, and technology commercialization. Initiatives such as joint research funding, exchange programs for researchers, and innovation challenges can help facilitate such collaborations.

	Integrate interests of micro, small, and medium-sized businesses into trade agreements. It should facilitate the creation of technological start-ups that can reduce the economic and digital inequality between the two regions, and better align these trade agreements with cooperation actions.	Take steps to further promote trade and investment opportunities. This can include organizing trade missions, business forums, and exhibitions to facilitate networking and information sharing between companies. Encouraging participation in trade fairs and investment seminars can also help showcase the potential of various industries and attract investments
	Boost bi-regional cooperation for the management and sustainable use of terrestrial and marine ecosystems. Initiatives supporting the use of renewable energy, energy efficiency, electric transport, urban mobility, circular economy, and broadband internet access should be encouraged.	Identifying specific sectors for potential collaboration and focusing efforts on developing partnerships. This can entail exploring opportunities for technology transfer, joint R&D, and collaboration in areas such as renewable energy, agriculture, automotive, infrastructure, healthcare, and information technology.
	The EU-Mexico SPA should serve as a model for best practices and a spark for improvement in bi-regional cooperation. It presents evidence in support of the possibility of realizing the frequently underutilized potential of EU-Latin American relations.	

Chapter 6. Potential Geopolitical Impact of new BRICS on Collaborations between EU-Japan in Latin America : China

6.1 China as an emerging country

The rise in importance of a few developing countries has received a lot of attention lately. Synonymous of a power shift in the 21st century, the BRICS -— Brazil, Russia, India, China, and South Africa (joined in 2010), represent some of the world's largest emerging economies, expected to be larger than the G6 in US dollar terms by 2050. (Jain, 2006)

There are at least three alternative ways to look at the BRICS. First, as an acronym for a group of large economies with rapid economic growth, as originally envisioned by Goldman Sachs. Second, it has evolved into a diplomatic group identified as both an insider and an outsider of the international system. Its club identity emphasizes the self-selectiveness of the group and the members' underlying concern for institutional upkeep and survival, not just during the global financial crisis of 2008 but also in times of stress and fragility. Third, the BRICS can be understood as posing a geostrategic threat to the established international order, which is currently controlled by the United States and the developed industrial economies of the West, as well as posing a threat that could fundamentally alter it. (Cooper, 2016)

The inclusion of South Africa during their fourth summit in 2011, marked the transition of the acronym BRICS from an investment group to a new economic and political bloc with the potential to challenge the unipolar hegemony of the United States and its Western allies and significantly alter the dynamics of world order. In addition to a shared identity as the largest emerging economies, the BRICS are united by the common belief that together they stand a better chance of achieving their shared goal for a new world order. Due to low labor costs and middle classes that fared well in the new information economy, the BRICS countries' economic wealth began to increase as their national economies became more linked to the global economic system. This led to quick industrialization for the majority of the BRICS countries as market economic dynamics moved manufacturing to regions where goods were easier to make.

Natural resources, high levels of education, and position as entry points into respective areas all contributed to the Bloc's success. More foreign direct investment was attracted, and the nations began to alter their internal economic systems to benefit from export-driven prosperity. Thus, despite their rapid development and expanding economic influence, which derives from their increased integration into the global free market economy, their political power is instead represented by their ability to offer an alternative to the existing global order. (De Coning et al., 2016)

In the early phase of BRICS cooperation, the members emphasized a need for reforms in the international institutional structure, particularly, on IMF and World Bank. Most recently, the bloc announced plans of developing its currency. The creation of a BRICS currency might have a big impact on the world financial system. If effective, it may change the global monetary order, dominated by the US dollar since the end of World War II. In addition to offering an alternative to the US dollar for international trade, investments, and reserves, a BRICS currency may also help to lessen the US dollar's hegemony over the world financial system. This might result in a multipolar global monetary system where the BRICS currency and other currencies play a bigger role.

The currency could also have an impact on world financial and economic governance. By creating a common currency, they might exert more influence and pressure in discussions in pushing for reforms in the International Monetary Fund (IMF) and the World Bank to reflect the shifting economic landscape and offer developing economies a stronger voice in financial policy. Additionally, a common currency might also open up opportunities for other developing nations' economies to get involved or investigate similar regional currency structures. As a result of the emergence of a BRICS currency, it may also reflect on how other global currencies, such as the euro, yen, and pound, are used on a global scale. Additionally, it may have an impact on how developing nations participate in the global financial system by creating new opportunities for trade, investment, and economic cooperation. (Cooper, 2016; Phungula, 2023)

