



**Report to Congress on the Indo-Pacific Region  
Section 5595 of the James M. Inhofe National Defense Authorization  
Act for Fiscal Year 2023**

**Introduction**

Consistent with section 5595 of the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 (P.L. 117-263), the Assistant Secretary of State for the Bureau of East Asian and Pacific Affairs (EAP), in coordination with the Assistant Secretary of State for the Bureau of South and Central Asian Affairs (SCA) and Assistant Administrator for the Bureau for Asia of the United States Agency for International Development (USAID), submit this report to provide an independent assessment of the activities and resources required to achieve U.S. policy objectives with respect to the Indo-Pacific region over the next five fiscal years.

Section 5595 provides that this report “not be subject to fiscal guidance or global strategic tradeoffs associated with the annual President’s budget request.” This report focuses on the Indo-Pacific region, while acknowledging that regional investments cannot exist in a vacuum and would be reliant on enhancing State and USAID’s capacity for workforce development, technology, infrastructure, security protection, and program management. The assessment assumes that any increased resources for the Indo-Pacific would occur in tandem with broader increases to the Department and USAID’s budget, which are necessary to advance global priorities, including our strategic competition with the PRC.

Advancing the Administration’s objectives in the Indo-Pacific region requires new investments to ensure that we have the necessary capacity and

expertise to meet the region’s challenges. The PRC is the pacing geopolitical challenge of our era – and its efforts to reshape the rules-based international order, while they span the globe, are most acute in the Indo-Pacific. Driving resources to the Indo-Pacific will be critical to our success in the region and in our strategic competition with the PRC. The FY 2024 President’s Budget Request reflects the need for an increased, sustained level of funding to strengthen the U.S. role in the Indo-Pacific. The FY 2024 Budget requests \$2.1 billion in discretionary foreign assistance (FA) for the Indo-Pacific, \$1.39 billion in discretionary Diplomatic Engagement (DE) and USAID Operational Expenses (OE) funding, and a robust mandatory proposal to out-compete China that includes \$7.1 billion over 20 years to extend assistance related to the Compacts of Free Association (COFAs) and \$2 billion over five years to implement the Indo-Pacific Strategy (IPS) and ensure a strong and steady U.S. role in the Indo-Pacific.

This assessment describes the critical actions and resources that EAP, SCA, and USAID’s Bureau for Asia believe are required to advance the Administration’s IPS in the coming years, organized by the five central objectives of the strategy.<sup>1</sup> Overall, this report identifies a cost requirement of \$41.3 billion over the next five fiscal years to implement our objectives in the Indo-Pacific, of which \$8.1 billion is for DE, \$1B is for USAID OE, and \$32.2B is for FA. A detailed breakdown by IPS objective is provided below.

<b>IPS Objective</b>	<b>FY 2024</b>	<b>FY 2025 – FY 2028</b>
Diplomatic and Development Presence	\$1.1B	\$6.5B
<i>Of which, diplomatic engagement (DE)</i>	<i>\$981M</i>	<i>\$5.6B</i>
<i>Of which, foreign assistance (OE) (USAID)</i>	<i>\$149.3M</i>	<i>\$852.8M</i>
Advancing a Free and Open Indo-Pacific	\$481.5M	\$2.3B
<i>Of which, DE (public diplomacy)</i>	<i>\$117.2M</i>	<i>\$574.2M</i>
<i>Of which, FA</i>	<i>\$364.3M</i>	<i>\$1.7B</i>
Building Connections	\$1.3B	\$3.2B
<i>Of which, DE (educational and cultural exchanges)</i>	<i>\$161.1M</i>	<i>\$630M</i>
<i>Of which, FA</i>	<i>\$1.1B</i>	<i>\$2.6B</i>

<sup>1</sup> This assessment assumes the same level of support provided to global foreign assistance accounts which are used to fund programs in the region, but which are not typically captured under Indo-Pacific Strategy reporting and are not included in this report.

