Case Study

Securing the Indo-Pacific: How Foreign Assistance Protects American Interests, Values

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The Indo-Pacific region is the primary theater of 21st-century global competition. Home to over half the world's population, 30% of U.S. international trade and 60% of projected global economic growth, what happens in the Indo-Pacific region directly affects American security and economic stability. While the U.S. military and diplomatic corps maintain vital roles in the region, the U.S. has lost enormous levers and influence by slashing civilian development and humanitarian assistance—historically led by USAID. Development and humanitarian assistance has served as part of America's toolkit for securing critical supply chains, protecting open seas and key global trade routes, fighting infectious diseases, counteracting authoritarian influence and building long-term alliances.

The dismantling of the U.S. foreign assistance infrastructure leaves critical gaps across the Indo-Pacific, handing strategic advantages to rival powers, weakening our own defenses against infectious diseases and undermining American values. Re-investing in these non-military partnerships is vital to safeguarding U.S. economic dominance, defense readiness and global supply chain security.

The Indo-Pacific Strategy

Successive U.S. administrations, both Democratic and Republican, have agreed that the Indo-Pacific region, roughly stretching from South Asia to the Pacific Islands and including northern Asian countries, is vital to U.S. security and prosperity, and serves as the primary battleground for strategic competition with the People's Republic of China (PRC). The first Trump administration elevated the Indo-Pacific as a top priority with the release of the United States Strategic Framework for the Indo-Pacific in 2018 and the Biden administration released its own Indo-Pacific Strategy in 2022. While there were some key differences, both documents prioritize a whole-of-government strategy, freedom of navigation, military deterrence, economic prosperity, rule of law, democracy and governance, and countering the PRC's coercive economic and strategic influence through strengthened alliances and coalitions. Congress codified this commitment to the region with annual funding starting at $1.482 billion in 2020, which later increased to $1.6 billion in fiscal years (FY) 2021/2022 and $1.8 billion in FY2024/2025/2026 in the National Security, State Department and Related Programs (NSRP) bill. Congress has also directed funding for specific objectives in the Indo-Pacific region, including global health, conservation, democracy and trade compliance, and since 2020, funding for the Countering PRC Influence Fund (CPIF). Throughout this time, U.S. foreign assistance

stood alongside the U.S. government's diplomatic and defense pillars to execute the Indo-Pacific strategy.

Trade, Oceans and Strategic Waterways

Both the 2018 and 2022 Indo-Pacific strategies recognize that American prosperity and security relies on open, stable sea lanes in the Indo-Pacific. The South China Sea alone, which borders mainland China, Taiwan, Vietnam, Malaysia, Brunei, Philippines and Indonesia, has over $6 trillion in commercial traffic annually — roughly a quarter of all global maritime trade. The PRC's claims to most of the South China Seas pose not only a threat to the surrounding nations, but it is also a threat economically and militarily for the U.S. Roughly 6% of total U.S. trade passes through these waterways and the South China Sea is a vital sea-lane for the U.S. navy, allowing the navy to move quickly between the Pacific and Indian Oceans. The current war in Iran with the chokepoint in the Strait of Hormuz has demonstrated how control over strategic waters can affect the U.S. and the world's economy as well as threaten military readiness and mobility.



Foreign assistance has long reinforced U.S. military and commercial strategy and freedom of navigation by strengthening key partner nations along these vital routes:

- **Securing Military Access:** In the Philippines, USAID supported local community development surrounding key military defense sites, helping to facilitate operational access for U.S. forces.
- **Overcoming the Legacies of War:** In Vietnam, USAID executed large-scale environmental cleanups of Agent Orange at active Vietnamese military airbases, detoxifying the land while building trust and partnership at a base from which the Vietnamese air force conducts maritime patrols over contested sea claims in the South China Sea.
- **Combatting Illegal Fishing**: In the Philippines and throughout the Pacific, USAID helped partner countries address illegal, unreported and unregulated fishing that threatens local food supplies and costs billions in lost revenue.

