



### DONALD TRUMP'S "INDO-PACIFIC STRATEGY": TRILATERAL PACT ON INFRASTRUCTURE INITIATIVE

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*(Views expressed in the brief are those of the author, and do not represent those of ISSI)*



**Addressing Indo-Pacific Business Forum in Washington on July 30, 2018, US Secretary of State, Michael Pompeo detailed a plan for a “free and open Indo-Pacific”.<sup>1</sup> The plan aims to provide “fair and reciprocal trade, open investment environments, transparent agreement between nations, and improved connectivity to drive regional ties”.<sup>2</sup>**

US has initially earmarked \$113 million to provide support in foundational areas like digital economy, energy, and infrastructure. Pompeo described this recent initiative as implementation of President Donald Trump’s vision for the region which he had outlined at the Asia-Pacific Economic Cooperation (APEC) CEO Summit in Vietnam in 2017.<sup>3</sup> This arrangement is meant to address the apprehension circulating in the region since Trump’s decision to pull out of Trans-Pacific Partnership (TPP); and amid fears that region has become increasingly susceptible to diplomatic assertiveness from Beijing.

Following Pompeo’s address, Australian Foreign Minister Julie Bishop announced a plan on July 31, 2018 for a “trilateral partnership” between US, Japan and Australia to implement

<sup>1</sup> Michael R. Pompeo, Secretary of State, "Remarks on 'America's Indo-Pacific Economic Vision'" *US Department of State*, July 30, 2018. <https://www.state.gov/secretary/remarks/2018/07/284722.htm>

<sup>2</sup> Ibid.

<sup>3</sup> Remarks by President Trump at APEC, CEO Summit / Da Nang , Vietnam, *White House*, November 10, 2017. <https://www.whitehouse.gov/briefings-statements/remarks-president-trump-apec-ceo-summit-da-nang-vietnam/>

terms of the same project.<sup>4</sup> Echoing Bishop views, Chief Cabinet Secretary Yoshihide Suga in Tokyo stated that such a trilateral cooperation would “vastly” help improve peace and prosperity in the region.<sup>5</sup> Aims and objectives of this trilateral partnership between US, Japan and Australia are again manifested within Joint Statement from Australian Department of Foreign Affairs and Trade, the United States Overseas Private Investment Corporation (OPIC), and the Japanese Bank for International Cooperation. The statement refers to investment in “projects that drive economic growth, create opportunities, and foster a free, open, inclusive and prosperous Indo-Pacific”.<sup>6</sup>

Despite clear absence of any hint to Beijing by either Pompeo or Bishop, the proposal has been immediately framed in international media as a step to counter China’s Belt and Road Initiative (BRI) across Asia as there are plenty of unmistakable references to it e.g the initiative is supposed to be furthering interests of those who “share our vision of the region”.<sup>7</sup> However, despite efforts from both Japan and Australia to step up engagement in the Pacific - e.g. diplomacy drive like opening of an embassy in Vanuatu’s capital, Port Vila by the former<sup>8</sup>, and allocation of the largest slice of its aid budget<sup>9</sup> for the Pacific by the later - the trilateral effort will struggle to match Beijing’s financial muscle, experts warn.

No one from either Japan, Australia or US has explicitly stated how much cash they are ready to invest in the initiative. Questions are also hovering over the capacity of these countries. US, in spite of having the economic muscle, is in deep debt and facing daunting domestic challenges to upgrade infrastructure back at home. Skepticism too surrounds American political will to sink in the resources in this project. In Australian case, reservations would be related more to the capacity of its economy rather than the political will, while

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<sup>4</sup> Minister for Foreign Affairs, Hon Julie Bishop, "Australia, US, and Japan announce trilateral partnership for infrastructure investment in the Indo-Pacific," *Department of Foreign Affairs and Trade, Media Release*, July 31, 2018. [https://foreignminister.gov.au/releases/Pages/2018/jb\\_mr\\_180731.aspx](https://foreignminister.gov.au/releases/Pages/2018/jb_mr_180731.aspx)

<sup>5</sup> "Japan, U.S. and Australia plan infrastructure push to counter China in Indo-Pacific," *Japan Times*, July 31, 2018.

