"Allied Infrastructure Strategy in the Indo-Pacific"

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FEATURING
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Johnathan Hillman: OK. Welcome, everyone. Thank you for joining today’s discussion about allied cooperation on infrastructure. I’m John Hillman, director of the Reconnecting Asia Project at CSIS. And, first off, I’d like to thank our guests and the governments that they represent for supporting and participating in this event, and also for doing so across some pretty different time zones. I’d like to invite all of you watching and listening to this discussion to submit questions through the Q&A feature at the bottom of your screen, and then I’ll do my best toward the end of the program here to get as many of those questions into the discussion. And, you know, I think this is a very timely time to have this discussion, frankly. I think, you know, allied cooperation is so central to many of the global challenges that we face today, especially issues related to economics and technology. But that cooperation is not always easy. And I think this is a really – a good opportunity, because the three governments represented here today – the United States, Japan, and Australia – have come together in a deep and sustained way to help expand the availability of high-standard infrastructure projects, particularly for developing countries. And to me, their efforts represent a hugely positive and strategic shift. It’s easy to criticize what others are doing. And, you know, having studied other infrastructure efforts myself – including China’s Belt and Road – for several years, there’s plenty to criticize. But criticizing isn’t competing. And to compete, you need to offer compelling alternatives. And what’s so encouraging about this trilateral partnership is that it’s not just a partnership on paper, it’s actually having some real-world impacts. We can see it driving multilateral efforts to raise standards and mobilize private capital. We can see it attracting interest from other countries. And it’s actually starting to lead to some real projects too. There’s still a lot of work to do in order to realize the full potential of this partnership, but there is already a lot to learn here. Lessons for more recent efforts, like Build Back Better World, which the G-7 announced in June, and even broader lessons for forming coalitions on economic issues and operationalizing allied cooperation in the Indo-Pacific. So let me briefly introduce our guests, and we can get the conversation started. Isabel Cane is head of trust in – head of the Trust in Business Initiative at OECD, which she oversees the coordination of the Blue Dot Network and related projects that strengthen public-private cooperation to inform policies and improve their implementation. Craig Chittick is first assistant secretary of the U.S. and Indo-Pacific Strategy Division at Australia’s Department of Foreign Affairs and Trade. He’s responsible for the implementation of Australia’s Indo-Pacific strategy as well as bilateral and multilateral relationships with the United States, Canada, ASEAN, the East Asia Summit, the Trilateral Strategic Dialogue, and the Quad. And Craig gets the award today from joining us from the most difficult time zone. I believe it’s just after 11:00 p.m. in his evening. So, thank you, Craig, for doing this. David Marchick is the chief operating office of the U.S. International Development Finance Corporation, where he manages agency policies, oversees business operations, and coordinates strategy and priorities. Fumio Yamazaki is director of the Development Assistance Policy Coordination Division at Japan’s Ministry of Foreign Affairs. He’s responsible for coordinating Japan’s grant, loan, and technical assistance policies toward developing countries. So really a terrific group here to help us talk not only about the trilateral partnership, but also some
of the broader efforts that this partnership has helped inspire and has been really driving. And so to get us some context here, I’d like to just sort of step back for a second. And, David, I’d like to turn to you and ask if you could just say a few words about how this trilateral partnership came about. What was the – you know, what was the origin of it? And we see some of the – some of the work that it’s been doing, but how did this all begin?

David Marchick:

So, thanks very much for having me. And it’s great to see my colleagues, and it’s great to be really with CSIS. CSIS was the first place I worked after graduate school, and so always feel very fond about that. So let me mention a little on the trilateral infrastructure partnership, and then also kind of feed that into the Build Back Better for the World initiative, because I think there’s a lot of alignment there. So, this trilateral infrastructure partnership came about because there was a growing recognition of the need to highlight the approach to delivering sustainable development as an alternative to the kind of predatory approach that other alternatives provide. So, one alternative provides state-run, not very transparent, often coercive debt financing. And another provides transparent, private-sector driven non-opaque, project-based, sustainable financing. And so, we and our partners on this call felt that we had a likeminded approach to leverage our strengths, develop pipelines, share market information, to identify and mitigate risks, and to execute on projects. And so that’s what we’re doing. And so, this partnership was signed in November of 2018. And it was an effort to tackle the many problems in the Indo-Pacific together, to help ensure it would remain free and open, stable, prosperous, and also to promote inclusive growth. Let me just say that a lot of the concepts that were embodied in this partnership were later embodied in what’s called the Build Back Better for the World initiative. And that came out of a conversation that President Boris Johnson – Prime Minister Boris Johnson had with President Biden in March, where they were talking about the Belt and Road Initiative and, like many leaders, had frustrations with it. But Johnson and Biden said: Let’s do something about it. And so through really good staff work by a fellow named Daleep Singh, who’s the deputy national security advisor at the White House, they worked with the G-7 to come up with a similar framework, which is where the G-7 will also come together to drive values-driven, transparent, non-coercive, private-sector driven infrastructure initiatives in developing world. And that’s what we’re doing now with our G-7 partners. So, we’re very excited about both of these initiatives. We think they’re highly, highly strategic. We think that they create a good alternative. And we think that we can do some good work together and drive development outcomes in the region. I appreciate that. I appreciate both of y’all mentioning it. And I know you have questions to begin, but listening to you, I would just have to tell you about a sergeant major and I went and visited the ones who are at Walter Reed who were medevacked back and the families at Dover. And the ones – the Marines and sailor who were at Walter Reed, just to pass on to you all, are exactly like I think they have been for a couple hundred years. All they want to do is go back to their units – like, Commandant, how fast can you get me out of this hospital so I can go back to my unit? And the corpsman – magnificently – corpsman walking around in his gown. He’s wounded, walking around in his gown, dragging around his IV thing, to
check on his Marines. Even though the nurses don’t want him – not supposed to be outside his bed, you’re not going to stop that corpsman. And he’s going up and down the ward to check on his Marines in his platoon. I just pass that on because some things don’t – they really don’t change.

