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US-Japan-ROK Trilateral Cooperation in International Development:

Global Trends, National Variations, Opportunities and Challenges

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Introduction

August 18, 2023, marked a historic moment for the relationship between the United States, Japan, and the Republic of Korea (ROK). The leaders of the three countries met at Camp David and vowed to work toward a new era of trilateral partnership and a common vision for the Indo-Pacific region and beyond. "Ours is a partnership built not just for our people but for the entire Indo-Pacific." Together, US President Joe Biden, Japanese Prime Minister Kishida Fumio, and ROK President Yoon Suk-yeol pledged to cooperate on a multitude of policy issues. Furthermore, a "G7-style" meeting was convened between leaders, cabinet-level principals, and senior staff to institutionalize working-level cooperation in the coming years.

While not the first endeavor to forge trilateral cooperation, the Camp David Summit was extraordinary for the scope of issues that the three leaders vowed to work together on. Crucially, development policy and development finance emerged as a focal point of trilateral cooperation. Development cooperation between the world's largest economies – if realized – has profound impact on the Indo-Pacific region and great implications for forging the trilateral partnership. With this goal in mind, this article raises three questions: What does the Camp David Summit pledge to achieve in development cooperation? How and to what extent can the United States, Japan, and the ROK actualize their pledge? What are the opportunities and challenges facing this cooperation? The goal of this article is to answer these questions by assessing the three countries' development policies and institutions on the one hand and the Indo-Pacific region's development needs on the other.

I make three arguments. First, the Indo-Pacific region has emerged as a shared focus of the United States, Japan, and the ROK's development policies, driven by their converging geostrategic interests. In fact, such convergence has taken

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place for some time, as the three countries have created sprawling types of development programs across the region over the past decade or more. The Camp David Summit signifies the trilateral partners' shared endeavor to take an institutional and systemic approach to align and coordinate their existing programs to achieve common objectives. Second, trilateral development cooperation at the macro-policy level faces challenges from not only the Indo-Pacific region's massive infrastructure demands but also at the micro-policy level, as variations among development policy modalities and practices and the involved business interests could obstruct trilateral cooperation. Therefore, it is easier for the three partners to begin cooperation in smaller official development assistance (ODA) projects rather than large, complex, and capital-intensive infrastructure development. Third, understanding such variations is crucial for the United States, Japan, and the ROK to set realistic goals and priorities for cooperation, which does not always require doing things together trilaterally. The three countries should enhance coordination to achieve complementarities and utilize their respective development specializations and resources to scale up impact and support the Indo-Pacific's developmental needs.

This article is comprised of four parts. The first part is a policy background, discussing historical trends in development policy and financing, as well as national variations in such policy practices. It provides context relevant to assessing foreign aid and development finance cooperation between the United States, Japan, and the ROK. The second part overviews what the three countries have accomplished or committed to accomplishing in promoting development cooperation at Camp David and the following events. The third part examines these recent movements along with the record of the three countries' development policies in the Indo-Pacific. It analyzes the challenges and opportunities for trilateral development cooperation. Although the three countries' domestic politics is not the center of the analysis in this article, the final part discusses the implications of this analysis in the context of their current and upcoming political events.

Policy Background

I. From Aid to Development Beyond Aid: Pressing Need of Development Finance

A rapid shift in the development paradigm took place at the turn of the 21st century. The persistence of global poverty and continuing income gaps between developed and developing countries imposed unprecedented pressures to reform the status quo regarding foreign aid ideologies and practices.[1] Against this backdrop arose the grand project of the United Nation Millennium Development Goals (MDGs) and the consensus on a new strategy for aid effectiveness. However, the risk of failure to fulfill MDGs was vast, given leading donors' rising fiscal constraints and diminishing foreign aid contributions throughout this period.