It is commonly believed that these economics will change how the world's markets compete, and they have a good chance of dominating the market in the years to come. China and India are two nations that have continually merited academic attention in this regard. Nevertheless, China is the focus of this research, as performing as a **super-BRICS** member when it comes to gross domestic product (GDP), trade, investment, or currency reserves, the country consolidated itself as one of the world’s leading sources and destinations of FDI, investing largely in Latin America and the Caribbean. (Cooper, 2016)

6.2 China in Latin America

The rise of China as a global power and its expanding influence in terms of commerce, investment, loans, and diplomacy has been a major driver of Asia-Latin America relations. The region's political and economic links have undergone significant change as a result of Chinese economic penetration. China has been steadily increasing its presence in the region through massive capital inflows, which initial aim was to improve import-export relations and ensure a sizeable share of the developing Latin American integrated market. Years on, China has established itself as a crucial trading partner and a voracious consumer of Latin American goods. Resources found in the area support the region's significance to a developing China: Latin America contains the biggest reserves of silver, copper, and tin in the world, accounting for 49%, 44%, and 33% of the total, respectively. Additionally, it possesses the most arable land in the world and at least 16% of the world's oil reserves. Four nations in Latin America—Argentina, Brazil, Chile, and Peru—hold China's key resources, and collectively they account for 70% of the region's exports to China. The Economic Commission for Latin America and the Caribbean (ECLAC) estimates that agricultural items account for 30% of total exports and minerals and resources for roughly 65%. (A. Rivera, 2022; Pahuamba et al., 2015)

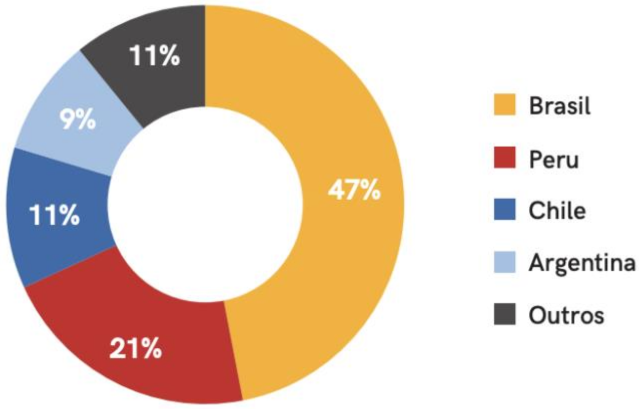
Investment in Latin America was promoted by the Chinese government as part of its strategy to improve trade links. Chinese banks have established themselves as a significant source of debt financing, lending directly to Latin American businesses and sovereigns, as well as helping Chinese corporations with their offshore investment financing. The aforementioned debt financing has been a crucial tool for promoting expansion abroad and for internationalizing, provided from state-owned banks to Chinese investors, often large state-controlled firms, for projects involving overseas expansion. The main characteristic of Chinese investments is the Chinese government's readiness to make substantial investments in economies that would generally be avoided by Western investors. For instance, due to the nationalization program implemented by the Hugo Chavez administration, Venezuela has had trouble luring foreign investors, while Ecuador has been cut off from international markets ever since it missed its bond payment in 2006. Both nations, including Cuba, have benefited greatly from Chinese investment. (Pahuamba et al., 2015)

From 2000 to 2020, Chinese corporations made over 480 investments amounting to roughly $160 billion, mostly through mergers and acquisitions and, to a lesser extent, greenfield projects and other non-financial direct investments. (Dussel Peters, 2021)

Initially, a grand majority of direct investments from China went towards natural resources business, such as agriculture, copper, iron ore, and hydrocarbon exploration. But around 2010, there was a methodical diversification. Chinese companies have grown more interested in electricity, the development of transportation infrastructure, and, to a lesser extent, manufacturing, the financial sector, but also ICT. Similarly, over time, there was a shift in terms of the geography of the primary beneficiary nations: Brazil and Argentina for the years 2010 to 2014, followed by Chile, Colombia, Mexico, and Peru after 2017.

Chinese FDI was primarily focused on the following industries between 2000 and 2020: energy (36.7%), metals, minerals, and mining (35.7%), auto parts and autos (4.1%), electronics (2.4%), telecoms (2.4%), and transport (2.2%). (Parra-Bernal, 2017; ECLAC, 2021; Wintgens, 2022)

Figure 3. Percentage value of Chinese investment in South America between 2005 and 2020



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FDIs shifted from predominantly investing in extractive industries to manufacturers and, more recently, information and telecommunications technologies, which aligns with China's plan of strengthening international collaboration in the digital economy. President Xi Jinping declared that the Belt and Road Initiative (BRI) would include technology to construct the Digital Silk Road of the 21st century. Additionally, he emphasized the need for countries to jointly explore new technologies as well as, jointly embrace the digital economy. Following the announcements, "Standards Connectivity and Joint Construction of the Belt and Road Action Plan, 2018-2020" which called for the development of uniform standards in the technical fields such as 5G, to build a stronger and safer network infrastructure to support cyber security and secure the digital economy. Before the introduction of the DSR, several Chinese investment projects in the technology sector (mostly telecoms) were already taking place in the region. The largest technology companies in China, including Huawei, China Telecom, and ZTE, were active in 15 Latin American countries since 2015, investing in data centers, telecom networks, and secure city projects. Although only 6% of the total amount of FDI was announced at the time, Beijing's focus on the Digital Silk Road in the region began to soar in 2016. (A. Rivera, 2022; Malena & Council on Foreign Relations, 2021)