Mr. Hillman: Thanks. And I’m hoping we return to talk a little bit more about Build Back Better World, and maybe some of the lessons that, you know, this trilateral partnership might offer for that effort. Obviously that effort is even larger in its – in its membership and, you know, potential resources, which is a real – an upside, but also with more countries come more coordination challenges. Let me turn to Fumio for a minute and just ask if you could reflect on the foreign policy implications of this trilateral partnership. You know, I think it’s something, as the Build Back Better World partnership is doing, that is really designed to meet a global economic need. But there are some broader implications here. And so, I was wondering if you could help us understand some of those.

Fumio Yamazaki: Sure. Thank you. Indeed, the Japan, Australia and United States share the fundamental value and the same strategic vision. These three countries have the ability and will to promote quality infrastructure in the region. And the cooperation among these three countries would contribute to provide quality infrastructure and to stable – and bring to the region stable development and prosperity. And this is further important in realizing free and open Indo-Pacific. When I talk about quality infrastructure, the quality infrastructure means resilience against natural disasters or inclusiveness, which realizes the idea of leaving no one behind, and sustainability, in line with the social and environmental conditions – considerations. And at the G-20 summit in 2019, the leaders agreed on G-20 principles for quality infrastructure investment. So, I think this trilateral cooperation, as well as the likeminded cooperation, is a good vehicle to realize the quality infrastructure which ten brings to the prosperity of the region. And that is a value – or, to create value-oriented region as well. Thank you.

Mr. Hillman: Thanks. And I do think that that’s one of the big opportunities here. I mean, the agreement around the quality infrastructure investment principles I think was a landmark agreement, and to have the G-20, you know, range of countries agreeing to that set of principles, very encouraging. And then the challenge becomes, how do we operationalize those principles? You know, how do you implement them and how do you ensure that, you know, people are actually carrying out those principles, realizing them in practice. Isabel, if I could turn to you. I know this is related to a lot of the work that you’ve been coordinating for the Blue Dot Network. You had a big event earlier this week, which I would encourage others to watch, a really great conversation, and some new announcements as well. Could you just give us a little bit of a sense of – you know, for those who weren’t able to watch that event yet, where does the Blue Dot Network stand today? And obviously this group of three countries was pretty important in getting it started.
Isabel Cane: Yeah, absolutely, Jonathan. And thank you for inviting me here today, and really pleased to join our founding members of the Blue Dot Network, which is the arm that has looked to operationalize the quality infrastructure investment principles. So just tacking onto what Fumio has already highlighted, this was an initiative launched by the U.S., Australia, and Japan to operationalize QII in the way that we could really start to implement and see the practical outcomes, and the projects that would be aligned with QII. The Blue Dot Network has had clear momentum over the last few months, and over the last year. We see it gaining momentum through the acknowledgment around the globe, really. Two days ago, as we said, the U.S. secretary of state engaged with OECD ministers on the potential for the Blue Dot Network. It was present on the Quad statement, the leadership statement, recently in the forthcoming weeks. It was central to the Tallinn Digital Summit a month or two ago, and it was endorsed by the Three Seas Initiative last year. But maybe it would help if I could take a step back to contextualize some of the OECD support for the Blue Dot Network, and to really understand what has happened in terms of mobilizing and developing a global certification framework that not only speaks to operationalize QII but also in the heart of the Build Back Better World, according to the White House factsheet. So, what we are really keen to do is to advice and develop and support the founding – the founding members to develop a global certification framework. To summarize, really what the Blue Dot Network seeks to do is it seeks to send a signal to market that a project makes the environmental, social, and financial principles or standards that we would anticipate, and that are commonly recognized in the international community. So today we have really developed an evidence base that outlines the value of a global certification framework to promote private-sector investment and to close the infrastructure gap in developing in emerging economies. We’ve built an executive consultation group of world leaders to advise us on the development of the Blue Dot Network. This multistakeholder group really comprises of 160 leaders from over 96 OECD and non-OECD member countries across the infrastructure value chain, including investors, bankers, engineers, academics, union leaders, civil society leaders, and professional services firms. They came together, as you’ve highlighted, Jon, this week at the OECD to talk about the potential for the Blue Dot Network, and to outline what are some of the benefits of it and also where some of the risks might line in terms of finalizing the global certification framework. So, with that, what we are now really focused on is designing and finalizing our recommendation for the trilateral to really launch the global certification framework. I think the final works of the U.S. secretary of state were, “Let’s get going,” at the end of the – at the end of the meeting. And what we intend to do, moving forward, is to really ensure that we can create a recommendation that aligns international standards in a way that is credible and legitimate for markets. So, to summarize, really, the momentum is gaining, the interest is gaining, and we’re having both substantive and stakeholder engagement from around the world.

