



McLARTY
ASSOCIATES

WASHINGTON | BRUSSELS | BEIJING | SINGAPORE | www.maglobal.com | [@McLartyAssoc](https://twitter.com/McLartyAssoc)

MCLARTY ASIA UPDATE: Focus on the Indo-Pacific

August 10, 2018

KEY POINTS:

1. After announcing the new Indo-Pacific framework for its approach to the larger Asian region last year, **the Trump administration has finally begun to introduce specific initiatives.**
2. At the first Indo-Pacific Business Forum convened by the U.S. Chamber of Commerce, Secretary of State **Pompeo announced US\$113 million in new initiatives for the region focused on digital economy, energy, and infrastructure development.** Secretary Ross **announced that India had been granted STA-1 status, enabling India to be exempt from a number of export licenses.**
3. During his Southeast Asia visit, Secretary Pompeo **announced \$300 million in security assistance**, include support for a Bay of Bengal initiative focused on commercial shipping information sharing.

On July 30, the US Chamber of Commerce hosted the first Indo-Pacific Forum, which featured remarks from Secretary of State Mike Pompeo, Secretary of Commerce Wilbur Ross, and Secretary of Energy Rick Perry as a few of the representatives from the administration. **The summit emphasized private sector engagement with the Indo-Pacific region and provided a platform for the Trump administration to introduce the economic and commercial pillars of its Indo-Pacific strategy.** In his speech, Secretary Pompeo announced US\$113 million in new initiatives to support three foundational areas: digital economy, energy, and infrastructure. The \$113 million is small compared to infrastructure programs in the billions funded by China and Japan. However, the money is meant to catalyze private sector investment. Details are forthcoming.

Announcements that were made are highlighted below:

Digital Connectivity and Cybersecurity Partnership: This US\$25 million initiative, **focuses on promoting digital regulatory policies, and helping to build cybersecurity capabilities.** The digital economy and cybersecurity emphasis seeks to increase opportunities for tech exports. Secretary Ross announced that **the Foreign Commercial Service will expand its digital attaché program to include an additional digital attaché in the region.** There are currently 12 stationed throughout the world.

Asia EDGE: The Asia EDGE initiative stands for “Enhancing Development and Growth

through Energy”. **With an initial investment of US\$50 million, the US will help partners import, produce, move, store and deploy energy resources.** Secretary Perry noted that it will focus on four areas: expanding energy commerce, advancing markets based on energy policies and market reforms, catalyzing private capital for the financing of export and investment projects, and promoting universal access to affordable, secure and reliable energy supplies.

Infrastructure Transaction and Assistance Network: The initial whole-of-government initiative **will be seeded with US\$30mn, and will establish an interagency body to coordinate, strengthen and share US tools for project scouting, financing, and technical assistance.** The initiative will also establish a new Indo-Pacific Transaction Advisory Fund to help partners access private legal and financial advisory services.

BUILD ACT: Pompeo noted the BUILD Act legislation is currently pending in Congress. Should it pass, it would **create a new International Development Finance Corporation by merging the functions of OPIC (Overseas Private Investment Corporation) as well as the Development Credit Authority within USAID. Most importantly, the resulting new agency would have approximately double the available contingent liability limit, up to \$60 billion.** Secretary Pompeo pitched the proposed new agency as the strongest emerging tool for the U.S. to scale up infrastructure work in Asia by expanding opportunities for the private sector to play a role.

STA-1: India has received a Strategic Trade Authorization (STA) Tier 1 country designation, a status for U.S. export controls. The change places India in a category consisting primarily of U.S. treaty allies. India had previously enjoyed STA-2 status, which provides the same exceptions, but only for items subject to U.S. national security controls.

Indo-Pacific regional security: Secretary Pompeo **announced \$300 million to support regional security cooperation, including a commercial shipping information initiative in the Bay of Bengal.** Other priorities include humanitarian assistance, peacekeeping, and countering transnational crime. Look for more details on this front to unfold in the future.

Copyright © 2018 McLarty Associates. All rights reserved.

