

**Co-creating the Promised Future rather than finding *El Dorado*:
How Japan and Latin America and Caribe work together to achieve
sustainable and quality infrastructure for development**

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It is a great honor for me to be here today with the opportunity to talk about Japanese-Latin American and Caribbean collaboration, and Japan's investment in infrastructure and telecom in the region. I would like to take this opportunity to present to you all the shared interests of our Region's and Japan's approach to expanding partnerships throughout Latin America and Caribbean Region with this theme.

"If we build here together, they will come". This might be the first words of Yuzo Takeshima, who led the first group of Japanese immigrants to Colombia in 1929.

Mr. Yuzo Takeshima, a humble yet engaged Spanish language student in Tokyo, discovered a precious and quasi-magical book written in Spanish. This book was called "*María*", a romantic classic by the Colombian author Jorge Isaacs. The book described a blessed and beautiful land located in a region of Colombia known as the Valley of Cauca. Isaacs' prose described a paradise full of life and vegetation, a heaven on earth, a real life *El Dorado*, which means in English the Golden Person or the Golden Palace.

Yuzo became fixated on the magical land that the book described, and, being so inspired by it, he translated the book from Spanish to Japanese in hopes of convincing some of his friends to emigrate with him to Colombia and discover this *El Dorado* paradise. After undoubtedly many tries and a lot of convincing, Mr. Takeshima was successful in persuading a community of friends to engage in this adventure. This is how the Takeshima group founded one of the earliest colonies of Japanese immigrants in Colombia.

Upon arriving to the land, they had sought; Mr. Takeshima and his friends soon discovered a reality much harsher than the romanticized paradise of the novel. But the high spirits of Mr. Takeshima and his partners did not waiver, and instead, these newly arrived Japanese immigrants decided to take their futures in their own hands and sought to build the prosperous utopia of which they had dreamed. Through a lot of work, trial and error and perseverance, they finally succeeded, and thus, kick-started an agricultural revolution in Colombia.

This Japanese community introduced new growing techniques and popularized mechanized agriculture among the local Colombian population, fostering community and economic development. They also introduced new building techniques and transferred their knowledge to the locals. Their efforts have had everlasting positive impacts in the region. To this day, descendants of the original Takeshima group are an active part of Colombian society. In sum, they brought there the most innovative and high-tech infrastructure in these days.

In my humble perspective, this short tale is probably one of the best examples on how Japan approaches to the Latin American and Caribbean Region for innovation, infrastructure and technology. Japan seeks to be a partner and catalyst for a sustainable innovation of the region. More importantly, Japan is a firm believer that infrastructure and technology are some of the most efficient ways to achieve development and empower the local population of Latin America and Caribbean Region.

In expanding collaboration in the region, Japan seeks to help facilitate inclusive economic growth through the introduction of sustainable and quality infrastructure.

Back in August 2014, Prime Minister Abe described the three principles that will lead Japan's partnerships in Latin America and Caribbean Region into the future, calling them the three

“Together” guiding principles (“*Juntos*” principles in Spanish). They are progress together (In Spanish: *Progresar Juntos*), lead together (In Spanish: *Liderar juntos*), and inspire together (In Spanish: *Inspirar Juntos*). These principles resonate with what Yuzo started for the Region 90 years ago; Let us be inspired together, united in our hopes and vision for a prosperous future on sustainable and quality infrastructure.

Japan wants to help Latin America and Caribbean Region to build everlasting infrastructure and technological projects that provide longstanding benefits to the population. Japan’s long history of engagement in the region is underscored by the fact that this year is the 43rd anniversary of its membership in Inter-American Development Bank.

Japanese investment in the region has been well-balanced among the primary, manufacturing, and services sectors. In addition, the pace of Japanese investment has remained strong even in a difficult economic environment of the Region, FDI inflows have totaled \$52 billion since 2010. The presence of world-class Japanese firms in sectors ranging from automobiles to IT and clean energy brings cutting-edge technology, managerial know-how, and high-skilled jobs to the region.

Government-to-government cooperation has been also a key infrastructure driving the relationship forward and helping uncover new opportunities for the private sector. While there are countless of examples of such initiatives, several stand out. For example, Japanese and Mexican public agencies have cooperated to help local Mexican firms become suppliers for Japanese car makers, developing a database of local providers and providing capacity building to help small and medium-sized enterprises improve productivity and management practices.

In addition, the Japan International Cooperation Agency (JICA), has helped Latin American and Caribbean counterparts launch trademark export success stories such as Chile’s salmon farms and soy production in Brazil’s *Cerrado*, exploiting technological innovations to boost productivity and add value to natural resource sectors.

Indeed, these examples highlight the Japanese strategy in Latin America and Caribbean Region. Rather than supporting only extractive industries that deplete resources, Japan aims to create partnerships within the region to create inclusive growth through infrastructure and technology projects. Japan seeks to support sustainable growth, particularly by utilizing Japanese human and financial resources, experiences and innovative technologies especially focusing in priority areas such as quality infrastructure and climate change.