As such, the notion of "development beyond aid" began gaining currency among donors.[2] At the 2002 International Conference on Financing for Development, aid donors reached the Monterrey Consensus and endorsed "the value of exploring innovative sources of finance" to meet development needs. The trend of "financializing" development continued into the 2010s, as the world struggled to recover from the largest financial crisis since the Great Depression, and the threat of undoing the MDG achievements loomed large. Despite such challenges, in 2016, leading donors concluded another grandiose project – the 2030 Agenda on Sustainable Development Goals (SDGs), vowing to end global poverty as well as build a world of equity, inclusivity, and sustainability. The financial scale envisioned by the SDGs was unprecedented and far bigger than the MDGs, with an estimated $3.9 trillion required annually to fulfill the SDGs.[3]

Under the auspices of the 2023 Agenda for SDGs, development finance has become the new lexicon among donors, calling to mobilize diverse and broad-based financing sources for sustainable development from the public and private sectors. Alongside this change came the mainstreaming of blended finance and public-private partnerships.[4] Blended finance is "an approach that can be used to enable the private sector to invest where it would not otherwise be possible."[5] To do so, support grew among donors to expand not only ODA but also other official flows (OOFs), including concessional and non-concessional loans and official export credits and insurances, to supposedly better leverage private capitals.

Also indicative of this paradigm shift is that development finance institutions (DFIs) facilitating the functions of OOFs have arisen as key players to support the delivery of SDG projects.[6] For example, the International Finance Corporation (IFC), the private sector lending arm of the World Bank, began to play a more prominent role by integrating public and private clients in their work. The Asian Development Bank, among other multilateral development banks, has also made market development and assistance to public-private partnerships (PPP) a top priority in their operations. According to the World Bank, the value of PPP project commitments in low- and middle-income countries has grown rapidly in the past decade and reached $91.7 billion in 2022.[7]

Nonetheless, many obstacles remain, considering the immense capital gap facing the developing world. In Asia, an estimated $1.7 trillion is needed annually by 2030 to support the region's sustainable development, and an even higher estimate – $2.9 trillion – is needed should the region achieve the carbon neutrality pledges made in the Paris Climate Summit.[8] Moreover, the concentration of PPPs in upper-middle income rather than lowest-income countries leads to criticism of DFIs' inefficacy in poverty reduction and closing the income gap between countries. Even in middle-income countries, financial risk and viability continue to dampen the prospect of using DFIs to leverage private capital toward SDG projects. It is also worth mentioning that developed countries themselves have a mixed record with PPPs, which is by no means the cure-all for development and can only succeed with careful design and sound regulation, something particularly lacking in developing countries.[9]

II. National Variation of Development Finance

In addition to multilateral development banks, bilateral DFIs – ranging from national development banks and export credit agencies to trade and investment insurance firms – are rapidly expanding assets and portfolios in developing countries. However, while playing increasingly central roles in international development, the rise of DFIs also raises new questions – and challenges – for policymakers and researchers alike to contemplate their utility in advancing the 2030 SDG Agenda.

For one thing, protocols between creditors and donors on how their DFIs operate are largely absent. It is important to note that the new trend of development finance is partly the result of an increasingly diverse and fragmented donor landscape, with the rise of bilateral DFIs from emerging donors and creditors in developing countries such as China.[10] Thus far, these emerging creditors have not abided by the OECD principles and practices in their DFIs' operations regarding ODAs or OOFs.[11] Influenced by their experience of the South-South Cooperation, they may prioritize their commercial or political objectives rather than aid effectiveness and the SDGs. Their idiosyncratic practices have imposed pressure on traditional creditors and donors' approach to development finance.

Granted, the OECD does not necessarily harmonize the practices and operations of its members' bilateral DFIs toward the SDGs as these institutions are mandated mainly to support national governments' respective policy priorities. Hosting various gentlemen's agreements among its members, the OECD is more effective on issues regarding ODA than OOFs. Additionally, the

Association of European Development Finance Institutions (EDFI) – comprising 15 European states and connected to the United States but not Japan and the ROK – is another multilateral entity that sets the SDG-anchored protocols for national development banks. Nevertheless, neither of them has legally binding powers on their members' practices in development finance.

Differences in terms of policy norms and priorities, as well as market interests, lead to variations in development finance practices even within traditional donors. Japan is a case in point. Ingrained in its state-led development model, Japan rose as the world's largest donor in the 1980s while being criticized for practicing "mercantilist aid" by delivering economic infrastructure backed by concessional loans to promote Japanese business interests.[12] External pressures – especially from Washington – coupled with its economic recession throughout the 1990s and 2000s eventually made Japan scale back such practices to align itself with other OECD members.[13]

Yet, partly in response to the competitive pressure from emerging creditors, infrastructure has regained importance in Japan's ODA policy, demonstrated by the 2008 restructuring that again made business promotion an explicit goal of the "economic cooperation" program of the Japan International Cooperation Agency (JICA). Crucially, the Japan Bank for International Cooperation (JBIC) has since become vital in promoting both developing countries' economic growth and Japan's business interests.[14]

