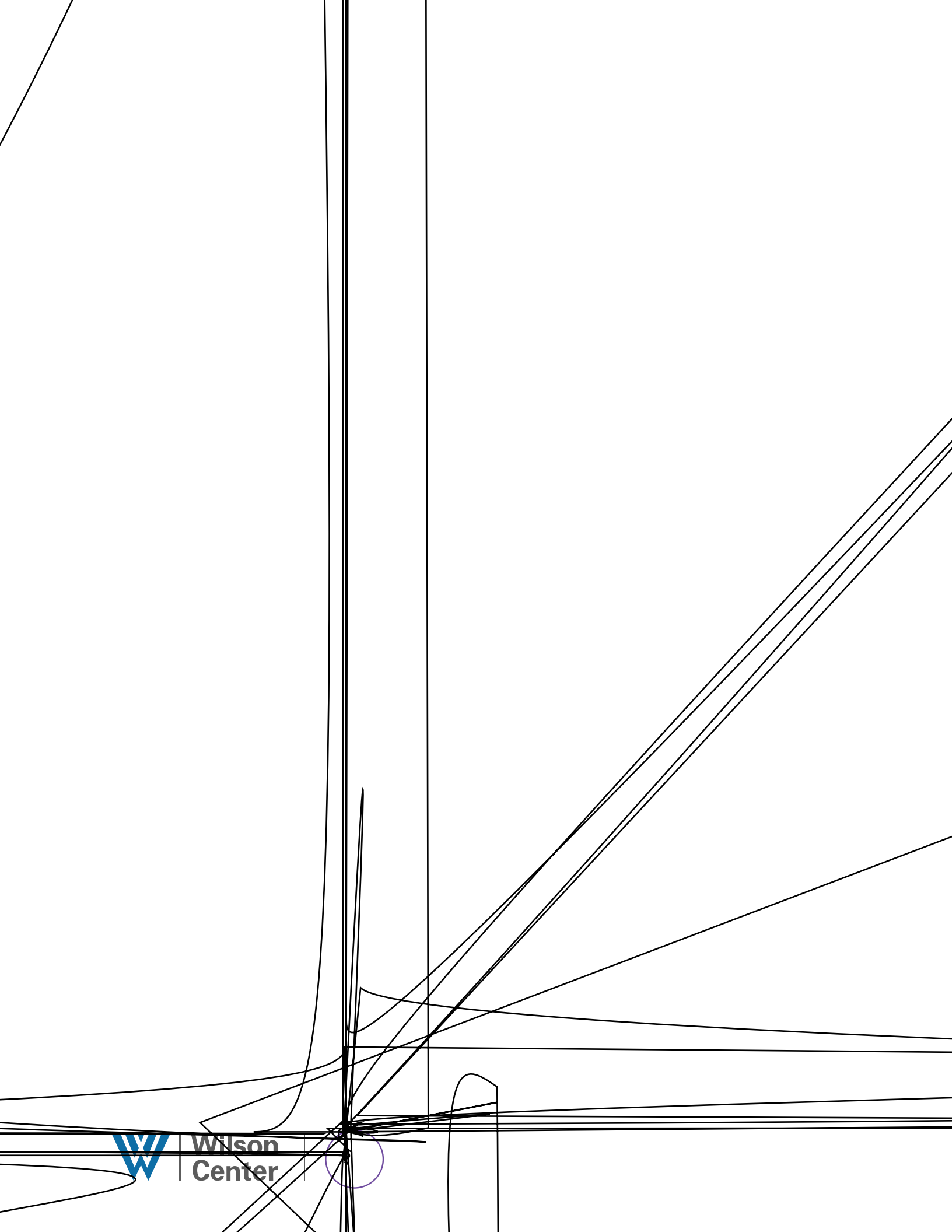




Wilson
Center



US Policy Recommendations

- The role of bilateral Development Finance Institutions (DFIs) and Export Credit Agencies (ECAs) are critical. The architecture is already in place, but origination and project development can be enhanced, and the capacity of these bodies must be increased. Coordination between DFIs and ECAs should continue to be enhanced.
- The Development Finance Corporation (DFC) should continue to expand its Indo-Pacific footprint and collaborations with allied DFIs and ECAs, while sharpening its focus on maritime, trusted communications and critical minerals.
- A set of quality standards should be adopted broadly as the agreed framework for development finance by DFIs and Multilateral Development Banks (MDBs).
- Funding for United States Trade and Development Agency and the Global Infrastructure Facility should be significantly expanded.
- The Quad nations should focus on de-risking countries rather than just de-risking projects. This will have a greater long-term impact on the supply of bankable infrastructure projects.
- Quad members and allied nations should continue to enhance their collaboration in securing maritime commerce, trusted communications and diversifying critical minerals supply chains.
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Context and Background