Even though Beijing's regional goals, especially in South America, seem to be primarily economic, they also include a political and diplomatic component. Given the *One-China policy*, the improvement of China-Latin America bilateral diplomatic ties can be perceived as part of Beijing’s effort to undermine Taiwan's partnerships in Latin America (and the Caribbean), where it has consistently provided financial aid and investment, therefore reducing Taiwan's global influence. Nevertheless, only a small number of Latin American nations recognize Taiwan as the sole republic that goes by the name of China. (A. Rivera, 2022; Dumbaugh et al., 2005)

The Belt and Road Initiative (BRI), which was expanded to Latin America in 2017, has also contributed to the increase in political dialogue. Formally announced in Latin America in 2018 as a "natural extension of the 21st Century Maritime Silk Road", at the China-CELAC forum, the head of China's foreign ministry invited 33 Latin American nations to join the initiative which would then deepen economic and political cooperation. (A. Rivera, 2022; Wintgens, 2022)

6.2.1 Chinese in Brazil and Peru

The following section attempts to explain the extent of Chinese interests in Brazil and Peru. Besides China being the largest trading partner for these two countries, the reasoning behind presenting these two cases lies in Brazil’s role as the biggest country in the region both in terms of geographical area, economy, and population size, and Peru for its close relationship with Japan.

Brazil

The development of bilateral relations between Brazil and China since 2000 has brought significant advances when compared to the rest of the world. Deemed as "Brazil's most promising business partner and strategic ally" in a research by the Friedrich Ebert Foundation as a result of the growing partnership Brazil is China's main trading partner and FDI recipient. Despite, no bilateral investment agreement in place, out of the Latin American nations, Brazil maintains the closest ties to China. With extensive and deep diplomatic relations dating back to 1974, the nation partakes in several agreements on a variety of topics, including commerce and investment, science and technology, and education.

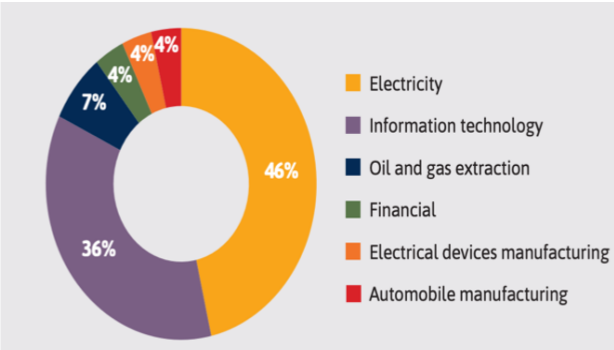
The year 2010 marked the beginning of a new era for their bilateral relationship. It served as a milestone in the consolidation of Chinese corporations' internationalization strategies, in which China made direct investments in Brazil. Mergers and acquisitions made up 43% of 100 activities, organic expansion accounted for 39%, and joint ventures made up 18%. In 2021, 54% of Chinese projects, were launched through M&A, while the remaining 46% were carried out through greenfield operations. Additionally, the ownership structure of Chinese companies in Brazil is also comprised of a type of corporation designated as a Central SOE (State- Owned-Enterprises), an assemblage of 123 large companies operating in key areas of the Chinese economy. Out of these companies, a set of 23 dubbed the "Dorsal Fin of China", recognized as the foundation of the Chinese economy, and eight of them, including COFCO10, CNOOC11, State Grid, Sinopec, China Railway Construction, Dongfeng Motors, Baosteel, and Sinochem, announced projects in Brazil. (CEBC, 2018; Cariello, 2022; CBBC, 2011)