Mr. Hillman: That’s great. It is good to see the momentum and that sense of urgency, you know, the spirit of let’s get to work. You know, I think sometimes, especially people in the, you know, foreign policy and national security space, might
not appreciate sometimes how long it takes to actually prepare for infrastructure projects, especially those that are going to meet these higher standards. And so, the system that you’re working on, you know, I think the kind of mission behind Blue Dot, is when that is in place it’s going to make it easier for, you know, investors to put money towards projects that they know meet those standards. And so, I think that’s a really, you know, potentially game-changing development. And it’s tough, right? Because it hasn’t been done before. I mean, if it was easy, it would have already been done. And this is new territory.

Ms. Cane: Yeah. And also, we’re certifying, exactly, across the lifecycle of a project, across all forms of infrastructure, in different regulatory jurisdictions. So, it’s a very complex system that we need to develop. And we’re very thankful that the U.S., Australia, and Japan have provided lots of feedback and input, and the likes of yourself, Jon. You’re on the executive consultation group for CSIS, provide us technical and high-level guidance on how to operationalize it in a way that’s both efficient and credible for markets.

Mr. Hillman: Well, I do want to return a little bit later in our discussion to some of the announcements earlier this week. But I’d like to turn to Craig for, you know, some reflections on lessons learned. You know, as David mentioned, we’re kind of approaching the three-year anniversary for this trilateral infrastructure partnership. You know, I think it’s – clearly, it’s been informing and driving some of the work behind the Blue Dot Network, Build Back Better World. Craig, could you just reflect a bit on some of the lessons learned from bringing this group of countries together, and having this sustained engagement?

Craig Chittick: Thanks very much, Jonathan. And thanks to CSIS for bringing this group of people together to talk about, you know, trilateral cooperation and work that we’re doing with the OECD. It’s a really timely, timely thing. It is late at night here, but I’m really pleased to be talking to you. Look, I think, you know, this is a very complex issue. And I often try and simplify it for my own understanding to much simpler terms. I think the things that we have learnt most is about knowing your customer and caring about your customer. There’s also knowing your partner as well, and I can get onto that later, but this goes to the commonality of all three of the partners to the trilateral infrastructure partnership. We all are deeply engaged in infrastructure development by ourselves and have been for decades in the Indo-Pacific. We all care about the countries that we’re working with. These infrastructure projects have great potential in their own right for local communities. But as both David and Fumio have emphasized, infrastructure is much more than that, of course. It’s an enabler of the sort of Indo-Pacific region that each of our countries have visions for. We’ve got our own sovereign Indo-Pacific strategies. They’re almost all exactly the same name. And the principles that underpin that are incredibly similar. So, knowing your customer, knowing what they want – I recently spent three years as Australia’s ambassador to Vietnam, and spent a lot of time listening to the Vietnamese government about what they needed on infrastructure. Knowing good quality
infrastructure, not just the amount of it, the quantity of it, but the quality of it is absolutely essential, and really goes to the heart of Isabel’s project at the OECD to really fill out the Blue Dot Network. You also need to know your partner as well. And the three countries working together with a variety of agencies, and working together on individual projects, I think is something that we’ve learnt a lot. And we’ve learnt that each project – not even each country – each project requires a very specific set of tools, sometimes different sets of tools. And having a blend of financing available, particularly in middle-income economies that have access to capital markets, is incredibly important. And certainly, my experience with Vietnam was that there was no shortage of good ideas for infrastructure projects, but the number of bankable projects that could be brought before funders – whether those are funders like the trilateral partnership or multilateral development banks – that was a much bigger task. And so being able to blend debt finance together with grant instruments is something I think we’ve found to be important. And that – and that allows us to take a much more proactive disposition. And not just to sit back and look at project pipelines, we spend a lot of time looking at project pipelines, but to actually go and identify projects that may not be quite ready yet. And to work with the governments of those countries to help them through that blend of different instruments to be able to develop good ideas into bankable projects that the various assets that we bring, as three different countries, that we’re able to do that. So that’s – I think the things that we’ve learned, I think, most out of this is we’ve long experienced running our own infrastructure programs in the Indo-Pacific, and the potential for the three countries to work together is very profound. It’s finding what is the right mix of tools from each of partners to apply that against the projects that make the most sense. And we’re learning that. And we’re changing our approach. We’re being very flexible. We’re being very nimble. And that’s allowing us to approach future opportunities with a different mindset and a different toolset than even a year ago.