Two trends in great power strategic competition have revealed themselves in the last decade—slowly at first, but more rapidly over the last few years. First, infrastructure diplomacy is a key plank of soft power projection. Second, the major field on which infrastructure diplomacy is being played, at least for now, is the Indo-Pacific.

The way in which geostrategic regions are defined is a blend of historical path dependence married with contemporary political exigencies, and factual analysis allied to popular wisdom. The Indo-Pacific is no different.

At this point, it is worth reviewing the sheer weight of the region in question. It comprises 40 countries. These countries are home to 65% of the world's population. It is hugely diverse in terms of language, culture, national incomes and political systems. It contains both the world's most populous and some of the world's least populous countries. And—crucially—it is a maritime region. It is defined by two oceans. Distances are great and land borders are relatively rare. This means that any sovereign land masses take on outsized strategic importance.

And it also just happens to include the world's only superpower, its regional challenger, and an array of rising and middle powers, while also being the most visible epicenter of the impact of the great borderless problem of our age—climate change.

As the importance of the Indo-Pacific has become apparent, so has infrastructure become a key domain in strategic competition in the Indo-Pacific.

US Infrastructure Interests in the Indo-Pacific

4. Building resilience against natural disasters
5. Integrating social considerations in infrastructure investment
6. Strengthening infrastructure governance

Korea and Europe are also [major contributors to development finance](#) in the Indo-Pacific and, both have strong ties to the United States. Working with both actors, as well as the regional grouping of the Quad, will be key to a successful Indo-Pacific strategy. Initiatives like the [Blue Dot Network \(BDN\)](#), which aims to support and certify ‘quality’ infrastructure, may represent another avenue for cooperation on infrastructure standards in the Indo-Pacific. While still being developed, the United Kingdom, Spain, and Switzerland are European members, along with Japan, Australia, and the United States. The OECD is currently working with member countries to further develop the BDN.

If the BDN can gather more members and support, it may be able to promote an accepted standard on quality infrastructure. This could then become a standard applied to projects financed by member country DFIs and, potentially, MDBs. Applying a stronger, agreed-upon quality lens to projects will support better infrastructure. This leading to acceptance of common environmental assessments being accepted by all DFIs and MDBs would streamline project costs and make quality infrastructure alternatives more competitive with alternatives.

While this quality framework will apply to projects, there should also be a renewed focus on [derisking of countries](#)—through enhanced governance, long-term strategic planning, and capacity building—rather than only focusing on derisking projects.

A Growing Role for DFC And EXIM Bank

The increased activity of the US International Development Finance Corporation (DFC) and the Export-Import Bank of the United States (EXIM) marks a significant development in US infrastructure diplomacy. In 2023, the DFC [committed \\$9.1 billion USD to new projects](#), a significant increase on any previous year.

The BRI has had mixed success in driving strategic outcomes in the Indo-Pacific: [“While the BRI is a flawed model with often-questionable outcomes, it is usually the “least worst” \(and sometimes only\) route to financing major infrastructure projects for participating countries.”](#) The sheer scale of the BRI is extraordinary and regardless of its imperfections, it has provided the PRC a huge amount of influence, both economically and diplomatically. The BRI will inevitably shape strategic competition in the Indo-Pacific.

Maritime Infrastructure

Unlike some previous theatres of strategic competition, the Indo-Pacific is defined by the two oceans it is named for. It is a uniquely maritime region.

The United States has signaled intent to play a much larger role in port infrastructure in the region. In [October 2023, the DFC announced \\$553 million USD](#) in financing for a new container terminal at the Port of Colombo in Sri Lanka. The Terminal will ease capacity constraints and enhance the US-Sri Lanka relationship.

Digital and Communications Infrastructure

Information and digital infrastructure warfare has been called the ‘fifth domain’, after land, sea, air and space. It is of great importance not just in a shooting war, but in every other form of competition short of outright war, including trade and diplomacy.