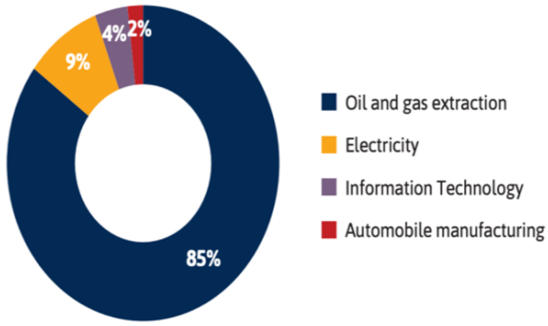
According to CEBC, from 2007 to 2020, 130 Chinese companies announced 241 projects in Brazil, with investment potential that reached US$ 110.6 billion. Out of this amount, 176 were carried out, with contributions totaling US$ 66.1 billion. Red ALC-China and the China OFDI Monitor in Latin America and the Caribbean, report an amount of US$ 52.6 billion for the Chinese investments stock value during this period, the China Global Investment Tracker (CGIT) estimates a total of US$ 60.6 billion. Red ALC-China also identifies China as the greatest beneficiary of Chinese investment in Latin America and the Caribbean by 2020, accounting for 35% of the amount, solidifying Brazil as the region's investment hub. Chinese investment in Brazil surged by 208% in value in 2021 compared to the previous year, reaching US$ 5.9 billion, the greatest sum since 2017.

Recent data on foreign investments released by the United Nations Conference on Trade and Development (UNCTAD) reports a growth of 79% from US$ 28 billion in 2020 to US$ 50 billion the following year, with significant participation in the industries of agriculture, automotive, electronics, finance, and information technology. (Cariello, 2021)

When it comes to sector diversification, Chinese investments seem to be primarily focused on the mining, oil and gas, and infrastructure (railroads and ports) sectors and are predicted to result in greater profits and cheaper costs. Meanwhile, small and medium-sized Chinese enterprises have increased their investments in the manufacturing sector as a result of the recent expansion of the Brazilian consumer market.

Figure 4. Chinese investments in brazil by sector, 2021
(per number and value of confirmed projects)





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Since 2012 electricity was the most attractive sector. The latter remained a trend until 2021 with 13 confirmed projects. Investments were made by Shanghai Shemar Power, China Three Gorges, and State Grid. The year 2021 saw the emergence of IT as the second most invested industry, with around 10 projects completed. Along with Tencent's growth of operations and investments from MSA Capital and Ant Financial. As seen in the graphs above, in terms of value, investments in information technology despite reaching a new time high, it did not perform that well. The US$ 229 million granted to the industry was just 4% of total Chinese investment in Brazil. (Cariello, 2022)

Peru

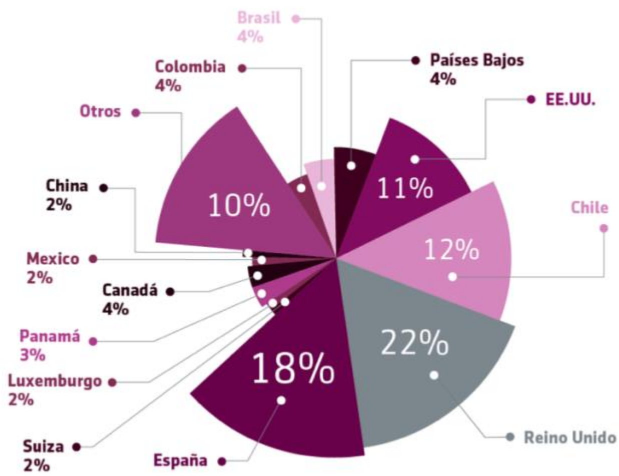
The signing of a Treaty of Friendship, Commerce, and Navigation in 1874, marked the beginning of diplomatic relations between the Peruvian republic and the Chinese empire. Due to a long-standing relationship between China and Peru, the country is home to the largest Chinese population in all of Latin America. In 2013, the country's relationship was upgraded to a comprehensive strategic partnership. The two nations' actual cooperation yielded positive outcomes in a variety of disciplines, including military, space industries as well as education.
(Ministry of Foreign Affairs of the People’s Republic of China, n.d.; Ellis, 2022)

In the same fashion as in other Latin American resource-rich nations, the extractive industry is the driving force for Chinese investment in Peru. Initially, Chinese investments have been concentrated in mining, oil and gas, and fishery, however from 2016 they began to explore new areas by launching projects in infrastructure, telecommunications, and hydroelectricity. Data reveals that in 2018 alone, China's investment in the country totaled over 997 million USD, where 95% went towards the mining industry, the transport industry received 3%, and the telecoms industry received 1.5%.(Zanabria & Aquino, 2015; Mejía et al., 2020;Osterloh, 2019)

The People's Republic of China (PRC) and Peru have one of the strongest and most enduring economic ties in the area. Peru is the second-largest recipient of Chinese investment in Latin America, after Brazil. According to China's ambassador to Peru, Liang Yu, Chinese investments in Peru currently exceed US$30 billion. It is also one of the three Latin American countries to enter a free trade agreement with China, signed in 2008, to foster investment in mining, energy, and infrastructure development. Most recently, the agreement is being updated to cover industries such as e-commerce and services. (Ratigan, 2021; Mejía et al., 2020)