Mr. Hillman: Fumio, did you want to comment on this as well?

Mr. Yamazaki: Yes, thank you. Thank you very much, Jon. I would like to echo Craig particularly on the point that the – we need to hear the voices of the customer. And I would like to emphasize the point that the – taking into account the needs and intention of the recipient country is the key to further promote trilateral cooperation. And in order to make the cooperation more effective, the way to collaborate in a flexible manner is very important, not only insisting on trying to create one single joint project. In that sense, there is one good example that we have already in – not only limited to the trilateral cooperation, but with the likeminded countries. That is the Papua New Guinea’s Electrification Partnership, which is announced in 2018 by Japan, Australia, United States, and New Zealand. This is the project that pursued the – it’s not – it’s not the partnership that has one single joint project that is done by four countries, but each country provides support to enhancing the connectivity to electricity, and thus contributing to developing PNG’s quality infrastructure support. This partnership establishes, with the request of the PNG, and respond to the need of PNG
wishing to connect 70 percent of its population to electricity by 2030. And this is – I think this is a good example of flexible collaboration based on the needs of the recipient country. Back to you. Thank you.

Mr. Yamazaki: Thanks. Thanks for mentioning that project example. You know, I think we – there’s a lot to learn by looking at those individual experiences. I think something that sort of is coming out of your comments, as well as Craig’s, this idea of flexibility and just recognizing the fact that different partners are bringing different tools to the table, and those tools sometimes have different capabilities and different constraints too. And so, you know, what you might be able to do on one project could be very different from another. You know, I think on the U.S. side one of the encouraging developments in recent years is the creation of the U.S. Development Finance Corporation. And, you know, David, I’d be interested in your – this is a relatively new institution. I mean, it includes parts of previous institutions, but it’s a new institution with some new capabilities. And, you know, could you tell us a little bit about, for example, you know, equity authority is a new capability. How are we seeing that working? And is there – you know, is there anything we should be doing to try to, you know, really unleash the full potential of the DFC?

Mr. Marchick: Great. Well, thanks very much for that softball question. I could go on for a long time about the great agency. So, yes. The DFC’s a new institution. It changed from the previous agency called OPIC. And there were several significant changes. One is the size doubled from 30 (billion dollars) to 60 billion dollars, giving us more firepower. Two is that we had enhanced tools. So, we now have authority to invest equity. Three is it eliminated the nexus requirement between a U.S. investor. So that gives us much more flexibility to focus on the core mandate of the DFC, which is to drive development outcomes. President Biden has really pushed the agency to stretch in response to COVID, in response to the climate crisis, and because we’re one of the key agencies implementing the Build Back Better for the World Program. So just to give you an example, the DFC has invested on average about $4.2 billion – DFC or OPIC – over the last five years. And we’re going to come in well over 50 percent above that. We’ve been asked to press very hard on health investments, and we’re going to increase our health activity by some fix to six times. We’re really proud – I’ll give you an example of one of the flagship projects we’ve done in cooperation with the Quad – Australia, India, and Japan – which is a project – you know, normally the DFC’s project lifts people’s lives. This project, which we did with the Quad, will save people’s lives. And that is we went around the world very early with Australia, Japan, and India to find options to increase vaccine manufacturing. So, what we’ve learned – we’ve learned a lot in the pandemic. But one of the things we learned is that our supply chain and our capacity to produce vaccines was way too small.