Formerly a major recipient of Japanese ODA and later becoming an OECD member in 2010, the ROK's ODA policy has been under the influence of both Japan and other OECD states.[15] Exemplified by the Busan Partnership for Effective Development in 2011, the ROK aspires to fashion its own ODA policy as part of its pursuit of "middle power" status. While the ROK's ODA has a significant portion of grants and humanitarian programs, the Korea International Cooperation Agency (KOICA) has a significant portfolio in economic infrastructure oriented by Korean business interests. Moreover, like JBIC, the Export and Import Bank of Korea (KEXIM) serves the dual function of development and commercial promotion. Following the development finance trend, both JBIC and KEXIM have become some of the largest bilateral DFIs in utilizing OOFs to promote PPPs.

In contrast, politics surrounding reforming the Overseas Private Investment Corporation (OPIC) marks an uneasy view of the notion of state-led financing in the United States.[16] Even though the "strategic need" to compete with China for global influence eventually helped bring about the creation of the

International Development Finance Corporation (DFC), disagreements between lawmakers and the executive branch continue brewing regarding many aspects of DFC's operations, such as equality scores and the definition of bankability.[17] These dynamics show a set of norms and institutions distinct from those embodied by JBIC and KEXIM.

Clearly, the United States, Japan, and the ROK have adopted their development policies in response to developing countries' pressing infrastructure needs, as well as intensifying competition among emerging creditors. Yet, as the following section will show, national variations among their responsive policies may constitute barriers – and opportunities – for the trilateral cooperation.

Promoting a Trilateral Approach to Development at Camp David

The Camp David Summit emphasized the three countries' shared approach toward development policy and development finance. Demonstrated by the three summit documents – the Statement of Principles, Joint Statement, and Commitment to Consult – the United States, Japan, and the ROK laid out policy agendas and action plans in development cooperation, as summarized below.[18]

Aligning development policy with grand strategy

While affirming their support for the SDGs through trilateral development cooperation, the three countries aim to calibrate their respective development policies along shared strategic interests. Undergirded by their respective Indo-Pacific strategies, the region – especially the Mekong region and Pacific Islands – becomes the focal point of trilateral development cooperation.

To realize their vision of a peaceful, prosperous, and resilient Indo-Pacific, the three leaders put forth an ambitious agenda, covering issues from agriculture, healthcare, and gender equality to climate, water, and energy, as well as digital connectivity, quality infrastructure, and transparent and fair development finance. Notably, this agenda is guided by not only the three countries' strategic frameworks but also their continued stress on the 2030 SDG Agenda.

Enhancing external outreaching coordination

The three partners also aim to enhance trilateral external outreach to other developing and development partners. To do so, they proclaim support for three US-led development initiatives: the Partners in the Blue Pacific, the Friends of the Mekong, and the Partnership for Global Infrastructure and

Investment (PGII). Still, they highlight the importance of using the existing regional architecture, such as the Association of Southeast Asia Forum (ASEAN) and Pacific Islands Forum, to fulfill the promised "locally led development."

Enhancing institutional coordination

To implement the above agenda, the summit also outlined the objective of enhancing institutional coordination between relevant government agencies of the three countries. The first line of coordination is centered on aid agencies. Following the summit, a senior-level trilateral dialogue on developing humanitarian responses was held in October 2023 to hash out cooperation priorities.[19] Senior officials of USAID, JICA, and KOICA reaffirmed their joint support for the development of the Indo-Pacific region through streamlining coordination on humanitarian assistance, disaster risk reduction, and other social program deliveries. They also stressed their commitment to building reliable economic infrastructure with transparent and accountable investments.

The second line of coordination is centered with DFI agencies. One of the summit outputs is a memorandum of understanding (MoU) signed by DFC, JBIC, and KEXIM to strengthen cooperation in mobilizing financing for quality infrastructure. On March 6, 2024, the three agencies held a high-level trilateral meeting in Tokyo, stating that they have held a series of working-level meetings to discuss collaborations on energy transition and creating more resilient global supply chains and private capital mobilization.[20]

