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Developing Public-Private Partnerships to Support the Goals of the IndoPacific Economic Framework

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About the American Leadership Initiative

The American Leadership Initiative (ALI) is working with elected officials and other stakeholders to develop a 21st century vision and policy agenda for American global leadership, based on American interests and shared values. ALI's policy work is focused on five pillars: advancing inclusive and sustainable growth at home and abroad, pursuing smart trade policies, leading on climate, meeting the China challenge, and promoting democracy, human rights, and rule of law.

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Introduction

The Biden Administration's Asian economic engagement strategy – the Indo-Pacific Economic Framework (IPEF) – announced in May, intends to re-establish the nation's economic commitment in Asia, after the U.S. withdrew from the Trans-Pacific Partnership. The framework has four pillars: Connected Economy, which encourages countries to both adopt high standards for the digital economy and seek strong labor and environmental standards; *Resilient Economy*, which seeks measures to better anticipate and prevent supply-chain disruptions; *Clean Economy*, which encourages commitments on clean energy, decarbonization, and infrastructure; and Fair Economy, which seeks to enact and enforce tax, anti-bribery, and anti-money-laundering regimes.

The Administration announced that IPEF will be a new kind of agreement, which doesn't include tariff reductions as inducements. This necessitates creative thinking to structure incentives for the member countries to make the commitments the U.S. is seeking. In the [American Leadership Initiative's](#) most recent paper, "[Creating Incentives to Join the Indo-Pacific Economic Framework](#)," we lay out a range of non-tariff

Two key U.S. incentives are U.S. business investment and government capacity building.

incentives the U.S. has at its disposal. In examining these incentives, two of the most impactful are private-sector investment and U.S. government capacity-building.

This paper focuses on how using U.S. government capacity-building resources to create public-private partnerships (PPPs) with American companies and civil society could bolster IPEF. Launching a robust PPP initiative as part of IPEF would both

demonstrate U.S. regional leadership and incentivize member countries to advance IPEF's goals. The Office of the U.S. Trade Representative (USTR) and the Department of Commerce should work and communicate openly with stakeholders in business and civil society, as they negotiate this innovative approach to trade, to ensure the best results.

A program to galvanize U.S. investment in the region will be an important counterweight to China's presence in the region. While the U.S. will never match China's funding dollar for dollar, IPEF partners can create alternative terms and standards for Indo-Pacific investment, especially as concerns grow over China's

abusive lending terms, corrosive capital, and environmental standards. The U.S. emphasis on creating resilient supply chains, advancing digitization, increasing decarbonization, and raising labor and environmental standards will spur growth, and provide an alternate path for growth and governance in the region. These changes will also enhance U.S. leadership in the region, while strengthening our national security and boosting the economic future of our workers and businesses.

Ideally, Congress would fund capacity-building to support IPEF, as it did with the U.S.-Mexico-Canada-Agreement (USMCA), allocating \$210 million to assist Mexico in upgrading and implementing its labor regulations. Since Congress is not currently contemplating new funding for IPEF, this paper focuses on harnessing existing

A robust PPP program will be an important to achieving IPEF's goals.

government resources to catalyze private sector investments and civil society partnerships to achieve the maximum impact within the IPEF region.

This paper starts by recommending the creation of an IPEF Partnership Program entity, hereafter referred to as the “Partnership.” It then examines the capacity-building funding available in

U.S. government agencies, aligning with IPEF's goals, which the Partnership could potentially harness. The paper also highlights examples of PPP projects which could be replicated in the IPEF countries. A robust, well-executed Partnership will be a vital to achieving the Framework's goals.

The IPEF PPP Partnership

To maximize credibility with the IPEF member countries, as well as with business and civil society, ***the President should personally announce*** the Partnership. One possible platform would be an in-person IPEF Ministerial in Thailand, before or after the November APEC meetings there.

Ideally, ***the U.S. State Department and the U.S. Agency for International Development (USAID) would co-chair*** the Partnership while harnessing funding from other agencies, including the Department of Labor, the U.S. International Development Finance Corporation (DFC), the U.S. Export-Import Bank, the U.S. Trade and Development Agency (USTDA), the Department of Agriculture (USDA), and others. USAID has extensive experience both organizing public-private partnerships

and coordinating funding streams from other agencies. The Partnership should also coordinate strategy with Commerce and the USTR, to ensure that their programs are used to incentivize countries' commitments towards IPEF's goals.