Japan recognizes that technological innovation is led by each society’s changing and diversified needs. The technology that makes change happen in a diverse reality as the Latin American and Caribbean Region one may not be cutting edge nor disruptive. Rather than leap-frog innovations, the Japanese strategy aims to support countries in the region to design their own solutions.

I once again go back to my romantic story in Colombia. Yuzo and his group did not look to exploit the resources that Valley of Cauca had to offer, their goal was to organically become part of that region and contribute to the growth and success of the community, rather than extract its treasures.

They figured that the best way was to help the locals with the knowledge that they had, working together to thrive and thus in this process not discovering *El Dorado*, but rather creating one for themselves and their local partners.

Based on this premise, let me enumerate eight principles from my personal perspectives on how Japan and the IDB are co-creating social innovation and inclusive growth across the Latin American region by sustainable and high-quality infrastructure and technology: 1) Co-creating innovation platforms, 2) Promoting quality infrastructure, 3) Enhancing PPP Initiatives, 4) Addressing natural disaster risks, 5) Technologies for local needs, 6) Concept of co-creation, 7) Long-term commitment in the infrastructure, and 8) Lifecycle economic efficiency.

1) Co-creating innovation platforms: Following the three together principles, Japan believes that the value of co-creation and platform systems can benefit the people of Latin America and Caribbean Region. By supporting a collaborative platform of innovation in the technological area, we seek to empower the population and leverage their understanding of their own situation to find innovative solutions to classical problems.

Thus, Japan is leading as the largest contributors of capitals of \$85 million capital replenishment in total over \$300 million for the IDB's innovation lab with the spirit of the "*FOMIN para todos*", previously known as the Multilateral Investment Fund (MIF or FOMIN as Spanish name) and now with the brand name of IDB Lab now. Over the years, this IDB innovation lab has funneled more than \$2 billion to finance nearly 2,000 projects, becoming the Region's largest technical assistance donor. Currently it focuses on projects involving climate-smart agriculture, inclusive cities and the knowledge economy.

2) Promoting quality infrastructure: Japan emphasizes the role of quality for more sustainable growth. "*Quality*" investment means considering a wide range of factors when making investment decisions, including environmental and social impact, debt sustainability, the safety and reliability of the construction, and the impact on local employment and technical expertise. Quality infrastructure is co-optation, not competition, we aim to build fructiferous partnerships that help in the responsible spending on infrastructure to achieve long-lasting results for Latin America and Caribbean Region.

An infrastructure system that is sustainable and integrates efficient forms of transportation, energy, and telecommunication can help unlock the full economic prowess of developing countries. Construction of new roads, bridges, airports, and seaports can help countries better handle the movements of high volumes of goods, services, and people.

Infrastructure must be resilient and environmentally sustainable. Infrastructure development efforts should include heightened sensitivities towards environmental challenges, risks of natural disasters, and the dire consequences they could have on economic development. In this sense, we have recently expanded the IDB-JICA agreement on the Co-financing for Renewable Energy and Energy Efficiency, known as the CORE program, which was created in 2012 to support energy investments to mitigate climate change impacts.

Our agreement with JICA has a \$3 billion concessional loan window and aims to fund projects in all low-and middle-income IDB borrowing member countries. An innovative aspect of this arrangement is the Japanese government's creation of the Japan Quality Infrastructure Initiative (JQI), the IDB's first built-in grant mechanism for a co-financing arrangement. Additionally, its prioritization of infrastructure furthers the Japanese government's aim to promote quality infrastructure in Latin America and the Caribbean Region as a way of improving energy efficiency, safety, and sustainability.

To date, the CORE program has channeled more than \$800 million of JICA's highly concessional resources, which are leveraged by IDB loans, to the Latin American and Caribbean Region. The first co-financing loans under CORE have been approved by the partners to fund renewable energy and energy efficiency programs in Nicaragua and Honduras, the program has also supported efforts to develop geothermal energy in Costa Rica and the Eastern Caribbean.

3) Enhancing PPP initiatives: Many governments in Latin America and Caribe today face higher debt levels than they did ten years ago. Mid-high levels of foreign debt combined with more costly bilateral debt out of the OECD-DAC principle and the Paris Club coordination, volatile commodity prices, unsustainable fiscal deficits and weak currencies translate into minimal public investment in infrastructure. The next generation of infrastructure will be financed by the private sector, including commercial banks, growing Latin American and Caribbean pension funds as well as international equity investors and non-bank lenders.

Precisely because of this outlook, Japan has contributed over \$5 million to the IDB contingent recovery PPP preparation program. Through our approach of supporting societies through technical transfer, we have sponsored several countries across Latin America and Caribbean Region to update their PPP and concessions laws and set up new government agencies or specialized units within existing government institutions that structure long term agreements with private investors.