<sup>6</sup> Minister for Foreign Affairs, Hon Julie Bishop, "Australia, US, and Japan announce trilateral partnership for infrastructure investment in the Indo-Pacific," *Department of Foreign Affairs and Trade, Media Release*, July 31, 2018. [https://foreignminister.gov.au/releases/Pages/2018/jb\\_mr\\_180731.aspx](https://foreignminister.gov.au/releases/Pages/2018/jb_mr_180731.aspx)

<sup>7</sup> Pompeo, Secretary of State, "Remarks on 'America's Indo-Pacific Economic Vision'".

<sup>8</sup> The Presentation of Credentials to His Excellency Pastor Obed Moses Tallis, President of the Republic of Vanuatu, by His Excellency Mr. Masahiro Omura, Ambassador of Japan to the Republic of Vaunatu (24 October 2017), Embassy of Japan in Vanuatu, [http://www.fj.emb-japan.go.jp/itpr\\_ja/00\\_000306.html](http://www.fj.emb-japan.go.jp/itpr_ja/00_000306.html)

<sup>9</sup> Detailed budget for aid by the Australian Government could be accessed at <http://dfat.gov.au/about-us/corporate/portfolio-budget-statements/Documents/2018-19-australian-aid-budget-summary.pdf>

Japan might be able to step up its engagement as Prime Minister Shinzo Abe already pledged about \$50 billion in infrastructure aid to the Indo-Pacific region over three years.<sup>10</sup>

Another troubling aspect is inability of the trilateral group to include fourth member of the Quadrilateral Security Dialogue, i.e. India in the infrastructure scheme. While India had also been part of the discussions for months,<sup>11</sup> but it has refused to sign up on the economic aspect of the quadrilateral partnership. Some attribute this reluctance to Prime Minister Narendra Modi's desire to improve relations with China, while others refer to domestic political sensitivities. Delhi's own developmental challenges also hinders Indian ability to export its capacity elsewhere.

Trump's occasional display of contempt for traditional allies, along with "America First" rhetoric; his withdrawal from TPP and his tariff wars have made partners question whether US is willing to sustain its leadership role in the post-World War II Asia. The new infrastructure scheme clearly aims to counter China's state-sponsored initiative and represents "a coordinated response to Belt and Road Initiative and some of its perceived failings", claims Peter Cai, from Sydney's Lowy Institute.<sup>12</sup> However, Trump's pivot to Indo-Pacific seems far less institutionalized than Obama's rebalance and focuses on major powers rather than range of actors. Whether "quality" investment as claimed by the trilateral pact members can offer competitive advantage for the "quantity" investment of China, the scanty details emerging so far have left plenty of such questions.

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<sup>10</sup> Koya Jibiki, "Indo-Pacific initiatives gain currency despite gaps over China," *Nikkei Asian Review*, August 01, 2018. <https://asia.nikkei.com/Politics/International-Relations/Indo-Pacific-initiatives-gain-currency-despite-gaps-over-China>

<sup>11</sup> Phillip Coorey, "Australia mulls rival to China's 'belt and road' with US, Japan, India," *Financial Review*, February 18, 2018. <https://www.afr.com/news/australia-mulls-rival-to-chinas-belt-and-road-with-us-japan-india-20180216-h0w7k5>

<sup>12</sup> Jonathan Pearlman, "US, Japan and Australia sign infrastructure agreement to counter China's belt and road," *Telegraph*, July 31, 2018. <https://www.telegraph.co.uk/news/2018/07/31/us-japan-australia-sign-infrastructure-agreement-counter-chinas/>