The Partnership must ***include civil society organizations***, especially as part of the labor and environmental initiatives. Engaging local NGOs as specific initiatives are developed will be key, and the Partnership will also need to coordinate with member countries to ensure that the PPPs are meeting their needs.

One partnership model relevant to IPEF is [Power Africa](#), which is housed in USAID and coordinates funding from the Export-Import Bank, the Millennium Challenge Corporation, the DFC, USTDA, and the Department of Energy. Power Africa works with the private sector to provide financing, capacity building, and regulatory reform to bring power transmission projects to Africa.

The [Digital Connectivity and Cybersecurity Project](#) (DCCP), another PPP program, co-chaired by USAID and the State Department, coordinates streams of funding from the same agencies as Power Africa. It seeks to work with the private sector to bring digital infrastructure to the developing world, together with regulatory and cybersecurity best practices.

In an ideal world, Congress would allocate funding for the Partnership. In the absence of money, a ***congressional endorsement*** would build credibility for the effort. While

Even in the absence of funding, a congressional endorsement is important.

Power Africa did not receive funding from Congress, Congress passed the [Electrify Africa Act of 2015](#), which set out specific project goals and directed the President to “establish an interagency working group to coordinate the activities of U.S. government departments and agencies involved in carrying out the strategy.”

In June, Representatives Ami Bera and Steve Chabot introduced [bipartisan legislation](#) to increase the U.S. diplomatic presence and development resources in the Indo-Pacific. The legislation requires USAID and the State Department to produce an independent cost assessment of implementing this strategy. This legislation could become a vehicle for a congressional IPEF endorsement.

Before it is launched, the Partnership should obtain ***commitments for participation and funding*** from both the private sector and key NGOs. Similarly, the [Call to Action](#), launched by Vice President Kamala Harris in May 2021 to boost investment in Central America, had participation commitments from 12 companies and organizations as well as \$1.2 billion in commitments when it was announced.

Many U.S. companies are already conducting digital training programs, building green infrastructure, and engaging in other activities that support IPEF's goals. The Partnership should bring these existing initiatives under its umbrella, as well as use funding from government partner agencies to create momentum for new initiatives and PPPs.

A Presidential announcement and congressional endorsement of the Partnership, combined with significant funding and participation commitments, would show the IPEF countries that the U.S. is bringing high-level support and resources to the region. This initial funding, together with U.S. political support, will incentivize U.S. companies to expand their activities in the region, ensuring the newly formed Partnership will have a robust and meaningful regional impact.

U.S. Funding Aligning with IPEF's goals

This section examines the U.S. government funding available to support the connected and clean economy pillars, covering: labor, environment and climate, digital economy, agriculture, transparency and good regulatory practices, competition policy, trade facilitation, decarbonization, and infrastructure. The Partnership, however, could be used for any sector or issue under the IPEF umbrella. It should serve as a multiplier, encouraging companies to make the region a higher priority, investing more in terms of dollars, training and other resources.

Labor

The Department of Labor's International Labor Affairs Bureau (ILAB) provides research, advocacy, technical assistance, and grants to promote workers' rights around the world, with a majority of its resources focused on tracing and eliminating forced and child labor. In FY2021, ILAB had a budget of \$96 million, and it has requested an increase, to [\\$129 million for FY2023](#).

Its responsibilities include enforcing the Trafficking Victims Protection Reauthorization Act of 2013 which seeks to combat child and forced labor by protecting victims and prosecuting traffickers. ILAB also runs the labor attaché program, which places officers in U.S. embassies in strategically-selected countries with long-standing labor violations.

In December 2021, the Biden Administration announced a [\\$122 million collaboration](#) between ILAB, the Department of State, and USAID to strengthen and expand worker rights in the developing world.

ILAB is also tasked with implementing labor provisions that are part of the U.S. trade agenda, including monitoring trade-related worker rights, enforcement, and capacity-building programs. As part of this initiative, ILAB implements the USMCA's much-lauded labor provisions, whose implementing legislation included \$180 million over four years for USMCA-related technical assistance projects and \$30 million over eight years to monitor USMCA compliance, including full-time employees for the Interagency Committee and labor attachés in Mexico.