The Chinese Embassy of Peru reports that despite Spain and the rest of the EU being Peru's top foreign investors (see figure 4), China remains its major investor in the mining sector. From January to November 2022, in addition to Las Bambas, Chinese-owned businesses, namely Shougang Hierro, Minera Shouxin, Jinzhao Mining, and Chinalco invested a total of $577 million in the sector. (Kessler, 2023)

Figure 4: Stock of Foreign Direct Investment by country



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Concerning entry modes, the PRC has greatly increased its presence in the country through the acquisitions of assets. Chinese investments are primarily brownfield, often through companies that are either owned by or strongly affiliation with the Chinese party-state. For the time being, copper and iron ore projects in Peru are the main priorities of Chinese enterprises. Thus, instead of buying raw materials on the market, Chinese companies frequently opt for acquiring the rights to mines. As part of its extensive portfolio of investments in the nation the PRC, owns Toromocho and Las Bambas, two of the five major copper mines in Peru.

As the first to welcome PRC-based businesses, the mining and petroleum industries of Peru have long been dominated by Chinese firms. In the petroleum industry, for example, China's National Petroleum Corporation (CNPC) has been in the Talara oilfield since 1993. Today, PRC-based enterprises produce all of Peru's iron, 25% of its copper, 35% of its petroleum, and 100% of its output of copper. (House Committee on Foreign Affairs, 2022; Ramírez Bullón & Ayala Castiblanco, 2017)

Recently, the fields of energy generation, transmission, and transportation infrastructure have perhaps seen Chinese enterprises' most significant expansion on Peruvian territory.

Similar to mining and petroleum, the PRC has greatly increased its presence in Peru's electricity sector, through acquisitions. For instance, China Three Gorges through a consortium made up of Energías de Portugal, completed the $1.4 billion purchase of the Chaglla hydroelectric facility in the remote interior province of Pachitea from the Brazilian conglomerate Odebrecht in April 2019. Likewise, later in September, Yangtze Power, a Chinese business, acquired 83.6 ownership of Luz del Sur, an electric provider, for $3.6 billion. (Ellis, 2020; Osterloh, 2019)

In the field of telecommunication, Chinese brands such as Oppo and Huawei which have been in South America's market since 1999, have their equipment sold by most national commercial providers. Huawei as a marketing tactic, donated telephones to the Peruvian Foreign Ministry, until they stopped using them perhaps due to concerns regarding data protection.
In 2018, the Chinese company, Yangtze Optical Fiber and Cable was awarded a project in partnership with Peru's Yachay Telecommunications to install 7,500 km of fiberoptic line which will provide coverage in rural areas.

Besides telecommunication, Chinese companies have also made notable strides in other facets of Peru's digital economy. In December 2019, Huawei introduced its cloud services in Peru. In addition, the company launched the "Cultivate digital talent program" with the National University of San Marcos and the National University of San Marcos, a framework that enables students to develop and specialize in Cloud Computing. In addition, Huawei provided a server and related equipment to the university as part of the project. (Ellis, 2022)

In terms of Infrastructure, Peru's geographic location, between the Pacific Ocean and Brazil and markets on the other side of the Andes mountains has long been a driving force for the development of road infrastructure. Recent interest in the field started with the signing of a memorandum of understanding in 2014 between Peru, Brazil, and China to examine the viability of a Bi-Oceanic Railway Connection project, a proposal to connect the Atlantic in a port in Brazil with the Pacific in a port in Peru. The project has raised the social and environment impact. According to China Railway Eryuan Engineering (CREEC) Group, construction on the $10 billion (66 billion yuan) project, was expected to start in 2017 and be completed by 2025, however, it was shelved over costs concerns. (Osterloh, 2019;Leal, 2016)

In April 2019, Peru signed a Memorandum of Understanding (MOU) as part of the Belt and Road Initiative. As the initiative is known to be primarily focused on infrastructure investment projects, it is anticipated that Chinese investment in this industry will rise. Despite, none of the biggest economies in the region, namely, Brazil, Mexico, Argentina, and Colombia, have officially partaken in the initiative, Peru's initiative as the sixth largest LA economy is expected to boost in the Andean bloc. Then President Martín Vizcarra, stated its interest in the revival of the interoceanic railroad project with Brazil and Bolivia, under the BRI initiative. Previously rejected due to financial concerns, new studies project a total up to U$60 billion, of which the Peruvian portion will cost US$7.500 billion, or one-fifth of the initial estimate. (Kessler, 2023; Liévano, 2019)

During an interview with Peru's ambassador to China, Luis Quesada, he mentioned the need to explore areas for further cooperation. Additionally, he revealed the country's interests in the digital economy and the role a partnership with China, as a leader in the area, can play in enhancing the national system of digital transformation. Additionally, he mentions their interest in exploring together, renewable energy, as there are opportunities to increase the output in areas, like wind or solar energy. Thus, they are working on attracting investment in that sense. (Lo Lau, 2022)