4) Addressing natural disaster risks: Following on the steps of the Takeshima group in Colombia; Japan seeks to leverage our technical knowhow and share it with our partners in Latin America and Caribbean Region. The Government of Japan established the Japan Special Fund (JSF) to promote social and economic growth in borrowing member countries of the IDB. The JSF provides financing for technical cooperation activities. As of the end of 2018, the Government of Japan has contributed to the development of the Latin American and Caribbean Region with over 550 JSF technical cooperation projects, totaling over \$400 million.

As examples of such projects, Japan has provided \$1.25 million in technical cooperation to support Mexico in response to two earthquakes that hit the country in September 2017.

5) Technologies for local needs: Japan applies technology that best meets the needs of each country and region, ensures speedy construction under restricted conditions and provides technology to address local environmental risks. Our end goal is to contribute to building economic infrastructure that will serve the people for the long term and to be a part of global infrastructure development.

An example of how technology interacts with infrastructure in Latin America comes to mind. Very similar to my story about Yuzo, this is the case of the partnership with rice farmers in Colombia. As probably some of you know, the management practices used for irrigated rice in Colombia and other Latin American and Caribbean countries require significant changes, particularly with respect to the use of water and fertilizers, if the sector is to adapt successfully to the impacts of climate change.

Japan and Colombia have initiated an interesting project where Colombian technicians were brought to Japan to learn about a project on precision agriculture, which involves the use of *e-kakashi*, a new and promising Internet of Things technology for crop management. The implementation of *e-kakashi* in Colombia's rice experimental fields was possible within the framework of "technologies for local needs" that the Japanese government is pushing forward. In 2018, the Japanese government along with JICA as Japanese technical and cooperation institutions and JST as an academic association, formalized an agreement to expand this pilot experience with the Colombian government.

This project will also contribute to the development of rice varieties tolerant to drought and low nitrogen levels and has an important training component for Colombian and Japanese researchers.

6) The concept of co-creation: Japan is not only committed to the development of hardware but also of human resources for sophisticated operation and maintenance of infrastructure. Technological transfer is also conducted for supporting local people to develop their own infrastructure.

For example, a Japanese telecom giant has recently concluded the MoU with IDB to provide equity capitals to the Region for enhancing together the start-ups in the Region from its funds of over \$5 billion.

Another telecom giant of Japan and its group company of Spain have been expanding their accelerator for start-ups all over the Region.

Japanese broadcasting technical advisers helped the Peruvian government implement digital terrestrial broadcasting. With the help of Japanese technology, Peru created an early warning system for *tsunamis* in Peru's coastal region.

we have partnered with local communities in Peru not to impose a solution to their needs but rather work together with local authorities and empower them to co-create specific solutions for their needs.

7) Long-term Commitment in infrastructure: Japan is engaged in consistent cooperation, extending from infrastructure development planning to preservation and maintenance. We also offer support for building systems for long-term infrastructure application services. Bringing together both the public and private sectors, Japan is involved, both extensively and profoundly, in the development of our partner countries over a long period of time.

For example, JICA has a long tradition on providing technical and infrastructure assistance for the expansion of the agricultural production matrix of Latin America and Caribbean Region. Vegetables that are traditional to Japan, like cabbage, sesame, and shiitake mushrooms as well as soybeans and poultry are currently also produced in Latin America and Caribbean Region thanks to several JICA projects that have developed new agricultural cultivation techniques through a long and sustained period of time.

8) Lifecycle economic efficiency: Following the Japanese concept of "*Mottainai*" which in a few words implies a sense of regret of over waste and respect for the environment; Japan thrives on helping to empower the Latin American region on creating solutions that have a long, sustainable and efficient lifecycle. Infrastructure is not outside this realm, our strategy of economic efficiency for infrastructure is centered in *Mottainai*: if you use a better-quality product, you can use it longer, making it cheaper and of better quality, thus cutting down costs and resource consumption.

In the hopes to apply this concept, Japan has recently agreed to provide \$2.6 billion for the construction of the Panama Metro Line 3, this will be the largest project in Panama since the expansion of the Panama Canal, which Japan also heavily supported. The construction of Line 3 will improve the urban transportation function of the metropolitan area and reduce greenhouse gas emissions with the objective of contributing to sustainable economic development in Panama.

By supporting the creation perdurable and long-lasting infrastructure, Japan encourages Latin America and Caribbean Region on achieving the center purpose of *Mottainai*: greater, more durable and long-lasting infrastructure that benefits a large portion of the population.

For decades, Japan has been remarkably steadfast in its engagement with the region through innovation, infrastructure and technology for three *Juntos*. Moving forward we stay as committed as before in the region. Yet, many challenges lay ahead: having a meaningful relation on a context of increased regionalization and a dial back on globalization seems to be the greatest test ahead. But rather than justifying a change of course, the current challenges call for renewed efforts to deepen and diversify our ties.

Providing a grassroots development to achieve a virtuous cycle that co-creates sustainable and quality infrastructure and inclusive growth is our end objective. We hope that, like Mr. Takeshima and his group, through the combined efforts of Japanese, Latin American and Caribbean people, we can co-create our own *El Dorado*.