Trade, Energy and Economic Growth

Driving economic growth and helping strengthen economic foundations that facilitated American investments was a central component of the Indo-Pacific strategies**.** USAID, the U.S. Trade and Development Agency (USTDA), the Millennium Challenge Corporation (MCC), and the departments of State, Treasury and Commerce worked hand in hand to support trade facilitation and investment that helped American companies better compete in the region and foreign countries comply with global trade rules, develop alternative energy sources, as well as protect critical supply chains. While other U.S. agencies are continuing their work, without USAID, the U.S. has not maintained the level of engagement and partnerships to advance our goals in trade, energy and economic growth in this vital region. Also, intrinsic to the Indo-Pacific Strategies under President Trump's first administration and President Biden was the recognition that reducing corruption, improving governance, increasing transparency and strengthening the rule of law helps create the enabling environment for a more prosperous Asia region that provides opportunities for the U.S. private sector. While USAID and the State Department have long invested heavily in funding democracy, rule of law, and civil society strengthening, President Trump's second administration has not prioritized this important program area and in some cases is even actively undermining it.

- **Opening New Markets:** USAID helped countries streamline commercial regulations, strengthen contract laws and establish transparency standards across Vietnam, Indonesia and the Philippines, creating a fairer playing field for American companies.
- **Economic Reform:** The Treasury Department helps some countries in the Indo-Pacific develop financial oversight and counter money laundering and terrorist financing with targeted, small-scale technical assistance. With the loss of USAID, however, the U.S. has lost the critical scaffolding of support and engagement across the region to work on multiple economic reforms that create transparency and improved business environments for American commercial investments.

- **Energy:** With the MCC's September 2026 Philippines Energy Threshold Program, the U.S. launched a new effort to assist a critical ally to address power needs. Without USAID, however, the U.S. has lost the engagement and projects across multiple countries/sub-regions, especially in the area of clean energy, including in Vietnam, India and the Mekong sub-region. These prior efforts helped partner countries establish new energy sources that could power the commercial production and clean energy goals for major new American investments.
- **Pacific Engagement:** The U.S. has current engagements to build partnerships and increase trade with certain Pacific Island countries, such as USTDA's work to support the modernization of critical port infrastructure in the Marshall Islands. Without USAID, however, the U.S. has lost a significant portion of its field-based diplomatic and development presence in the Pacific Islands. We also lost the projects that USAID implemented, and the influence that went along with it, that helped build closer economic and security ties with these island countries that are critical to control of the large swathes of the south Pacific waterways.

Tech Dominance and Critical Mineral Supply Chains

The battle for technological supremacy between the U.S. and the PRC is centered in the Indo-Pacific. Undersea fiber-optic cables, carrying over 95% of internet traffic, are located in the Indo-Pacific region, while 90% of the chips and 65% of semi-conductors required to power super computers, AI, smartphones and weapons are produced in Taiwan. The PRC dominates the production and processing of 90% of rare earth materials required for the production of defense hardware, smartphones and green energy infrastructure, while Chinese tech companies (e.g., Huawei, ZTE) supply much of the telecommunications software and hardware throughout the region.

Foreign assistance in Indo-Pacific has been vital to supporting U.S. interests in technology advancement and supremacy:

- **Open digital transit**: USAID co-funded the Palau undersea cable with Japan and Australia, which connected Palau to a major trans-Pacific undersea cable network to avoid outages and to pre-empt Chinese state-backed firms from monopolizing regional telecommunications.
- **To counter this digital dependency** on the PRC, USAID supported Open Radio Access Network (Open RAN) adoption in the Philippines and India to promote vendor diversity.
- **Digital Connectivity:** Through the Digital Connectivity and Cybersecurity Partnership program in the Pacific, USAID increased digital access and connectivity and improved efficient delivery and use of digital services throughout the Pacific region. The initiative also partnered with U.S. private sector companies such as Amazon Web Services to facilitate sustainable digital development.

- **Securing and developing critical minerals:** The U.S., including through USAID, worked to help nations like Indonesia develop their critical minerals sector, which would allow them to export directly to the U.S. Sustaining these advisory efforts is critical to breaking single-source supply chain vulnerabilities.

Soft Power, Public Health and Crisis Response

Many Americans believe that providing humanitarian assistance is an important responsibility as the world's richest nation, and a strong demonstration of American values. Disaster relief and public health assistance are also powerful drivers of diplomatic influence and U.S. domestic protection to control infectious disease outbreaks and address health issues abroad before they reach our shores. [Health and humanitarian assistance were important parts of U.S. foreign assistance and mitigation of non-traditional security threats, and deserve a separate discussion to fully understand, in addition to the brief references here.]