6.3 Analysis and Recommendations

China	Analysis	Recommendations
Latin America	China has had a substantial and varied impact on Latin America. China has been more involved in the region as its economy and global influence have expanded. Some nations in Latin America have seen economic progress as a result of China's involvement, but it has also exposed vulnerabilities to changes in commodity prices and increased economic dependence. Furthermore, China has been asserting itself more and more in regional politics and diplomacy, upending established power relations and altering the geopolitical environment in Latin America.	Enhance Transparency and Accountability mechanisms to ensure that Chinese investments are conducted in a transparent and responsible manner. Improve governance frameworks, regulatory oversight, and reporting requirements to minimize the risk of corruption, environmental degradation, and social issues. Foster regional cooperation among Latin American countries to collectively engage with China and negotiate more balanced agreements. By presenting a unified front, countries can leverage their collective bargaining power to ensure fair trade practices, environmental sustainability, and social responsibility.

Brazil	China has had a significant impact on Brazil. Brazil's connectivity and trading capacity have improved as a result of Chinese investments in infrastructure projects like ports and railroads. Concerns have been raised about the sustainability of the environment, though, as a result of deforestation and changes in land use in the Amazon rainforest brought on by Chinese demand for commodities.	Promote Regional Integration, by collaborating with other Latin American countries and negotiate trade and investment agreements collectively. In dealing with China, this can assist to present a unified front and address shared worries about environmental sustainability, labor rights, and ethical business practices. Brazil can use its collective bargaining power to leverage regional collaboration and obtain more equitable deals with China.
Peru	Peru's economy has been significantly impacted by Chinese FDI. Chinese businesses have made significant investments in Peru's infrastructure and mining industries. These investments have helped the economy expand, create jobs. However, there have been worries regarding the social and environmental effects of mining operations.	Take advantage of China's interest in the region and encourage collaborations and agreements that facilitate technology transfer between Chinese enterprises and local entities. This will aid in the development of skills and technology. Maintain an active diplomatic engagement with China to ensure that Peru's national interests are protected. Seek to maximize economic prospects while preserving sovereignty and long-term strategic objectives.

CHAPTER 7. Conclusions, limitations and recommendations of the research

7.1 Conclusions

The preceding chapters have shown the findings regarding the state of the EU-Japan strategic partnership in Latin America. Crafted with a dual purpose, the following research aimed, first to identify key initiatives and nations in Latin America where there is collaboration and synergies between the EU and Japan in the four areas of connectivity: transport, energy, digital, and people-to-people. Second, to offer advice on how to overcome challenges so that tools and levers can be mobilized to encourage investments in connectivity.

Results from the research indicate that so far after the signing of the aforementioned agreements in 2018-2019, not many projects have been implemented. Such results might be due to the fact that 5 years is a considerably short time frame and other factors such as Latin America not being a priority for the EU-Japan partnership. While the signing marked a significant step towards deeper cooperation between the European Union and Japan, the agreements are still in their early stages, and therefore various aspects of the agreements are yet to be fully implemented. At the European Union and Japan 29th Summit on July 13th, it was stated the need to create a preliminary list of significant connectivity projects to help operationalize the Partnership on Sustainable Connectivity and Quality Infrastructure. Thus, it is natural that there is no abundance of joint projects so far, as companies seem to be yet to harness the benefits of the agreements, mainly in areas such as Latin America.

From the 21 case studies found, only 9 dates after the signing of the agreements.
These were divided into the following seven sectors, transportation, wholesale and retail trade, energy, Gas and Oil, water and waste, manufacturing, and telecommunication. Most of the projects, so far are concentrated in the energy sector. Desktop research, alone does not allow us to deduce if the companies have a preference in terms of types of agreement when entering the Latin American market. Contrary to popular assumptions, research findings reveal an intriguing twist in the dynamics between the Iberian countries, Portugal and Spain, and their presumed cultural and linguistic ties with Latin American nations. While those factors undoubtedly form a backdrop for interaction, results from research shows that before Spain, French companies have emerged as the primary catalysts behind a multitude of collaborative endeavors with Japanese companies within the region. In correspondence with an anonymous interviewee with a managing position at Mota-Engil Portugal, he mentioned that this unforeseen dynamic might be justified by Iberian companies' lack of capital. He added that the overall main advantage EU companies gain from partnering with Japanese companies. Through partnerships, European companies can access Japanese partners' robust financial resources.

Overall, these projects are mostly carried out by big companies and multinationals, only case 3 and case 7, are carried out by European SMEs, with the participation of a Japanese multinational and a Sogo shosha, respectively. That pattern can be due to the fact that, despite the size of the market, SMEs must be hesitant due to the level of significant structural barriers present in the market.