Mr. Hillman: And the Quad dimension of this I think is another important development, and maybe one just sort of worth briefly unpacking for people who may, you know, not be tracking this quite as closely. Little less than two weeks ago,
the first in-person Quad leaders’ summit included an announcement of a coordination group for infrastructure. And so, I think that’s a – you know, another positive development, an outgrowth of, I think, you know, what began as this trilateral partnership. And I think what’s encouraging about that is, as several of you have underscored, the need to understand the customer. You know, if we care about actually making attractive alternatives available, you have to put yourself in the shoes of someone who’s making decisions about, you know, different options. I think having India as part of that process really injects that – you know that empathy and maybe urgency too, that some developing countries face, whether they’re dealing with, you know, response to COVID or, you know, longer-term development challenges. And the needs are – you know, the needs are just really significant. And, Craig, you know, I was hoping you might be able to comment on this. You know, as the trilateral partnership is looking at, you know, really vast needs in the world and the Indo-Pacific, even beyond that, you know, is there a case here for maybe setting some strategic priorities, whether it be regional or functional? You know, are there areas in which, you know, this trilateral partnership should be focused going forward? I’ll try two or three, perhaps, approaches. First, I think our approach in the Marine Corps is we understand who the pacing threat is, pacing challenge is. That’s the PLAN. So, we must build a force that can match up to that force, because if we don’t then we won’t even be able to operate in the neighborhood. We won’t even – there’ll be so much overmatch at the tactical level you couldn’t operate in – you couldn’t do your job. OK, so that’s the pacing challenge. That’s the bar for their military capability that we must measure up against. And our premise is if you can design that force, then a Marine commander – well-trained with a well-led force – will use that force and adapt it for other missions anywhere on the globe. Because if it – like you all – I mean, doctor, you’ve heard this a hundred times, but I believe that it’s true. We have an absolutely perfect record of getting wrong where the next crisis will happen. So, we cannot – we’re not banking on a war in China at all. I think on the spectrum of likelihood way down near the bottom. There will be another crisis somewhere. But we need the capabilities that allow us to match up and deter the PLAN. Couple of other things in terms of balancing this. I think the global force posture helps answer that equation – or answer that question. In other words, if you have X amount of military force in the Department of Defense, where do you spend it, where do you put it? I think the pace at which you drive that force is also a factor. In the end, though, I think – here’s where I come down on the sort of approaches. We’ve talked for a long time – I don’t know how long; you probably know better than I do – about a whole-of-government approach. We talk about it in an academic kind of manner it’s brought to reality when you’re up against an adversary that is a whole-of-government approach. So now I don’t think we have an option. Now I don’t think it’s an academic discussion any longer. We either get there or we will certainly be overmatched. There is no military solution to deter China. There’s also no military solution to deter terrorism. I’m beyond that, is my point. In both cases, on the low end and on the high end, it’s going to require much more of a whole-of-government integrated approach than we have right now, or neither will work – not the terrorism
part and not the deter China part. Neither one will work unless we get all parts stitched together in what Secretary Austin calls integrated deterrence.

Mr. Chittick: Thanks very much, Jonathan. Look, I think, you know, we’re looking for opportunity. And from a geographic focus, Australia’s foreign policy priorities are in the Indo-Pacific region. And that means – that intersects very neatly with the focus of the trilateral infrastructure partnership. We’re not fixed in terms of strategic sectors. We think there are some sectors that I think are more important in terms of enabling development than others perhaps. But we’ve been very active over the last couple of years in reaching out to the customer. And we’ve had – we’ve had outreach missions to Papua New Guinea, to Indonesia, and even during COVID last year ran a virtual mission to Vietnam, which had access to some of the most senior decisionmakers in the country, including Politburo members. So, it is really understanding what the countries of the Indo-Pacific really need, and what their priorities are. So, I think it’s much more important to understand what the customer’s priorities are. And when I say customer, I do mean the countries of the Indo-Pacific, and particularly developing countries of the Indo-Pacific. So, we spent a lot of time listening to them, to understanding what their priorities are, and understanding what infrastructure opportunities might actually work best for a trilateral partnership. I mean, Japan has an enormous infrastructure development program in its own right in Southeast Asia. There are things that Japan can do, there are things that DFC can do, there are things that Australia can do – particularly in the Pacific islands – which we can do by ourselves. But we’re looking for opportunities that make sense to – really to leverage the expertise and the different types of the blended finance options that we can bring to a project, which we might find difficult by ourselves, or simply it will be a better outcome if we draw in the expertise of the – of the three partners. And when we look at the potential for Quad work on this, or even more broadly more – you know, other forms of collaboration, it just brings in more options and greater expertise. The Quad may not end up with the same focus ultimately as the trilateral infrastructure partnership, but there is plenty of work for us to do, building on our own country programs throughout the region. So, look, I think this is a really exciting time to be working together. There’s a lot of opportunity out there. But as I think a number of the commentators have said today, these are complex projects. I’m not an investment banker. I’m a diplomat. But these are things that investment bankers – I’m sure they eat this stuff for breakfast. And for us, it’s about understanding how we can work together, either as a trilateral grouping, or as a Quad grouping, or as a broader grouping, to be able to deliver the best-quality infrastructure at the right price for our customers. Thanks.

Mr. Hillman: Thanks. I think – you know, Fumio mentioned that one of the examples of cooperation is this electrification project in Papua New Guinea. Another example is a subsea cable extension to Palau. And I think it’s interesting because, you know, not only is it – does it involve all three countries and sort of creative ways of bringing finance together, but this is clearly an area, I think, where there’s a great need globally, but especially in the Indo-Pacific. You know, digital infrastructure – I think, you know, the pandemic has really
underscored the fact that you do not want to be on the losing side of the digital divide. Just the fact that we’re able to have this conversation right now in all these different time zones is dependent on things like subsea cables. And so, it’s encouraging to see that cooperation. And, you know, Craig, Fumio, David, if you have reflections on that project, I’d welcome them. You know, what did we learn from coming together? You know, I know that that project is still in the works. But are there lessons that we should be drawing from that experience?