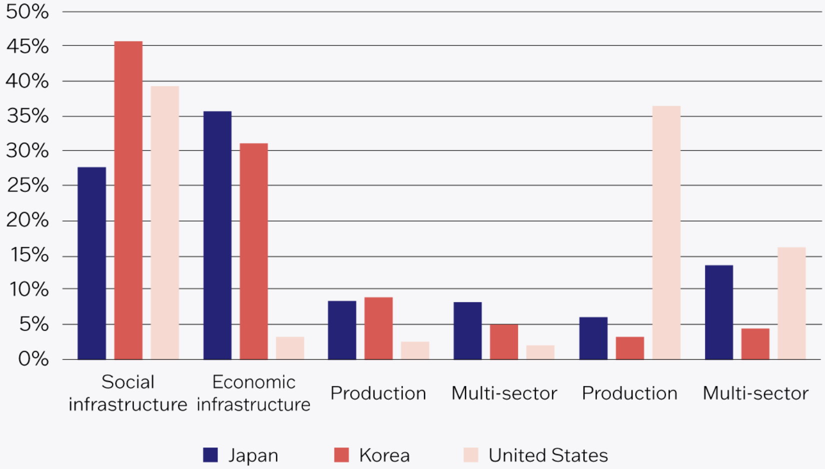
Assessing Trilateral Development Cooperation in the Indo-Pacific: Opportunities and Challenges

How and to what extent can the United States, Japan, and the ROK achieve their cooperation commitments? The Camp David Summit signifies trilateral efforts to align their development policies with the three countries' Indo-Pacific strategic documents. In fact, the convergence of the macro-level policy has been in process over the past decade, shown by the United States' Rebalance to Asia Strategy under the Obama administration, Japan's Free and Open Indo-Pacific Partnership (FOIP) under the Abe administration, and the ROK's New Southern Policy (NSP) under the Moon administration. Importantly, these strategic frameworks have led the three countries to contribute to a sprawling number of development initiatives and programs in the Indo-Pacific. In 2021, 60.3 percent ($10.7 billion) of Japan's bilateral ODA and 44.7 percent ($1.1 billion) of South Korea's bilateral ODA went to Asia (excluding the Middle East). Further, the ROK confirmed a 30 percent year-to-year increase of its 2024 ODA budget to $5.3 billion, with the Indo-Pacific remaining the primary target. Despite its longstanding focus on Africa (36.5 percent) compared to Asia (11.1 percent), the US bilateral ODA – as the world's largest donor – carries significant weight on the Indo-Pacific's development.[21] For instance, mandatory funding of $4 billion in the 2024 USAID budget is dedicated to "support strategic, high-quality 'hard' infrastructure investments in the Indo-Pacific" to "strengthen the U.S. role."[22]

However, to assess the prospect of trilateral development cooperation, we should be cognizant that beneath this macro-level policy convergence lies distinct variations of the three countries' development policy practices and modalities, as illustrated by the sectoral landscape of their bilateral ODA distributions. As shown in Figures 1 and 2, economic infrastructure – particularly the transportation and energy sectors – has accounted for 36 percent and 32 percent, respectively, of the Japanese and South Korean bilateral ODA commitments in 2021. While social infrastructure accounts for more than 45 percent of the ROK's bilateral ODA commitments, much of the ROK's programs – like its Japanese equivalents – is delivered as water, irrigation, and sanitation construction. In contrast, social infrastructure and humanitarian assistance account for nearly 80 percent of the US bilateral ODA commitment. Such differences also indicate different ODA modalities of the three countries. While Japan works primarily with recipient countries' governments and state-owned firms to deliver loan-based ODA programs, the United States delivers mainly grant-based programs to the recipient countries' non-governmental sectors, while the ROK adopts a hybrid of the two.