In terms of funding, a memorandum of understanding (MoU) was signed between the European Investment Bank (EIB) and the Japan International Cooperation Agency (JICA) under the EPA and SPA agreements. In this context, it is noteworthy that the EIB signed an agreement with JICA, leading to the creation of the MGM Sustainable Energy Fund. This fund serves the purpose of financing renewable energy and energy efficiency projects across South East Asia and Latin America. Despite these promising initiatives, it is intriguing to note that the examples examined in this research are conspicuously silent regarding the participation of financial institutions in their projects. This absence, rather than indicating a lack of external support, suggests that the resources of the participating businesses themselves appear to be supporting the collaborative activities, as the majority of those initiatives involve companies with large financial power.

Moreover, the research identified some obstacles to the full deployment of EU-Japan business cooperation in the dynamic region of Latin America. Linguistic and cultural disparities, divergent management outlooks, and the presence of regulatory and political instability emerge as prominent challenges. These obstacles, coupled with issues such as corruption and frequent shifts in legal and regulatory frameworks, create an uncertain environment. While Latin America undoubtedly holds considerable business potential, its progress is hindered by extensive bureaucracy with time-consuming administrative processes adding considerable weight to companies operating in the region.

In addition to the aforementioned, EU and Japanese companies have to deal with a heavy Chinese presence in the territory. Similar to the EU and Japanese companies, the Chinese main interests are rooted in the region's natural resources and creating opportunities for several Chinese enterprises investing in the region. China is present in a plethora of sectors, including infrastructure development, and most recently has increased its interest in information and communications technologies. Under the Belt and Road Initiative, the PRC has been realizing projects intended to increase regional and inter-regional connectivity. Nevertheless, China's main advantage is that it does not position itself as a normative actor looking to impact the political objectives, economic policies, or trade laws of the Latin American countries or any other nations it comes in contact with. Instead, it projects itself practical authority able to address the immediate requirements of those nations.

Despite the challenges previously outlined, the research identified promising avenues to be explored. Firstly, the pressing need for extensive infrastructure investments, which magnitude of infrastructural requirements surpasses the financial capabilities of local banks. In the realm of the digital economy, Latin America still lags behind global standards. digital services like mobile payments and e-commerce remain inaccessible to the majority of the population. Last but not least, in line with environmental goals, Latin American countries possess significant industrial capabilities and natural resources, offering potential pathways for low-carbon hydrogen production.

What does the future hold for Latin America within the framework of the EU-Japan Connectivity strategy? In light of the ongoing geopolitical dynamics, notably the Russia-Ukraine conflict, and the impact it has had on commodity prices and particularly affecting natural gas costs, Latin America emerges as a way for the EU to diversify its suppliers in favor of its national security. In addition, with the emergence of the Spanish Presidency of the European Council, Latin America is expected to be high on the European Union's agenda in 2023. As a result, the region’s significance within the EU's connectivity framework, in which Japan is a partner, is projected to increase notably.

7.2 Limitations

Unfortunately, despite continuous efforts to engage with the European companies presented in the case studies to add more depth to the research, circumstances beyond their control hindered their participation in the study. Therefore, the research conducted could not benefit from primary information on companies operating in the Latin American market. Similarly, the survey made accessible to the EU-Japan Centre Business Round Table (BRT) members through the center's website, unfortunately, did not yield substantial insights for the research. This outcome can be attributed to several reasons, primarily stemming from a lack of interest and participation from the BRT members. The survey garnered an unexpectedly low response rate, with only a single participant. The willingness and participation of the target audience are crucial to a survey's ability to produce valuable data and insights. The BRT members' blatant lack of enthusiasm in taking part in this survey indicates that its content, design, or advertising did not resonate with their needs or priorities. As a result, the analysis primarily relied on publicly available data and secondary sources. While this limitation may have affected the depth of the findings, the author made every effort to assure the accuracy and reliability of the material presented.

In addition, it was observed that embassies and chambers of commerce representing EU countries and Japanese interests in Latin America, as well as some Latin American embassies in the EU, appeared to have limited awareness of business partnerships involving companies from both regions. Despite reaching out to these organizations for potential insights or support, they were unable to provide substantial information regarding existing or emerging collaborations between EU and Japanese companies in the Latin American market. This lack

of awareness may indicate a need for improved communication channels and engagement strategies between these entities and the private sector to foster a more comprehensive understanding of business activities in the region.
Based on research and interactions, namely from correspondence and calls with EU and Japanese officials and business representatives, as well as desk research, the author concluded that the landscape of EU-Japan business cooperation in Latin America remains underexplored, with a noticeable scarcity of comprehensive studies and research on the topic. Despite the considerable economic presence of both the European Union and Japan in the region, the extent and impact of their collaborations in Latin America have yet to be thoroughly examined. The limited attention to this subject presents a significant knowledge gap, as understanding the dynamics of these partnerships can hold valuable insights for businesses, policymakers, and stakeholders alike.