- **Building Alliances Through Aid:** Following the 2004 Indian Ocean tsunami, rapid USAID emergency relief to 600,000 Indonesians more than doubled public approval of the U.S. in this geopolitically important country.
- **The Cost of Withdrawal:** In contrast, following devastating 2026 flash floods in Nepal, with the U.S.' diminished civilian capacity for humanitarian assistance, the initial U.S. pledge was just $3.6 million (this amount increased later to $5 million). This stands in stark contrast to the $130 million U.S. response and USAID humanitarian assistance to Nepal's 2015 earthquake. Nepal's location between India and China and its natural resources make it a strategic state for America's interests in the Indo-Pacific.
- **Disaster Preparedness:** In 2025, President Trump's administration terminated and then rescinded terminations and continued funding for U.S. disaster response and humanitarian assistance projects in the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI) and the Republic of Palau as part of our commitment under the Compact of Free Association Act (COFA). The confusion around the ongoing funding for these projects has led to questions about a sustained U.S. security presence in the COFA countries, and the ability to counter PRC efforts to expand its control in the Pacific Islands.
- **Protecting Domestic Health and Safety:** Foreign Assistance programs combat transnational crime, multi-drug resistant tuberculosis and other infectious diseases and cyber-scam rings in Southeast Asia — operations that rely on trafficked human beings and bilk Americans out of billions of dollars annually.

Why It Matters

The recent gutting of U.S. foreign assistance has compromised the bipartisan Indo-Pacific Strategy that integrated defense, diplomacy and development. The U.S. has

lost field-level intelligence, trusted partnerships, technical assistance that complemented commercial pathways for American businesses, health surveillance systems and trust in the U.S. as a reliable partner. Weakening foreign assistance also undermines U.S. security, as development and humanitarian assistance in the Indo-Pacific help cultivate the trust and strategic alignment necessary to sustain strong defense alliances.

What Can Congress Do

America is a Pacific nation. Congress should ensure that development and humanitarian work remain at the heart of the U.S. government's approach to engagement in the Indo-Pacific. Investments in digital infrastructure, trade facilitation, public health, democracy and governance, and crisis response help to reduce the underlying vulnerabilities that our adversaries exploit. Preserving these capabilities will help prevent future crises, protect U.S. strategic interests, as well as reflect American values.

1. **Seek Accountability:** Uphold all statutes and legislation related to the Indo-Pacific Strategy, and mandate an interagency Indo-Pacific Strategy from the executive branch in upcoming legislation that includes: a) an assessment of U.S. diplomatic and foreign assistance staffing levels in U.S. missions in Indo-Pacific and any gaps; and b) a list of all active projects (across the Department of State and other executive branch agencies implementing foreign assistance) in the Indo-Pacific.
2. **Support stable funding:** Continue to fund humanitarian, health and other life-saving programs at stable levels. These programs support our values and generate goodwill towards the U.S. and Americans.
3. **Uphold authorizing statutes** such as the BURMA Act and legislative directives for the Indo-Pacific strategy and CPIF, ensuring they are implemented in line with Congressional intent.
4. **Uphold our commitments** under the Compacts of Free Association, including disaster preparedness support (now managed through the State Department.)

Frequently Asked Questions (FAQs)

Q: Why is the South China Sea so critical?

A: The South China Sea is located in the western Pacific ocean and covers approximately 1.4 million square miles bounded by mainland China, the Southeast Asian mainland, the Philippines, and parts of Indonesia. It is one of the world's most vital maritime trade routes. More than $6 trillion in commerce — including a quarter of all global trade and over a third of global liquefied natural gas — passes through these waters every year. Aggressive territorial expansion by the PRC in these waters threatens international freedom of navigation, global supply chains, and global peace and stability.

Q: What are critical minerals, and why are they a national security concern?

A: Critical minerals like lithium, gallium, graphite, nickel and others are essential for producing smartphones, clean energy hardware and defense systems such as missile guidance and satellite communications. The PRC currently controls roughly 90% of global rare earth processing. Beijing has previously weaponized this monopoly by restricting exports during diplomatic disputes, making alternative supply chains urgent for U.S. national security.

Q: What is Open RAN (Open Radio Access Network)?

A: Open RAN is an open telecommunications system that allows providers to mix and match hardware and software components from different companies. Traditional single-vendor networks (like those sold by the Chinese tech company Huawei) lock countries into proprietary, state-linked tech ecosystems that are costly to replace. Open RAN provides partner nations with secure, flexible alternatives while opening telecom markets to American tech firms.

Q: What is the Compact of Free Association?

The Compact of Free Association (COFA) is a set of historic, bilateral international treaties that govern the unique political, economic and military relationship between the United States and three independent Pacific Island nations: the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI) and the Republic of Palau–collectively known as the Freely Associated States (FSA).

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