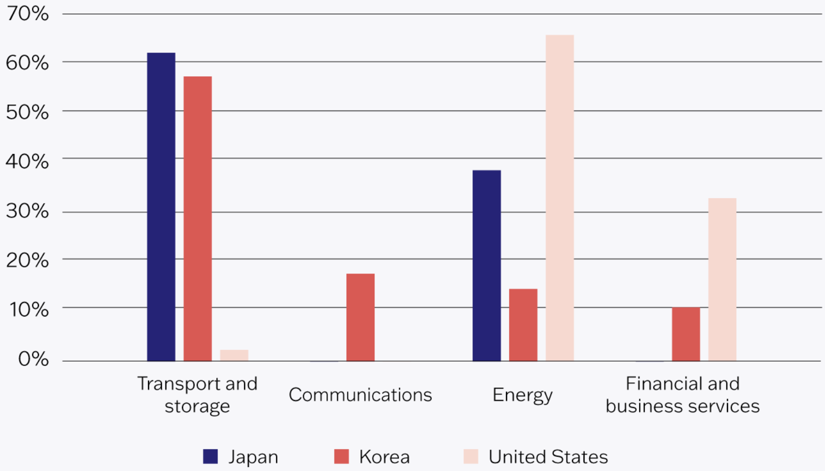
While national variations may present barriers to developing joint ODA programs, room for trilateral cooperation remains ample. In fact, prior to the Camp David Summit, the United States, Japan, and the ROK had already built various bilateral programs or dialogue platforms on overlapping topics, such as climate resilience, renewable energy, digital economy and connectivity, public health, disaster assistance, water governance, gender, education, and entrepreneurship in the Mekong, Pacific Islands, and other regions. In this sense, the current approach toward development cooperation is meant to institutionally and systematically coordinate these programs, pool resources, and mitigate fragmentation and redundancies.

Figure 1. ODA Commitments in 2021



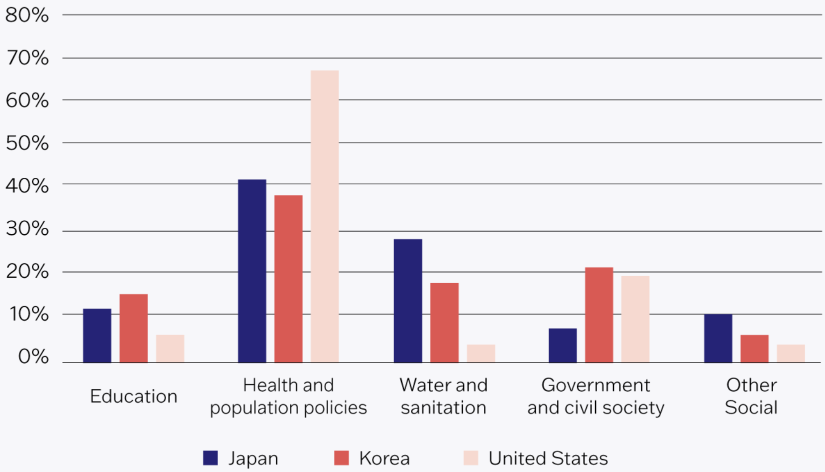
Source: OECD

Figure 2. Economic Infrastructure ODA Commitments, 2021



Source: OECD

Figure 3. Social Infrastructure ODA Commitments, 2021



Source: OECD

The extent of cooperation already made between two of the three countries in the renewable energy sector is a good case in point. Founded in 2019, the Japan-US Mekong Power Partnership (JUMPP) provides bilateral and regional technical assistance to facilitate the region's clean energy deployment, regional power trade, and electrical interconnectivity, and has recently set up a formal technical advisory group. Additionally, the Japan-US Clean Energy Partnership (JUCEP) was built in 2021 based upon the previous Japan-US Strategic Energy Partnership and the US-led initiative, Clean Enhancing Development and Growth through Clean Energy (EDGE) Asia, of which Japan was a key partner.[23] JUCEP is a multi-agency platform to promote renewable energy and decarbonization technologies in the Indo-Pacific. As part of JUCEP, the United States and Japan signed an MoU at the sideline of the 2019 Tokyo International Conference on African Development to extend joint support for sub-Saharan Africa's energy transition. Similarly, KOICA and USAID agreed in 2021 to cooperate on climate change and environmental protection in Vietnam.[24] Recently, KOICA also expanded collaboration with USAID and UNDP, among other development agencies, to support Pacific Island nations' access to climate-resilient energy infrastructure.[25] These programs could extend into trilateral partnerships to advance the three leaders' pledge of supporting the Indo-Pacific's sustainability and climate resilience.

In fact, as disclosed at the October high-level meeting, the three countries have already formed development cooperation in various areas, such as agriculture, entrepreneurship, healthcare, and gender in the Indo-Pacific and beyond.[26] Nevertheless, trilateral cooperation remains in a nascent stage and mainly in the form of technical assistance and capacity-building programs. These programs account for merely a fraction of their ODA operations in the Indo-Pacific. More can and should be done between the three countries to scale up the impact on other domains of development in the region.