7.3 Recommendations

After extensive research and insightful findings presented throughout the study, the following subsection represents the culmination of challenging research and critical analysis, leading us to some recommendations crafted with a dual purpose in mind: to contribute to the broader advancement of knowledge within our subject area and to provide practical guidance for stakeholders in the field.

First, to address the main challenge of this work— the scarcity of information about EU-Japan business cooperation in Latin America —, there is a need to enrich the EU-Japan database. It would be helpful if both offices of the EU-Japan Centre for Industrial Cooperation could provide a detailed inventory of European and Japanese companies operating in Latin America. This could be facilitated through proactive measures, including periodic surveys and market research on specific industries and sectors. Such endeavors could provide invaluable insights into the intricacies of operations within these markets. The Centre should proactively engage with European and Japanese companies through surveys, interviews, and direct communication, as well as encourage these companies operating in Latin America to willingly provide updates on their projects. Additionally, the Centre can collaborate with embassies and trade missions, which can act as valuable sources of information on projects undertaken by their respective companies, and therefore provide regular updates to the Centre. Similarly, the Centre should establish partnerships with European and Japanese business associations in Latin American countries, as these associations often have their databases and networks, which can complement the Centre's efforts.

Second, to establish a Latin American Association of European Chambers of Commerce. This initiative would provide EU companies with better access to the region's markets, more networking opportunities, insightful market data, and a unified voice for advocacy and representation. The association would provide EU businesses with the necessary tools to deal with regional obstacles more skillfully through information sharing and assistance, promoting trade, partnerships, and sustainable growth within the dynamic landscapes of Latin America. In essence, an Association of European Chambers of Commerce in Latin America would emerge as a vital asset poised to empower EU businesses interested keen on tapping into this vibrant market.

Third, the number one priority, which also seems to be EU-Japan SPA's main difficulty, should be identifying projects in which they can cooperate, to increase the presence of EU and Japanese companies in Latin America. This can be done by conducting comprehensive market research to identify potential opportunities and target markets in Latin America. The latter includes understanding the local business environment, consumer trends, regulatory frameworks, and competitive landscapes. Such insights will enable EU and Japanese companies to make informed decisions and develop tailored strategies to enter and expand their presence in the region.

EU and Japan should encourage partnerships and collaborations between their companies and Latin American companies, as well as with local institutions. To facilitate this, this research presents a selection of trade fairs and exhibitions throughout Latin America that can serve as valuable platforms for promoting collaborations. These gatherings offer a priceless chance to present new ideas, exchange knowledge, and forge important partnerships. By successfully utilizing these venues, the EU and Japan may encourage intercontinental cooperation and contribute to the expansion and richness of the corporate ecosystems in both regions. (see annex 1: Trade fairs and exhibitions in Latin America)

Fourth, to improve digital connectivity and advance the digital agendas of all participating regions, the EU and Japan should start a structured and ongoing series of discussions, exchanges, and collaborations on digital-related topics with Latin America. By establishing regional digital dialogues, EU-Japan can work together with Latin American countries to enhance digital connectivity in the region. These digital dialogues can facilitate the exchange of knowledge and best practices. As each region certainly has distinct experiences, knowledge, and technological breakthroughs, sharing knowledge on matters such as cybersecurity, data protection, regulatory frameworks, and digital governance can help all parties involved improve their digital ecosystems. Additionally, capacity-building programs can be established to support Latin American countries in developing their digital skills and capabilities. Through successful regional collaboration, these dialogues could inspire other regions to engage in similar initiatives, and therefore lead to a more inclusive and interconnected global digital ecosystem, benefitting the global economy and advancing digital rights and standards worldwide. In essence, systematic "Regional Digital Dialogues" between EU-Japan and Latin America can enhance digital connectivity, unlock economic opportunities, promote knowledge exchange, address common challenges, and contribute to global digital cooperation. Moreover, such dialogues can foster mutually beneficial partnerships and drive sustainable digital development in all participating regions.

Lastly, the creation of an EU-Japan-Latin America Green Hydrogen supply chain, an initiative to harnesses the strengths of each region to facilitate the production, transportation, and distribution of green hydrogen. This strategy would capitalizing on Latin America's renewable energy resources, technological expertise in the EU and Japan, and their shared commitment to combating climate change. This collaboration would collectively contribute to global efforts to combat climate change, promote energy security and foster economic development. Investment from the EU and Japan can support the development of large-scale green hydrogen production facilities, ensuring advanced technologies are employed to enhance efficiency and cost-effectiveness. In addition, EU and Japanese research institutions could partner with Latin American universities and research centers to share knowledge and expertise.

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