In, [The Digital Silk Road](#), Jonathan E. Hillman showed how China is looking to control these networks, saying “The CCP [Chinese Communist Party] is harnessing communications technology to cement its control at home and expand its influence abroad.” China’s development finance arms have been instrumental in this international push.

[For example](#), in 2022 the government of the Solomon Islands borrowed \$66 million USD to finance the installation of 161 communications towers by Chinese telco giant Huawei. The loan was financed by China’s Export-Import Bank at an annual interest rate of one percent. The Solomon Islands had [severed diplomatic ties](#) with Taiwan and switched to the PRC in 2019.

The Solomon Islands case spurred key regional ally Australia to support the purchase of Digicel Pacific, a telecommunications company, by Telstra, Australia’s largest telecommunications provider. The private purchase was supported with [\\$1.33 billion USD in financing](#) from Export Finance Australia. Both the United States and Japan also provided around \$50 million USD each in [credit guarantees](#).

The Digicel Pacific sale will allow Australia to work more closely with Pacific partners to support quality digital connectivity in the region and provide a competitor to Chinese providers such as Huawei.

Undersea cables are another area of strategic competition in communications infrastructure—both in terms of physical security and network ownership. As part of the ongoing conflict in the Middle East, [fears have arisen](#) that Houthi militants may threaten crucial undersea cables. Given the relative lack of resources of the Houthis, the risk posed to undersea cables by a sophisticated state actor is immense.

To safeguard vulnerable undersea cables in the Indo-Pacific, the United States can employ a multifaceted approach. This may include increased naval patrols, strategic partnerships with regional allies, enhanced surveillance technologies, and diplomatic initiatives to deter threats. Protecting these cables is crucial as they underpin global communication networks, economic transactions, and

US Infrastructure Interests in the Indo-Pacific

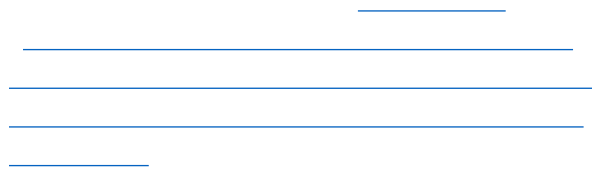
Improving Domestic Infrastructure

It is critical that the United States enhance its domestic infrastructure capabilities if it wishes to both finance and deliver infrastructure projects in the Indo-Pacific. Successful infrastructure diplomacy is as much about exporting good governance and processes as much as it is about sheer dollars.

One of the key strengths of the BRI is quite simply that it gets things built: [“partner countries have largely found the most attractive elements of the BRI to be its provision of hard infrastructure.”](#) This needs to be a key consideration in designing a strategy in the Indo-Pacific.

The Global Infrastructure Hub's *InfraCompass* found that the United States [significantly lagged](#) Europe and other high-income countries in governance, strategic planning, procurement, and activity relative to infrastructure. All of these elements are critical to a strong infrastructure diplomacy strategy, especially to support greater private investment.

The *2021 Infrastructure Investment and Jobs Act*



Republic of the Marshall Islands, has been held up as [Congress has yet to approve funding of the COFA](#).

The COFA is a key element of delivering a coherent and stable strategy in the Indo-Pacific. In February 2024, Palau President Surangal Whipps Jr., [bemoaned the situation](#), and outlining that domestic political challenges in the United States could see desperate Pacific leaders align more closely with China. These political disputes have demonstrated that a bipartisan approach is needed to strategic competition in the Indo-Pacific.

Conclusion

In a rapidly evolving arena of global competition, the Indo-Pacific region has emerged as a pivotal theater, characterized by its strategic significance and multifaceted dynamics. Recognizing the imperative of infrastructure diplomacy in countering Chinese influence, the United States has articulated a robust Indo-Pacific Strategy, accentuating the pivotal role of quality infrastructure. While challenges loom large, including China's expansive Belt and Road Initiative and domestic infrastructure deficiencies, strategic investments in maritime, digital, defence and critical mineral infrastructure will benefit both the United States and its partners commercially, diplomatically and from a security perspective.

By bolstering alliances and enhancing quality investment, the United States can navigate the complex geopolitical terrain of the Indo-Pacific, fostering stability and prosperity in the region.

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