ILAB could allocate a specific amount of its budget to support labor standards in the IPEF region. U.S. businesses in the region already offer significant worker training as part of their normal operations, and they could partner with ILAB to advance IPEF's goals. One goal could be for companies working with ILAB to eliminate forced and child labor in their supply chains.

The Malaysian Minister of International and Industry, [for example](#), recently said that [he hoped that technical assistance and capacity building from IPEF](#) would help it resolve forced-labor issues which are preventing many of Malaysia's exports from reaching the U.S. market.

Case Study: *In 2017, Microsoft, British Telecom and Nokia founded [Tech against Trafficking](#) which focuses on using technology tools to map and track human trafficking. The group works closely with [the United Nations Office on Drugs and Crime](#), together with the [Organization for Security and Co-operation in Europe](#), and other government and global entities to collaborate and share data that can identify and stem human trafficking.*

Digital

Several U.S. government agencies have programs which assist in digital policy development, worker skilling, and building digital infrastructure in the developing world.

The [DCCP](#), launched in 2018, is tasked with promoting an open, interoperable, reliable, and secure internet by catalyzing economically sustainable and secure private-sector network investments, promoting regulatory reforms, and encouraging strong cybersecurity and data-privacy best practices.

The DCCP's [Digital Asia Accelerator](#) program is working to improve digital safety practices among local businesses and civil society organizations and to increase their capacity to engage on digital-economy policy issues. In Indonesia, the Accelerator is equipping East Java entrepreneurs with digital skills through a training program for young women, persons with disabilities, and marginalized youth.

In June, the G7 launched the [Partnership for Global Infrastructure and Investment](#), with the White House announcing several programs as part of the initiative. One is [Digital Invest](#), which seeks to leverage \$3.45 million in State and USAID funding to mobilize up to \$335 million in investment capital for internet service providers in emerging markets. Digital Invest is a blended finance program which aims to mobilize private capital for digital connectivity infrastructure and digital financial services that strengthen open, interoperable, reliable, inclusive, and secure digital ecosystems in emerging markets.

The DFC funds both digital infrastructure and financing programs to support digital expansion in the developing world. [In 2019, the DFC offered](#) \$250 million in financing to support the construction of two thousand telecommunication towers in Myanmar. USTDA offers funding for feasibility studies, training grants and reverse trading missions which can be used to support U.S. digital technology investment in the developing world.

Other U.S. government agencies are also mandated to assist governments in developing a fair internet regulatory regime, fighting cybersecurity, and ensuring a free and interoperable internet. The Department of Commerce's Commercial Law Development Program (CLDP) trains regulators and assists in drafting internet governance regimes. The National Telecommunications and Information Administration advances global policies that "[protect and promote the internet](#)," and provides training in coordination with foreign assistance efforts, through the [Telecommunications Leadership Program and the U.S. Telecommunications Training Institute](#).

CASE STUDY: [USTDA](#) is funding a training grant offered to the Philippines' largest telecommunications company, PLDT, in partnership with the U.S. company Cisco. They are providing equipment and services for modernizing PLDT's fiber optic network and transmission infrastructure in the Philippines, transforming it into a fully automated, 5G-ready network.

CASE STUDY: On the margins of the Summit of the Americas in June, the [DFC announced](#) a collaboration with Mastercard to spur private sector investment in Central America. This project focuses on building a sustainable and inclusive digital economy in that region by expanding relevant tools, boosting financial inclusion, and creating opportunities for micro and small businesses to access credit to build more resilient enterprises.

CASE STUDY: In June, Amazon [signed an agreement](#) with the Mexican Ministry of Economy to set up e-commerce centers for training and digitization of micro and small business, facilitating their access to national and international markets. Given IPEF's goals, USAID could support partnerships to create similar e-commerce training centers in the Indo-Pacific region.

CASE STUDY: In 2021, USAID and Google launched a program to train and mentor hundreds of Egyptian women and youth business owners. The program teaches digital skills and online marketing to help entrepreneurs build and promote their online brands and to equip business advisers with the skills to better support startups. Such a program in selected IPEF countries would be an important way to advance digital skills.

