

Indo-Pacific Initiative

Enhance Economic/Commercial Engagement in World's Fastest-Growing Region

- The U.S. announced \$113.5 million to seed new strategic initiatives in the region.
- Region has seen an average annual economic growth rate of around 6% over the last 5 years.
- The U.S. has made investments of \$1.4 trillion into the region.



BACKGROUND

The Indo-Pacific region stretches from the United States' west coast on the Pacific Ocean to the west coast of India in the Indian Ocean, connecting the two oceans through Southeast Asia. The region is made up of 14 countries: Australia, Bangladesh, Burma, India, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam. The Indo-Pacific region is one of the greatest current and future engines of the global economy.

The Indo-Pacific is the most populous, fastest growing and most economically dynamic part of the world. By 2030, it will represent 66% of the world's middle class, and 59% of all goods and services sold to middle class consumers will be sold in the Indo-Pacific. Developing nations in the region will need about \$1.5 trillion in investment every year for the next decade in order to develop the infrastructure necessary to sustain their growth.

Despite the Indo-Pacific region's growth, over the last decade growth in U.S. exports to Asia have lagged behind overall U.S. export growth. The United States is gradually losing market share in trade with Asian countries. Meanwhile, Indo-Pacific countries have signed more than 150 bilateral or regional trade agreements, while the United States has just three free trade deals in the Indo-Pacific region—with Australia, Singapore, and South Korea.

IMPACT

Two-way investment and trade in the Indo-Pacific region supports millions of American jobs. The region contains seven

of the world's 30 freest economies—Singapore, Australia, New Zealand, Taiwan, Malaysia, South Korea and Japan. The sea routes of the Indo-Pacific facilitate 50% of world trade.

The U.S. has made foreign direct investments of \$1.4 trillion into the Indo-Pacific region. The U.S. doubled the amount of security assistance it provided to the Indo-Pacific nations, totaling more than \$500 million. The BUILD Act, which President Donald J. Trump signed in October 2018, provides for development finance capacity up to \$60 billion. The Indo-Pacific Transparency Initiative also has more than \$400 million available to support allies, partners, and regional institutions in advancing shared principles of combating corruption and promoting good governance.

PAST ACTIVITY

President Trump in 2017 outlined his vision for a free and open Indo-Pacific at the Asia Pacific Economic Cooperation (APEC) CEO Summit in Vietnam. President Trump has aimed to reinvigorate private business interest in the region.

The Indo-Pacific Initiative launched by President Trump in July 2018 aims to accelerate U.S. private sector involvement in the region and support more U.S. export opportunities. The initiative will begin with \$113.5 million to support digital

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INTERNATIONAL TRADE

connectivity and cybersecurity, promote sustainable infrastructure development, and strengthen energy security and access.

In November 2018, the Trilateral Partnership for Infrastructure Investment in the Indo-Pacific, formed by the United States, Australia and Japan in July 2018, signed a trilateral Memorandum of Understanding (MOU) to operationalize the partnership. The MOU signified the three countries' intent to work together to mobilize and support the deployment of private sector investment capital to deliver major new infrastructure projects, enhance digital connectivity and energy infrastructure, and achieve mutual development goals in the Indo-Pacific.

ANTICIPATED ACTION

The California Chamber of Commerce is hopeful that the Trump administration will continue to develop the Indo-Pacific Initiative in 2019 and strengthen partnerships within the region.

In 2019, the U.S. Department of Commerce, through its Access Asia Program, plans to dedicate many events to the region, including its 2019 flagship trade mission to connect U.S. firms with the Indo-Pacific market.

Also in the lead up to the 2019 G-20 Summit in Osaka, the Trilateral Partnership for Infrastructure Investment in the

Indo-Pacific intends to work with the other members of the G-20 to promote quality infrastructure development in the region.

CALCHAMBER POSITION

The CalChamber supports expansion of international trade and investment, fair and equitable market access for California products abroad, and elimination of disincentives that impede the international competitiveness of California business.

The Indo-Pacific region represents nearly half of the earth's population, one-third of global gross domestic product (GDP) and roughly 50% of international trade. The large and growing markets of the Indo-Pacific already are key destinations for U.S. manufactured goods, agricultural products, and services suppliers.

Following the U.S. withdrawal from the Trans-Pacific Partnership, a highlighted Indo-Pacific Vision is welcomed, as this is a key area in geopolitical, strategic, and commercial terms.



Staff Contact

Susanne T. Stirling

Vice President, International Affairs

susanne.stirling@calchamber.com

January 2019