

G-7 infrastructure investment to target Indo-Pacific's clean-energy transition

India, Indonesia and Vietnam stand to benefit from Belt and Road alternative

RHYANNON BARTLETT-IMADEGAWA, Nikkei staff writer

ELMAU, Germany -- India, Indonesia and Vietnam could receive new financing to transition to clean energy, linked to a global infrastructure investment partnership formally relaunched by the Group of Seven wealthy democracies on Sunday.

The scheme aims to offer an alternative to China's Belt and Road Initiative. At the launch, Japanese Prime Minister Fumio Kishida was keen to point out that "the development of quality infrastructure is also crucial for the realization of a free and open Indo-Pacific."

The G-7 Partnership for Global Infrastructure and Investment (PGII) -- for which the G-7 member countries aim to collectively mobilize \$600 billion by 2027 -- was formally launched on the sidelines of the first day of the G-7 summit here.

It builds on the "Build Back Better World" partnership agreed to at last year's G-7 summit in Carbis Bay, England. Existing infrastructure investment schemes of member states will come under the umbrella, alongside new collective initiatives.

Western leaders are promoting the PGII as led by the democratic values of transparency, inclusivity and sustainability, emphasizing that it aims to mobilize massive amounts of private capital from the industrialized democracies.

"What we're doing is fundamentally different because it's grounded on our shared values of all those representing the countries and organizations behind me," U.S. President Joe Biden said at Sunday's summit. "It's built using the global best practices: transparency, partnership, protections for labor and the environment."

"We're offering better options for countries and for people around the world to invest in critical infrastructure that improves the lives -- their lives, all of our lives -- and delivers real gains for all of our people -- not just the G-7, all of our people," he said.

The G-7 is engaging with India, Indonesia and Vietnam toward partnerships that will provide financing to assist in decarbonization and their move toward cleaner energy sources.

"In a joint effort with G-7 partners, we are currently working towards additional JETPs [Just Energy Transition Partnerships] with Indonesia, India, Senegal and Vietnam," said Chancellor Olaf Scholz of summit host Germany, which holds the rotating G-7 presidency in 2022.

The first JETP -- agreed to in 2021 by South Africa, the European Union, and G-7 members France, Germany, the U.K. and the U.S. during the United Nations' COP26 climate conference -- aimed to support South African decarbonization efforts over the long term with a focus on an inclusive and equitable transition that develops new economic opportunities. It pledged to initially mobilize \$8.5 billion over three to five years.

India ranks third and Indonesia seventh in the world for total greenhouse gas emissions by country, according to the World Bank, although their carbon dioxide emissions per capita are much lower than those of oil-rich countries and industrialized nations.

In the next five years, Japan will aim to realize more than \$65 billion in infrastructure assistance and mobilization of private-sector capital, Kishida said at Sunday's launch of the PGII.

For the Indo-Pacific region, "we will work on railways and airports that contribute to regional connectivity, or the development of ports and harbors for maritime security, and the reinforcement of economic security, including cybersecurity," he said.

In a "Build Back Better World" fact sheet last June, the White House cited "the \$40+ trillion infrastructure need in the developing world, which has been exacerbated by the COVID-19 pandemic."

The Asian Development Bank said in 2017 that developing Asia would need to invest \$26 trillion from 2016 to 2030, or \$1.7 trillion per year, in order to maintain growth momentum, eradicate poverty, and respond to climate change.