

Achieving SDGs Goals through Shared Wisdom: Toward Enhanced Japan-LAC Connectivity

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Latin American countries and Japan could work together to achieve the SDGs by sharing their knowledge and experiences. One of the most effective driving forces for this is quality cross-Pacific trade, investment, and cooperation. This should be further expanded, strengthening the collaboration of Latin American countries and Japan in the achievement of the SDGs. In this regard, it should be emphasized that “international trade is an engine for inclusive economic growth and poverty reduction, and contributes to the promotion of sustainable development.” (UNGA 2015, Paragraph 68) Moreover, “private business activity, investment and innovation are major drivers of productivity, inclusive economic growth and job creation.” (UNGA 2015, Paragraph 67) This is the reason why the UN document on SDGs states, “We call upon all businesses to apply their creativity and innovation to solving sustainable development challenges.”

This short paper aims to provide insights on the achievement of the SDGs through shared wisdom between Latin America and Japan, drawing from outstanding experiences, keeping in mind the above-mentioned perspective.

Automobile industry’s global value chains: Contributing to inclusive and sustainable growth

Japan’s role in these value chains is growing. In the decade since the signing of the Japan-Mexico Economic Partnership Agreement (EPA), Japanese automakers have invested nearly US\$6 billion in Mexico. During the five-year period from 2012 to 2017, Mexico’s car production increased from 3 million to 4 million, while Japanese car manufacturers’ participation expanded from 800 thousand to 1,330 thousand vehicles, an increase of 66 percent. This increase in Mexico’s car production has been accompanied by a rapid expansion

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of auto parts production in Mexico. The number of auto parts makers in the country increased from 956 to 2,229 between the end of 2009 and the end of 2017. Behind this process of the growing participation of auto parts makers in automobile value chains, public and private cooperation programs between Mexico and Japan have played a key role in facilitating this process. These programs enhance quality economic ties among stakeholders in value chains because they make it easier for firms to achieve the continuous improvement (a concept closely associated with incremental innovation) of their products and make value chains more inclusive through the participation of SMEs and the creation of jobs (See IDB 2016; Hosono 2018). Thus, in this case of the Mexican automobile industry, business activities effectively contributed to improve productivity, inclusive growth, and job creation, which are major goals of the SDGs, as mentioned above. Similarly, a remarkable widening and deepening of automobile value chains has been taking place encompassing MERCOSUR countries and Japan.

On the other hand, it is worth mentioning that a Japanese company, Kaiho Industry, has been a pioneer in reusing and recycling used cars in many countries including Japan and Brazil. Today, efficient car recycling has become a major challenge in developing countries. There are many places where old vehicles are abandoned as garbage around cities. Used automobiles must be dismantled properly, otherwise this can be a major cause of environmental pollution. Kaiho Industry addresses this challenge with its experiences and technology. Currently, the company is running projects in countries such as Brazil, India, Indonesia, and Kenya, where it has established recycling centers with public or private partnerships. The company established a pilot plant and an international recycling education center (IREC) to disseminate “correct car recycling methods”, conducting an automobile recycling business in the Centro Federal de Educacao Tecnologica (CEFET) in Minas Gerais State, Brazil. Indeed, these activities are a critical part of automobile value chains in terms of the improvement of resource efficiency in consumption and production and decoupling economic growth from environment degradation, as indicated as Goal 8.3 of the SDGs. If the production of cars through global value chains could be perceived as an arterial industry, the recirculation of used cars could be considered as a venous industry. In order to achieve Goal 8.3, both arterial and venous industries are essential. UNDP has approved Kaiho Industry’s accession to the Business Call to Action (BCtA) as the first SME (small or medium-sized enterprise) in a venous industry in Japan.²

² This paragraph heavily draws on Kaiho Industry’s web page.

Outstanding inclusive businesses contributing to SDGs

Inclusive business models, as proposed by the United Nations Development Program (UNDP/Growing Inclusive Markets 2008), could proactively provide opportunities for inclusive and sustainable activities in which low income people or the so-called base of pyramid (BOP) can participate. These models include the poor on the demand side as clients and customers (first category) and on the supply side as employees, producers, and business owners at various points in diverse value chains (second category).

As regards inclusive business for the first category, the case of the Yakult model deserves special attention. Several points can be highlighted as factors that have enabled the success of its model. First, at the base of the company's success was its unique business model, which was able to tap into people's latent demand for beverages with health benefits at affordable prices. This business model comprised, most notably, an attractive product (quality and price) and the company's unique home delivery system using the Yakult Ladies. This home delivery system enabled customers to purchase the product in small quantities without needing to make trips to the supermarket or other shops from people with whom they were acquainted and on whom they could rely, while receiving information on the possible benefits of the product. Communication with customers was greatly facilitated by the Yakult Lady system. The system also provided new job opportunities, particularly to women, making them more self-reliant in economic terms (Hosono 2019). The company's success in Mexico, Brazil and more than 35 countries in the world shows that the product has succeeded in tapping into the latent demands of people. In Mexico, through a recent agreement, Yakult and UNICEF started to collaborate in improving the health-related habits of 380,000 families.