Agriculture

A recently released [draft IPEF ministerial text](#) indicated that IPEF agricultural goals include provisions on import licensing, science- and risk-based decision making, and import check transparency, as well as collaborative mechanisms on production practices to increase productivity while decreasing land, water, and fuel use to help contribute to climate resiliency. Both USAID and USDA have extensive programs to support agriculture practices in the developing world, including Asia.

The two entities already collaborate to assist countries with collecting and analyzing data, as well as formulating effective policy. [USAID funds](#) research and training, as well as providing technical assistance and training to farm groups and agribusinesses in developing countries. USDA's [Foreign Agriculture Service](#), which places agriculture officers in key embassies, leads the agency's efforts to help developing countries improve their agricultural systems, build long-term food security, and provide food assistance.

USDA also allocates significant funds to helping developing countries comply with agricultural provisions in trade agreements. In 2020 alone, [USDA spent \\$158 million](#) in trade-capacity building.

USDA also issues export-credit guarantees to help bring U.S. agricultural products to the developing world. The 2018 farm bill, for example, reauthorized \$1 billion annually through FY2023 in direct credits or export credit guarantees for such commodities to emerging markets. That bill consolidated four existing USDA export-promotion programs under a single Agricultural Trade Promotion program and added a newly-created Priority Trade Fund, which receives \$255 million [annually through FY2023](#). These credits would benefit both U.S. exporters and certain destination countries within IPEF.

CASE STUDY: *In 2021, [USAID tapped a consortium](#) led by Cargill and including Ausvet, Heifer International, and the International Poultry Council to improve livestock management and combat the threat of zoonotic diseases to both human and animal health. The five-year, \$33 million partnership, will harness innovation to sustainably improve animal health, strengthen animal agriculture production systems in Asia and Africa, and enhance global health security. This partnership is notable in that it includes a civil society organization as a program partner.*

CASE STUDY: *As part of the Partnership for Global Infrastructure and Investment, the White House announced in June that [the DFC will invest up to \\$30 million in the Omnivore Agritech and Climate Sustainability Fund 3](#), an impact venture capital fund that invests in rural Indian agriculture. The Fund will finance companies that increase food security and promote both climate resilience and climate adaptation in India, as well as improve the profitability and agricultural productivity of smallholder farms.*

Transparency, Good Regulatory Practice, and Trade Facilitation

These topics are part of IPEF's connected economy pillar, and improvements in these areas could be extremely impactful for both workers and businesses in the region, as well as for U.S. exporters. The Department of Commerce's CLDP offers government-to-government technical assistance using experienced regulators, judges, policymakers, business leaders, and attorneys from both the public and private sectors. CLDP works with governments in developing countries to create transparent and effective political, commercial, and legal institutions to foster attractive business environments. CLDP is active in several areas which align with IPEF. Its [anti-corruption initiatives](#) in developing countries include:

- Fostering public sector anti-corruption cultures and enforcement capacity
- Promoting corporate governance and ethical business cultures
- Enhancing public procurement transparency
- Increasing compliance with the World Trade Organization's (WTO) Trade Facilitation Agreement's transparency notification requirements

CASE STUDY: [The Global Alliance for Trade Facilitation](#) is a civil society organization which supports governments in developing and least-developed countries in implementing the World Trade Organization's Trade Facilitation Agreement. The Alliance projects cut through red tape and end costly delays at borders by bringing together governments and businesses of all sizes as equal partners to deliver targeted trade reforms. In July, for example, the Alliance launched a [landmark initiative](#) to fully introduce electronic phytosanitary certification for global Fijian trade in plants and plant products, to facilitate farmer's ability to access global markets.

Decarbonization and Infrastructure

A large number of U.S. government agencies support infrastructure and decarbonization efforts in emerging markets. These efforts could be expanded under the IPEF Partnership.

The DFC, launched in 2019, is the U.S. Government's development finance institution, partnering with the U.S. private sector to invest in infrastructure in the developing world. It uses a variety of debt and equity instruments, with the goal of increasing U.S. competitiveness in these markets. In FY2021, the DFC committed \$6.8 billion for new projects, resulting in a total portfolio of \$32.8 billion. It already supports a wide range of clean energy projects in the IPEF region. The DFC could work with USAID to allocate funds for clean energy projects as part of the Partnership, much as the two agencies have worked together to support Power Africa and the DCCP.