Mr. Chittick: Jon, so I think that’s a really good example on a number of fronts. I mean, for Australia, we’ve been active in our near abroad at financing undersea cables to Papua New Guinea and to the Solomon Islands to give them better access to internet, and in ways in ways they don’t have strings attached. But the Palau spur example is a really interesting one, where we wouldn’t have been able to do that one by ourselves. And it was a really interesting exercise, particularly – and, again, this is this learning process that we’re going through of deploying both grant finance and lending. But in the particular case of Palau as a compact state, actually we found that the U.S. Department of the Interior was an important source of grant financing, as well as USAID. And so, you know, that’s a very specific example where there was a really tailored package. And it wouldn’t have worked if we had tried to do it by ourselves. But coming together, the three of us, all contributing slightly different elements, and the fact that it’s a compact state and the United States has a particular relationship, it was – it was very interesting. It was something that worked well in the end and was a real learning journey for us.

Mr. Marchick: Let me add that we couldn’t have done it by ourselves. And I want to thank Australia for their leadership on this. You know, for a project to come together for one DFI, it’s hard enough. DFIs move not so quickly often. There are lots of internal and external approvals. And it’s challenging. If you bring in two or three institutions, it’s even more challenging. But this is an example where actually having multiple partners work together very well. So, you know, Australia knows this part of the world extremely well. They identified this opportunity. They reached out to us. And, you know, we would not have done this, but for their leadership. So, we’re very, very excited to partner on this project. It will bring, you know, connectivity to this underserved part of the world. It will lower the cost for access to technology. And as we just heard from Craig, you know, having access during the pandemic is a gamechanger. If you don’t have access, your kids don’t have the same quality of education or access online. It’s harder to get health care. We’re doing so much more through technology that this spur will actually have a very, very significant impact on this region. So, we’re grateful for our partners. And I think it’s a great example of what we can do together if we work together well.

Mr. Hillman: So, we’ve focused – actually, let me turn to Fumio. Fumio, if you’d like to add anything about the experience of working on that project.
Mr. Yamazaki: I echo my partners. The key word here is that flexibility in cooperation. And another key word is responding to the needs and intention of the recipient country. So, this project cannot be done by either one party of three countries. And that bringing in the strength of each country, and to be flexible in responding to the demand, concretized in this project. So, this flexibility and responding to a need is – I think it’s very key to promote further the trilateral cooperation. Thank you.

Ms. Cane: Yeah, thanks, Jon. And I think this also links to the Project Echo, which is also, I believe, financed by the private sector. And they are, indeed, a key player both for investment but also in ensuring that the infrastructure is developed sustainably, and that they compete with other actors in the region. So, but based on our experience, the response from the private sector has been really enthusiastic. I mentioned earlier the executive consultation group that we’ve developed. And I’ve been extremely engaged in this project, you know, actively contributing at a technical level, providing high-level guidance, you know, moving from the C-suite, from the senior management. And they really emphasized the positive benefits that would flow from the Blue Dot certification framework. And a number of them were outlined, Jon, in our event two days ago with the secretary of state. But primarily, they really look to the fact that the Blue Dot Network will reduce risks associated with large infrastructure investments, particularly in countries with weak governance and regulatory frameworks, because it ensures the projects themselves are aligned with international standards, and to a degree will be monitored over the lifecycle of an infrastructure project to continue to meet those standards. The focus often is on the fact that it will help establish a more level playing field by shifting the focus from the lowest cost of construction to value for money considerations, where the full costs – if they’re social, environmental, and financial – will be understood over the entire project lifecycle. So, this is also really important. The next part is really to establish a shared understanding amongst stakeholders in the infrastructure – if that’s governments, project developers, or investors – about what constitutes quality infrastructure. And agreeing, as Craig has outlined, you know, with the standard, and with what the customer or the end-users of infrastructure require. So, the Blue Dot Network has the potential to really build that into the framework. And finally, I think what it does is it starts to reduce the scope of the risks around investing on development, for example, around corruption, because it starts to, I guess, set a clear requirement in terms of what transparency is and what is accountability. And if we think about that, the Blue Dot Network doesn’t just develop a clear requirement or set a clear requirement for anticorruption, but it also does this in regard to climate, environment, human rights, labor issues, in a way that allows the private sector to feel safer to invest. So, look, this isn’t just my sense from conversations. We have surveyed the private sector on this very issue. And we asked them if a certification scheme would incentivize them to increase their investment in infrastructure projects. And overwhelmingly the response was yes. So, 97 percent of respondents said that they would be more motivated to invest in infrastructure if there was a global certification framework attached to that. So, Jon, in relation to your specific focus on institutional investors, of that group we had institutional
investors and asset managers representing over 12 trillion (dollars) in assets under management that were a part of that 97 percent group that said it was worth engaging with. So really from the support and the analysis that we’ve done on behalf of the trilateral, we have seen a clear indication that institutional investors have greater confidence in investing in projects that are Blue Dot Network certified. But of course, this will be tested once the global certification is developed and founding members launch the scheme and have a pipeline of certified projects.