As regards inclusive business in the second category, the rapidly growing sesame value chain in Paraguay can be considered as an outstanding example of a food value chain with strong effects on social inclusion. The pioneering company was Shirosawa Co., which started experimental production of sesame in 1989. The company decided to work with small farmers in 1993. It took four years to develop a high-quality variety, Escoba. This technological innovation achieved a breakthrough in creating a new and competitive sesame value chain in Paraguay. The number of small farms producing sesame increased from 5,000 in 1999 to 35,000 in 2005 and to around 50,000 in 2015. Each farm cultivates sesame over 1 to 2 hectares. Sesame is today one of the most important export products of Paraguay. Shirosawa and seven other sesame companies give technical assistance to farmers through their extension experts, provide finance to farmers, and buy sesame from them. US AID (2009) highlights the importance of the contribution of Shirosawa Co.: "It demonstrated that sesame production is

adequate for small farmers; it diffused the ‘culture of quality’ among farmers; and it introduced a system of traceability involving farmers.” Today around 70 percent of white sesame imported to Japan is from Paraguay.

Pioneering efforts to enhance green economy with inclusive and sustainable growth

Tropical rainforests are rich in biodiversity and function as huge reservoirs of carbon dioxide, but they are increasingly becoming endangered. Goal 15.2 of the SDGs addresses this risk: “promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.” In this context, pioneering efforts in Tomé-Açu, in the state of Pará in the Brazilian Amazon region, deserve special attention. Their crop diversification and critical production experience led to the development of an innovative agroforestry model (hereinafter referred to as the Tomé-Açu model) that is well suited to the Amazonian environment. In the Tomé-Açu model, key factors include a combination of crops and trees and the sequence for planting them. The model is inclusive and sustainable. Using this model, 25 hectares of agroforestry produce the same level of income as 1,000 hectares of cattle ranching. Therefore, the former’s income from 25 hectares is forty times that of the latter from the same extension of land. Moreover, the agroforestry creates jobs for ten to twenty workers with 25 hectares, whereas the ranching needs 50–75 hectares to create a job for one worker (Yamada 2003). In acknowledgment of the establishment of this successful model, on December 1, 2010, the Tomé-Açu Multipurpose Agricultural Cooperative (CAMTA) was awarded the first Brazil Regional Development Contribution Prize by the federal government of Brazil (Hosono 2013).

Several Japanese companies, including Meiji and FRUTAFRUTA, commercialize products of Tomé-Açu in the Japanese market. Agroforestry Chocolate of Meiji received the Eco-Products reward and the Award of the Environment Minister of Japan. Recently CAMTA and Meiji started to work together through an agreement for cooperation in development of technology of fermentation and for the sustainable trade of cacao. The web page of FRUTAFRUTA explains: “Charmed by the passion and diligence of the Japanese immigrants engaged in agroforestry through trial and error with numerous crops amid difficult conditions, FRUTAFRUTA directly imports the fruit ingredients and other types of ingredients produced through agroforestry from CAMTA in order to support the development of their agroforestry. The link to CAMTA is an essential bond for FRUTAFRUTA.”

Mobilizing resources for inclusive and sustainable rural electrification

Goal 7 of the SDGs is to “ensure access to affordable, reliable, sustainable and modern energy for all.” Among recent efforts in this regard, Mitsui Sumitomo Financial Group (MSFG)’s latest initiative deserves special mention. MSFG coordinated the emissions of Green Bond of Ergon Peru, an enterprise specializing in the electrification of rural areas of Peru. The amount of resources to be mobilized is 222 million dollars, which would be used for a Public and Private Partnership (PPP) project for rural electrification. This project is inclusive because it improves access to electricity for rural villages, which are not connected to the electric supply network. It is sustainable, as the source of electricity is solar energy. The electricity would be affordable for rural people to get the energy necessary for basic needs including TV and lighting. This project would make solar electricity available for one million people in rural areas (*Nihon Keizai Shimbun*, August 9, 2019).

Concluding Remarks

We have been able to derive value insights from the above-mentioned cases. Diverse enterprises, including both large companies and small and medium-sized companies have led the initiatives to attain the SDGs. However, it should be recognized that innovative solutions to achieve the SDGs often require years of efforts through trial and error. In many cases these solutions have been co-created by Latin American and Japanese enterprises often through public and private partnerships. The outcome of their initiatives have produced significant impacts in local and regional economies and, in some cases, in the national economy. They have had some spill-over effects both nationally and internationally. The cases presented here demonstrate that the sharing of knowledge and best practices between Latin America and Japan have been steadily expanded. This has suggested to us that the cross-Pacific “connectivity of wisdom” to achieve SDGs will be very promising in the future. In this context, the advantages of the so-called “Japan model” could matter (Hosono 2018; Myers and Hosono 2019)

Some salient features of Japan’s decades-long engagement in Latin America, or what has been described as the “Japan Model”, have the potential to facilitate the further development of Japan-LAC value chains as well as stronger contribution to the achievement of the SDGs in future. The “Japan Model” consists of a long-term vision and engagement on the part of Japanese companies, an emphasis on investment in human capital, the huge assets that Japanese companies have for investment, as well as technology and know-how, an approach based on Economic Partnership Agreements (EPAs), which goes well beyond FTAs, together with Public and Private Partnerships with strong synergies between trade, investment, and cooperation. All of these factors matter for expanding value chains and strengthening

contribution to the achievement of the SDGs.

As stated above, quality value chains and innovation can contribute to quality growth and achievement of the SDGs, helping to construct inclusive, sustainable, innovative, and resilient economies. Accordingly, cross-Pacific quality ties based on dynamic value chains and shared wisdom will become something much more than just spot or short-term transactional relationships, and help to build transformational relations.

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