Driving Regional Prosperity (FA)	\$1.2B	\$6.3B
Bolstering Regional Security (FA)	\$2.5B	\$9.8B
Advancing Resilience to Transnational Threats (FA)	\$1.2B	\$5.5B

### **Diplomatic and Development Presence**

The Department’s and USAID’s capacity to achieve its goals in the Indo-Pacific is dependent on our personnel, facilities, and operational posture. A lack of a U.S. presence in Maldives and multiple Pacific Island nations undercuts U.S. efforts to engage as an indispensable partner during a time of heightened strategic competition. Ensuring an enduring U.S. role in the Indo-Pacific requires directing appropriate resources to staffing and facilities in the region, including for the newly established embassies in Solomon Islands and Tonga, as well as the planned embassy in Male, Maldives; the regional USAID Mission for the Pacific in Fiji; the Office of the USAID Representative in Papua New Guinea; and Manila Regional Support Services (MRSS). The Department also announced its intent to open an embassy in Vanuatu, subject to Congressional notification, and is exploring the possibility of opening an embassy in Kiribati.

In addition to establishing new embassies in the region, it is necessary to increase staffing in existing Indo-Pacific posts, and continually assess the potential benefits of opening new posts and American Spaces. EAP assesses that Bali and Makassar, Indonesia; Cebu, Philippines; Noumea, New Caledonia; and Christchurch, New Zealand may emerge as top candidates for any potential expansion of the U.S. diplomatic and development presence in the Indo-Pacific over the next five years. SCA assesses the cities of Bengaluru and Ahmedabad as the top candidates for potentially adding new U.S. consulates in India. SCA expects to include information on associated costs in a future iteration of this report, as appropriate. A full assessment of the diplomatic personnel and facilities required to expand our presence in the Indo-Pacific is included in Annex A.

<b>Key Priorities for Expanding Diplomatic and Development Presence</b>	<b>FY 2024</b>	<b>FY 2025 – FY 2028</b>
Embassy Maldives (DE)	\$6.8M	\$440.5M
Existing and potential Pacific Islands Embassies – Solomon Islands, Tonga, Vanuatu, and Kiribati (DE)	\$35.6M	\$140.6M
New Caledonia*, New Zealand, Philippines, and Indonesia Consulates (DE)	N/A	\$91.5M
Expanding EAP and SCA personnel (to include Maldives and the Pacific Islands) (DE)	\$67M	\$362.2M
Expanding USAID personnel (OE)	N/A	\$256M

\* *New Caledonia is a French territory in the South Pacific that is funded through EUR as opposed to EAP.*

### **Advancing a Free and Open Indo-Pacific**

The Indo-Pacific has experienced considerable democratic backsliding in the past decade, fueled by growing corruption, shrinking civic space, and new vulnerabilities for digital authoritarianism, surveillance, and foreign information manipulation and interference (FIMI). Additional resources are required to counter these trends, ensure that allies and partners in the region can make decisions free from outside pressure and aligned with their national interests, and advance a shared, affirmative vision for the Indo-Pacific. An intensified approach to advancing a free and open Indo-Pacific will strengthen transparent and accountable government systems, promote the rule of law, expose corruption, promote free and fair elections and respect for human rights, and support local civil society, members of marginalized communities, and independent media. Additionally, the Administration will enhance public diplomacy and strategic messaging, promote awareness of the benefits of U.S. engagement in the region, and counter FIMI.