Mr. Hillman: Yeah, and when you’re talking about $12 trillion, you know, it doesn’t take a large percentage, you know, of that to make a significant difference. So, it’s pretty encouraging to hear. We’re starting to get some good questions from the audience, so I’d like to start working some of those in. And I’d like to invite people, again, to submit questions using the Q&A function at the bottom of your screen. Craig, I’m going to go to you with this one, but others are welcome to jump in. This is a question about – the question is, from a diplomatic perspective are countries more receptive to assistance on a bilateral or a multilateral basis than they are, you know, just – sorry – are they more receptive bilaterally or multilaterally. And then, when done multilaterally, is one country identified as the lead nation? So, any reactions to that? Again, sort of knowing your customer here, how are countries reacting?

Mr. Chittick: I think in some ways it doesn’t really matter how many countries are involved. It does come down to trust. It comes down to trust about whether the partners that are engaging on a program – whether that’s, you know, a bilateral one or through the trilateral infrastructure partnership – it does come down to trust. And that is, I think, the key element of the relationship. And I mean, there are many other aspects for complex infrastructure deals, crises always important too. I think the thing that certainly Australia, as really, to be candid, the smallest member of the trilateral infrastructure partnership – we don’t always bring a large amount of money to projects in the Indo-Pacific. But we do bring a brand of trust and quality. And that’s something that shines through. That’s something that allows us to work very successfully bilaterally with countries of the Indo-Pacific. And that’s something that we bring to the trilateral infrastructure partnership as well. So, my sense is that – is that as customers are interested in a good quality project, and they’re interested in partners that they can trust, as long as the finances stack up – whether that’s bilateral, whether that’s trilateral, whether that’s through a multilateral platform – I haven’t noticed that to be quite as fundamental as the other factors.

Mr. Hillman: Thanks. And so, you know, welcome other comments on that. Let me ask another question in the meantime of David. You know, this is – I’m going to combine a couple here, but I think this is a common question that people have sometimes. How big is this all going to be in financial terms? And how does it compare to China’s Belt and Road Initiative? You know, is this – how do these things stack up? You know, I think personally, having done a lot of Belt and Road tracking, I think we should probably ask what year of Belt and
Road are we talking about? There’s been a pretty significant decline. But, David, if you could comment sort of on the potential for scale here, and how this compares with and competes with China’s Belt and Road.

Mr. Marchick: So, you now, I don’t think that we’re seeking to try to pursue a dollar-for-dollar approach, or to follow anybody around. We’re providing a different model, a model that is sustainable, a model that focuses on the private sector, and a model that does not leave countries in a debt trap, and a model that’s transparent. We’re also pursuing a model which relies on the private sector. So I was just in Ecuador, for example, last week, Colombia, Panama, to talk about the Build Back Better World initiative. And we heard all throughout the region of projects which had been financed through different alternatives which are not successful. A dam which is now poorly constructed and creating risks for the community in which it’s been built. Countries which are finding themselves in a debt trap. And so, what we’re trying to do is really amplify the fact that our model is different. Its private sector driven. It’s transparent. And that we are going to increase our capacity between us and the G-7, and I think also, you know, with our partners on the phone. So just an example, the DFC, you know, thanks to Congress and the BUILD Act, we have the authority to double our capacity. And this year we’re stretching – we just finished our fiscal year, and we’ll be well up over 50 percent from the previous five-year average. We’ve been asked – I mentioned, we’ve been asked to stretch in health. And, you know, we have invested somewhere between five and six times our average spends in the last five years on health, including several vaccine manufacturing projects which together will have the capacity to produce 2 billion doses of vaccines – 2 billion doses. One of those is in Africa. And they’re going to produce hundreds of millions of doses in Africa for Africa. And if you think about the numbers in Africa, where there’s still in many countries less than 5 percent vaccinated, you know, if they can produce 450 or 500 million doses, there are 1.3 billion people in Africa and, you know, some 6(00)-700 million are eligible for the vaccine. So, 4 to 500 million doses are going to go a long way to vaccinate that continent. And that’s happening through our help, and with the help of our partners. So, we are going to increase our flow. The G-7 is going to increase their flow. And together we’re providing an alternative to some model of financing.

Mr. Hillman: Fumio, go ahead, please.

Mr. Yamazaki: Thank you. With regards to the scale question, I would like to refer to the number that is published at the fact sheet of the Quad summit held last month. Quad is the three countries plus India. They say since 2015 Quad partners have provided more than $48 billion U.S. in official finance for infrastructure in the region. So, this represent how the scale of impact of the last five years that these countries plus India have been doing in this region. And also, I would like to refer to the efforts of Asian Development Bank, which they created a special fund in 2016 calling its name LEAP, which is an acronym of leading Asia’s private infrastructure. Its aim is to boost high-quality and sustainable private infrastructure investment across emerging
economies in Asia and Pacific, and that it can provide finance up to $16 billion U.S. This fund is capitalized with $1.5 U.S. billion of commitment by JICA. So just for your reference. Back to you.

