



USAID'S STRATEGIC APPROACH TO ADVANCING AMERICA'S VISION FOR A FREE AND OPEN INDO-PACIFIC

February 2020

Goal: In November 2017 in Vietnam, President Donald Trump laid out America's vision for a **free, open, and secure Indo-Pacific region in which all nations are independent, strong, and prosperous**. The U.S. Government approach to advancing this vision consists of three pillars:

- **Governance Pillar:** A free Indo-Pacific means **nation states free from coercion**—through strengthened regional architecture, protected sovereignty, and peaceful dispute resolution in accordance with international law—and that uphold fundamental human rights and democratic values essential to engendering **free people**.
- **Economic Pillar:** An open Indo-Pacific means **open trade and investment**—marked by free, fair, and reciprocal trade and open, market-based investment environments—and **open connectivity**—including open sea lanes, airways, and cyberspace—to drive regional integration and economic growth.
- **Security Pillar:** A secure Indo-Pacific means a flexible, resilient network of **security partners** that promote regional stability, advance maritime security, ensure freedom of navigation and overflight, and address shared threats such as transnational crime and terrorism.

USAID's Strategic Approach to the USG's Vision for a Free and Open Indo-Pacific

USAID is advancing the vision by supporting bilateral and regional efforts focused on three objectives: strengthen democratic systems (Governance Pillar), foster economic growth (Economic and Governance pillars), and improve the management of natural resources (Governance, Economic, and Security pillars).

Objective 1: Strengthen Democratic Systems

Challenge: Over the past few years, authoritarianism has been rising in the Indo-Pacific region, fueling the spread of corruption and further weakening already fragile democratic institutions. This has not only curtailed political and civil freedoms, but has profoundly impacted countries' economic and social development. Economic growth has been inequitable in almost every instance, and in many countries, that growth has driven countries into debt distress. Corrupt political and economic elites have mortgaged the future of their countries by allowing irreparable exploitation of natural resources. Today, five of the eight most highly debt-distressed countries in the world are in Asia.

Response: To reverse these trends, USAID implements programs, in accordance with the **Indo-Pacific Transparency Initiative**, to assist partner countries in a number of areas, including the following: (a) strengthening institutional and fiscal integrity, including fighting corruption and strengthening rule of law; (b) promoting the integrity of electoral processes; (c) supporting democratic values and strengthening civil society; (d) supporting the independence of media and information integrity; and (e) protecting human rights, including civil and political rights.

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Objective 2: Foster Private Sector-Led Economic Growth

Challenge: Despite Asia's expanding wealth, a number of challenges constrain partner countries' growth and create opportunities for predatory tactics that create economic and political dependency. Such challenges include: weak regulatory environments, constrained fiscal space, lack of infrastructure, and corruption. These issues hinder fair competition and impede U.S. private sector investment in the world's fastest growing markets.

Response: USAID economic governance programs focus in these priority areas:

- Leveling the Playing Field for Trade: USAID's assistance supports programs that promote legal, regulatory, and policy reforms. Specifically, USAID will develop the capacity of partner governments to: (a) fulfill their obligations under international trade agreements; (b) meet internationally-accepted standards for intellectual property, labor, and sanitary and phytosanitary measures; and (c) promote trade facilitation by addressing technical barriers to trade and easing border controls and compliance requirements.
- Improving Competitiveness: USAID's assistance supports bilateral programs that: (a) reduce barriers to entry and to market access by legitimate investors; (b) lower the cost of doing business by streamlining procedures and cutting red tape for obtaining permits and licenses, easing labor market restrictions, and strengthening contract enforcement; and (c) promote greater competition by reforming procurement rules to allow legitimate players to participate, strengthening antitrust and competition requirements, promoting standards conformance following international best practices, and strengthening intellectual property rights enforcement.
- Creating an Enabling Environment for Sustainable, Transparent, and High-Quality Infrastructure Development: USAID's assistance supports partner countries in advancing sustainable, transparent, and high-quality infrastructure development, as well as level the playing field for American companies to compete in the infrastructure sector in the Indo-Pacific. Through technical assistance and training, USAID will launch programs, including those under the **Infrastructure Transaction and Assistance Network (ITAN) Initiative**, that help countries to: (a) foster open and transparent procurement processes; (b) build capacity of countries to conduct feasibility studies and review bid documents; (c) prioritize public-private partnerships in infrastructure development to reduce dependence on predatory credit financing arrangements; (d) allocate government resources to infrastructure projects with the highest returns in order to optimize use of fiscal resources and avoid debt distress; (e) implement robust environmental and social safeguards with respect to infrastructure investments; and (f) implement activities to support domestic resource mobilization, such as improved tax administration and public financial management. Through ITAN's Transaction Advisory Fund (TAF), partner countries will have access to legal and other technical assistance needed to analyze the feasibility of infrastructure projects.
- Strengthening Digital Economy and Connectivity: USAID will launch programs, including those under the **Digital Connectivity and Cybersecurity Partnership (DCCP) Initiative**, that will assist partner countries to: 1) advance a rules-based policy framework for ICT policy development, 2) enhance capacity to implement and regulate digital economy standards, consistent with international best practices, 3) work across sectors to partner with the private sector on innovative digital approaches to address common development challenges, such as social media-driven misinformation, e-government, e-health modules, and "fourth industrial revolution" skills-upscaling that targets youth across Asia.

Objective 3: Improve the Management of Natural Resources

Challenge: Irresponsible infrastructure development projects erode the natural resources upon which many of our partner countries depend for their long-term growth. These resources include energy, water, land, and clean air. Reckless extraction of natural resources contravenes environmental safeguards, fosters corruption, threatens the livelihood of vulnerable populations, and undermines long-term economic growth.

Response: USAID supports programs that focus on: (a) strengthening legal frameworks for natural resource management and ensuring enforcement of environmental safeguards; (b) fostering private sector engagement on sustainable supply chains, energy sector transformation, and safeguards; (c) promoting the adoption of international environmental standards; and (d) supporting water and energy security, as well as legal and sustainable forestry and fishing.

- Accelerating Energy Sector Transformation: To implement the **Asia Enhancing Development and Growth through Energy (EDGE) Initiative**, USAID's assistance supports programs that: (a) scale up USAID's work to develop integrated, smart, secure, profitable, and stable energy sectors in the Indo-Pacific; (b) promote utility modernization through digitization and performance enhancement; (c) foster regional energy connectivity; (d) attract increased private sector investment by reducing risk and improving the investment enabling environments; and (e) accelerate the adoption of regional and bilateral competitive energy markets that will increase Asian households' and businesses' access to power and gas.
- Advancing Environmental and Social Safeguards Standards: USAID assists partner countries to formulate and implement environmental safeguards, which will help protect valuable natural resources, support economic growth, and improve governance. At the same time, transparent government policies, regulations, and transactions that foster adherence to internationally-accepted standards will make it difficult for irresponsible infrastructure projects and resource extraction arrangements to succeed.
- Combating Transnational Environmental Crime by Improving the Management of Natural Resources: The Indo-Pacific region is rich in forests, fisheries, and other natural resources. USAID supports activities to combat wildlife poaching and trafficking, illegal and unreported fishing, and illegal logging. In addition to contributing to the Economic Pillar, USAID's efforts to improve the management of natural resources also contribute to the Security Pillar by combating transnational environmental crime.

USAID continues to prioritize gains in **health and education** for our partner countries' development journeys to be inclusive and sustainable over generations. USAID's health and education programs—which focus on achieving longer-term goals that contribute to building human capital and economic growth—are important for creating the foundation for a free and open Indo-Pacific region in the long-run.