<b>Key Priorities for Advancing a Free and Open Indo-Pacific</b>	<b>FY 2024</b>	<b>FY 2025 -FY 2028</b>
Expanding U.S. public diplomacy and strategic messaging (DE)	\$117.2M	\$574.2M
Supporting independent media, and countering FIMI (FA)	\$28.4M	\$167.4M
Rapid response fund to support democracy, human rights, and governance (FA)	\$20M	\$80M
Countering corruption, increasing transparency, and rule of law (FA)	\$134M	\$610M
Support to civil society (FA)	\$86.8M	\$439M

### **Building Connections Within and Beyond the Region**

The United States is working with our allies, partners, and friends across the region to tackle shared challenges. To leverage our shared capacity, the Administration must continue investing in the regional architecture; expand assistance to ASEAN, the Mekong-U.S. Partnership (MUSP), and the Pacific Islands; support India’s regional leadership to advance our shared interests; amend and extend assistance related to the Compacts of Free Association (COFAs); and coordinate investments through new, flexible groupings such as the Quad, the Partners in the Blue Pacific, the G7, and our cooperation with the EU. Building connections will also require reinvigorating youth leadership, educational, and professional exchanges, and English-language training programs, including expanding the Young Southeast Asian Leaders Initiative (YSEALI) and the Young Pacific Leaders (YPL) program, and launching a Young South Asian Leaders Initiative.

Expanding foreign assistance resources to address key gaps in the economic and environmental resilience needs of Pacific Island Countries is necessary to position the United States as an indispensable partner, and implement the U.S. Indo-Pacific Strategy and the U.S. Pacific Partnership Strategy, and support initiatives under the new multilateral Partners in the Blue Pacific. A full plan to expand U.S. assistance to the Pacific Islands, including strategic partnership frameworks and recommended “quick impact” programs, is

included in Annex B. In addition, enhancing our enduring relationships with the Freely Associated States (FAS) of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau will require a total of \$7.1 billion in mandatory funds over 20 years to implement amended and extended economic assistance provisions relating to the COFAs.

<b>Key Priorities for Building Connections Within and Beyond the Region</b>	<b>FY 2024</b>	<b>FY 2025 – FY 2028</b>
Exchanges, English language programs, scholarships, YSEALI, cultural preservation, and American Spaces (DE)	\$156.6M	\$599M
YPL (DE)	\$3M	\$16M
Y-SALI (DE)*	\$1.5M	\$14.9M
COFA-related assistance (FA)	\$1.0B	\$1.9B
<b>Featured Multilateral Initiatives**</b>		
ASEAN (FA)	\$81.1M	\$435.8M
MUSP (FA)	\$42.1M	\$192.6M
Pacific Islands (FA)	\$617.7M	\$3.9B
Quad (FA)	\$80M	\$320M

\* Y-SALI would be a new program. The components and responsibilities have not been agreed to.

\*\* While our support for the Pacific Islands and regional institutions including ASEAN, MUSP, and Quad are vital to building connections, the capacity-building programs we implement also advance functional goals of good governance, prosperity, security, climate, and health. The ASEAN, MUSP, Pacific Islands, and Quad lines are highlighted here but also contribute to other objectives.

## **Driving Regional Prosperity**

The Asian Development Bank estimates that “developing Asia” faces a \$1.7 trillion annual gap in infrastructure investment. Underdeveloped legal and regulatory environments, lack of project planning, feasibility, and design capacity and financing options, corruption risks, the prevalence of state-owned enterprises, and small domestic markets all inhibit U.S. investment.

Addressing these challenges will require increased technical assistance to facilitate trade and investment and improve the business enabling environment, support project preparation through multilateral development banks and international financial institutions, invest in digital ecosystems and infrastructure, develop the workforce, enhance cybersecurity capacity, and provide new, flexible mechanisms to provide grant funding. In addition to facilitating infrastructure and private sector investment, ensuring a substantive economic agenda will require leveraging our leadership in the Asia-Pacific Economic Cooperation (APEC) forum and demonstrating our commitment to expanding and deepening economic ties. A full description of the policy tools and resources needed to facilitate infrastructure and private sector investment is included in Annex C.