Mr. Hillman

Thanks. Thanks for those facts. And, you know, I think one of the other important differentiating factors here are the terms, right, that are being offered for financing. And so that number that you referenced from Quad countries, that’s a – that’s a much – you know, much lower interest rates involved in that set of financing than are provided with the sort of – that are often provided with other – from other lenders – other major lenders. One of the – one of the things that has come up a few times in people’s comments – we haven’t really touched on it directly yet, but several times in passing – is the importance of transparency. And so, there’s a question here about how do we ensure that these customer countries or recipient countries are – you know, are having an environment that is open and transparent. And, Isabel, let me turn to you, maybe, because there was a big announcement earlier this week at the OECD about a new anticorruption toolkit. And I think that could potentially play a role here.

Ms. Cane:

Yeah, absolutely. And you’re spot-on, Jon, that this is really one of the keys to the success of infrastructure development is tackling corruption. And as we know, you know, corruption is one of the most insidious forms of destabilization of democracy. It distorts investment, and the underlying cause of some of the world’s greatest challenges. So, the U.S. Department of State, it was launched under the secretary of state this week in partnership with the OECD, has launched an infrastructure anticorruption toolkit or toolbox to assist all countries and to assist all actors to address corruption in infrastructure. So, the aim of the project is really forward looking. It’s a toolbox of practical ways to prevent, detect, respond to corruption, including through identifying best practices and conducting trainings and capacity building with organizations around the world. And if we think about this in the context of the Blue Dot Network, it’s really quite critical. Because while we want the Blue Dot Network to be accessible to as many projects as possible, we also want to stimulate this race to the top, or this alternative model that David was referring to. It’s that the Blue Dot Network itself is really about a set of values and an approach to infrastructure investment driven by the market that should really incentivize actors to understand the long-term value of the infrastructure investment.

Mr. Hillman:

Terrific. Well, we’re down to the wire here. I want to give the group a chance to answer one last question. So, someone makes the observation here that, you know, there are several new initiatives now related to global infrastructure. We’ve obviously talked about the Blue Dot Network. We’ve talked about Build Back Better World. And there’s also the EUs recently announced Global Gateway. So, the question is, you know, is there an opportunity here to consolidate or better coordinate these initiatives so that they align? Or is there a risk now that we’re heading into a scenario in which we have too many separate competing initiatives? So let me – let me
turn to Craig first for his thoughts on that, and then each of you if you could just briefly – if you’d like to – briefly comment. And then we’ll wrap up there.

Mr. Chittick: Look, I think there’s – you know, you just can’t have too many players – quality players – in the market here. And we very much welcome the EU’s role in the Indo-Pacific. I spend a lot of time talking with Brussels and other capitals about the EU’s infrastructure role. It’s already got a profound set of relationships in the Indo-Pacific. And the work that they’ll do through the new initiative I think complements work that others are doing. I suspect there’ll be great opportunities for us to learn from each other and to share our own experience. But I certainly don’t think that there’s a crowded market here. There’s lots of opportunity. And I think we welcome all countries who can adhere to the sorts of standards that the Blue Dot Network represents. Thanks.

Mr. Hillman: David, any comments?

Mr. Marchick: I would just say that we are stretching, pushing, and trying to move as quickly as we can to meet the significant challenges. And so, we’re about to put out some information on our performance for the fiscal year, which just ended 9/30. And I think we’re going to be running hard going forward.

Mr. Hillman: Fumio.

Mr. Yamazaki: Right. Thank you. I echo with Craig also that there – sense of demand on infrastructure in this region is so large that there’s room for everybody. What is important is that – to realize the quality growth in developing countries. And it is indispensable, not only to meet the quantitative demand, but also to consider the quality – such as transparency, openness, or economic efficiency, in real life cycle costs, and debt sustainability in infrastructure development. So not only the quantitative demand that needs to be filled in, but more the players who can bring about the quality infrastructure. Our position is very much welcoming to have such partners in this region. Thank you.

Mr. Hillman: Isabel, I’ll give you the last word here. Obviously one way to merge these would be to have, you know, European participation, more European participation in Blue Dot Network. But your thoughts on this question of competing and complementing initiatives.

Ms. Cane: Yeah, no, I’d echo what Craig said, that they are complementing initiatives. And from the OECD’s perspective, and as a multilateral organization, you know, the Blue Dot Network could be the platform and the standard setter for all of those instruments. And I think as much as we can combine with the shared values of the OECD members – whether it being with the Global Gateway or with the Build Back Better World – then we should aim to do that. And the more we can complement each other the better.
Mr. Hillman  
OK. Thanks so much, again, for all of our guests for joining us. You know, from Canberra, from Tokyo, from Paris, thank you for doing this, from Washington, D.C. And thanks also for some really good questions from the audience. I apologize we weren’t able to get to all of them. Please do keep an eye out for future programming from us on this set of issues. We’ve got some research in the pipeline, and I’m assuming that we’ll have some more conversations as well. So, thank you for joining us, and hope you have a good day.