The DFC also leads U.S. engagement in the [Blue Dot Network](#), which was started by the governments of the Australia, Japan, and the U.S., and works with the Organization for Economic Cooperation and Development (OECD) to [operationalize a framework encouraging quality infrastructure investment](#) through certifying projects that are “environmentally and socially sustainable, resilient, open and inclusive, transparent, debt-sustainable and economically efficient.” The goal of this certification is to make infrastructure projects less risky and free up private money for investment.

The President's FY2023 budget requests \$11 billion for international climate assistance, primarily for USAID and the Department of State. This umbrella covers a myriad of initiatives, including clean energy, sustainability, and adaptation. Under this program, USAID is working with the Department of Commerce and other agencies on [Asia Enhancing Development and Growth through Energy](#) (Asia EDGE), which aims to grow sustainable and secure energy markets throughout the Indo-Pacific region. It does so by helping governments expand energy access, promote energy diversification and trade, and strengthen energy security. It includes several initiatives, among them:

- The [Asia Gas Partnership](#), a PPP designed to optimize the supply of natural gas across the region, especially as a means of balancing grid variability as countries adopt renewables
- The [Advanced Energy Partnership for Asia](#), which facilitates collaboration between the DOE National Renewable Energy Laboratory, other related labs, and Southeast Asian partners to scale up advanced energy systems in electricity, transportation, and infrastructure
- The [USAID and Australia Mekong Safeguards Program](#), which promotes more sustainable infrastructure development, especially in transportation and power generation, to prevent environmental damage and depletion of natural resources
- [Smart Infrastructure for the Mekong](#), which provides local governments with water security, biodiversity conservation and disaster risk reduction assistance

USAID's activities alone have mobilized \$251 million of private and public financing for renewable energy projects, according to the agency, resulting in 265 megawatts of renewable energy.

The Department of State's [Clean EDGE Asia](#) works alongside Asia EDGE, supporting cross-border, Indo-Pacific electricity trade and renewable energy integration. It contains decarbonization goals and pledges to:

- Encourage countries to rapidly retire uneconomic coal-fired power assets
- Support deploying energy-saving technologies, incentives for demand-side management, and increased efficiency across sectors
- Advance electrification in transportation, buildings, and industry

Finally, Commerce's CLDP program is focused on [two strategic priorities](#) in the Indo-Pacific: AsiaEDGE and the Infrastructure Transaction and Assistance Network, which seeks to deploy U.S. government tools which promote private sector infrastructure investment in the Indo-Pacific.

CASE STUDY: [DFC financed a wind farm in Indonesia](#), helping that country diversify away from coal. The project was co-financed by the Sumitomo Mitsui Banking Corporation and built by U.S. developer UPC, illustrating how financing support by two of IPEF's developed partners enabled a U.S. developer to bring clean energy to Indonesia.

CASE STUDY: As part of the Department of Commerce's contribution to the Asia EDGE program, it created an Energy Industry Working Group Network to build corporate participation in the initiative and organized a June [Clean EDGE Asia business mission](#) to Indonesia, the Philippines, and Vietnam.

Conclusion

A vigorous PPP initiative in the IPEF countries is essential to ensure a robust and meaningful framework. Creating an umbrella entity, the Partnership, led by USAID and the State Department, would allow the U.S. to harness funds from a wide array of agencies and programs which align with IPEF's goals. The Partnership would also offer a structure to work with businesses and civil society organizations, pulling together existing projects

The Partnership has the potential to create a novel trade framework.

that align with IPEF's goals and funding new PPPs in the region. This would allow IPEF to provide valuable training, technical assistance and investment to member countries, supporting the goals of uplifting labor standards, decarbonization, digital expansion and governance, and advancing infrastructure standards. U.S. government funding, combined with high-level political support, will also encourage additional investment by U.S. business creating a multiplier effect in the region.

The Partnership has the potential to create a novel trade framework that harnesses the resources of both the U.S. private sector and civil society to bring in investment and uplift standards in the Indo-Pacific. Executed well, it will create opportunities for U.S. businesses and workers while demonstrating U.S. leadership in Asia, and giving countries a meaningful alternative to China's standards and influence.