<b>Key Priorities for Driving Regional Prosperity</b>	<b>FY 2024</b>	<b>FY 2025 – FY 2028</b>
Strategic infrastructure (FA)	\$553.3M	\$3.2B
Digital connectivity and infrastructure, including undersea cables (FA)	\$84.3M	\$443M
APEC (FA)	\$8M	\$40M
Indo-Pacific economic crisis fund (FA)	\$76.5M	\$400M
Education and workforce development (FA)	\$97.9M	\$534.2M

### **Bolstering Regional Security**

An Indo-Pacific that is more peaceful, stable, and secure requires longer-term strategic partnerships on security assistance, with a focus on maritime law enforcement and domain awareness, and civilian security force professionalization. Critical to regional security is the maintenance of peace and stability across the Taiwan Strait, which is the most urgent priority for security assistance funding in the Indo-Pacific. The Department would require additional resources to build the high-end capacity of partners' military and civilian security sectors and to strengthen Southeast Asian, Pacific Island, and Indian Ocean countries' ability to maintain their territorial integrity.

On civilian security and law enforcement, significant gaps across the Indo-Pacific include maritime law enforcement capacity and domain awareness, civilian security force professionalization, border security, and capacity to combat transnational organized crime, the public health and security threat posed by synthetic drugs, cybercrime, money laundering, corruption, and the trafficking of humans, wildlife, and illicit narcotics. The Department would require additional resources to bolster efforts in addressing cryptocurrency and dark web transactions enabling the flow of drugs to the United States. A gap analysis of security sector assistance, by operating unit, is included in Annex D.

<b>Key Priorities for Bolstering Regional Security</b>	<b>FY 2024</b>	<b>FY 2025 – FY 2028</b>
Foreign Military Financing for Taiwan (FA) <sup>2</sup>	\$2B	\$8B
Indo-Pacific Partnership for Maritime Domain Awareness (IPMDA) (FA)	\$20M	\$80M
Cybersecurity (FA)	\$33.5M	\$136.5M
East Asia and Pacific maritime security FMF (FA)	\$52.8M	\$211.2M
South Asia maritime security FMF (FA)	\$35M	\$103M
Sri Lanka King Air Fixed Wing (FA)	\$25M	N/A
International Peace Support Operations Training Sri Lanka facility (FA)	N/A	\$40M

### **Advancing Resilience to 21st Century Transnational Threats**

Focused resources will help the region address the climate crisis and adapt to its impacts, ensure preparedness for disaster response and humanitarian

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<sup>2</sup> EAP and SCA assess the cost requirement to meet relevant objectives for Taiwan is \$2 billion in Foreign Military Financing for Taiwan per year, which would increase their effectiveness in resilience in air and missile, coastal, and ground defense, in addition to supporting its capabilities in command, control, and communication. These levels are consistent with the authorization in the FY 2023 NDAA (Taiwan Enhanced Resilience Act). As noted above, this amount does not factor in fiscal guidance or global strategic tradeoffs associated with the budget request process.



relief, sustainably manage environmental resources, and bolster global health security. Across these pressing transnational threats, achieving our vision requires enhanced activities and resources to accelerate large-scale clean energy deployment, including where appropriate advanced nuclear and small modular reactors, and advance energy efficiency; enhance climate adaptation capacity, particularly for small developing states; strengthen health systems to prepare, prevent, detect, and respond to infectious disease outbreaks; strengthen national systems of land, water, and natural resource governance; and respond to the complex health, environmental, and economic challenges of urbanization and migration.

<b>Key Priorities for Advancing Resilience to 21<sup>st</sup> Century Transnational Threats</b>	<b>FY 2024</b>	<b>FY 2025 – FY 2028</b>
Pacific Resilience Facility (FA)	\$15M	\$60M
Blue Bonds for Indo-Pacific Small Island Developing States Resilience (FA)	\$20M	\$80M
Clean energy (FA)	\$161.9M	\$707.4M
<i>To include India’s clean energy transition</i>	<i>\$25M</i>	<i>\$100M</i>
<i>To include India-Bangladesh-Nepal Hydropower project</i>	<i>\$5M</i>	<i>\$25M</i>