The key question is: how can the United States, Japan, and the ROK scale up cooperation and better complement each other with their ODA programs in the Indo-Pacific? Two strategies should be considered. The first strategy is to utilize their sectoral specializations. For example, based on their track record of constructing economic infrastructure, JICA and KOICA could prioritize infrastructure building for the region's connectivity and supply chain, while USAID focuses on social infrastructure, namely, training and capacity building on either project-specific know-how or general knowledge required to operate and maintain such infrastructure. Likewise, JICA and KOICA can use their specialties in building water and wastewater treatment facilities, while USAID, with ample civil society networks, focuses on humanitarian assistance and social infrastructure provision of public health and water security education in the region.

The second strategy is to utilize their country or regional specializations. While Asia has historically been the key region of JICA and KOICA's operations, their programs have overlapped in certain countries in recent years, as shown in Figures 4 and 5. Thus, coordination between the two agencies can better improve the division of labor and efficient resource allocation. On the other hand, with a long and wide presence in the Pacific Islands and East Africa, USAID may supplement JICA and KOICA's programs and play the leading role in coordinating trilateral operations in this region. Furthermore, development partnerships should include other like-minded countries, such as Australia and New Zealand, because both countries are member states of the Pacific Islands Forum and have longstanding development aid projects in the region. These two strategies may also apply to seeking complementarities in development finance cooperation, as the following section will show.

Figure 4. Japan - Top 10 Recipients 2021

(Gross disbursements, million USD, current prices)

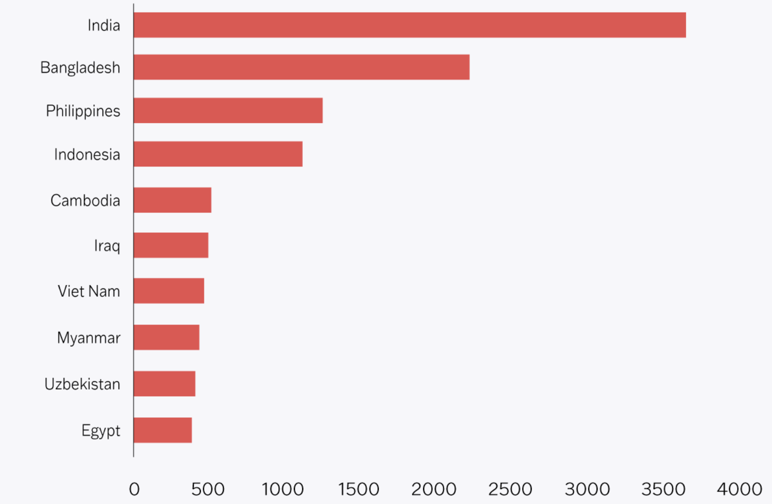
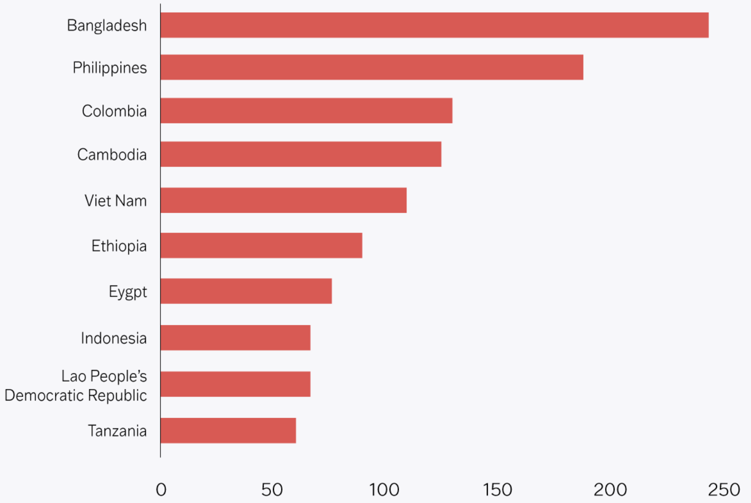


Figure 5. Korea - Top 10 Recipients 2021

(Gross disbursements, million USD, current prices)



To apply these two strategies, the United States, Japan, and the ROK not only have to coordinate policy at the macro level and identify common interests, but they should also incorporate bottom-up input from host countries to actualize "locally led development" stressed during the October senior official meeting. In this vein, the task of policy coordination and finding complementarities needs to extend to the embassy level. In January 2024, the local offices of KOICA and USAID in India signed an MoU for a cooperative partnership in women's economic empowerment, disaster and climate resilience, and digital literacy, and pledged to expand the partnership into a trilateral one with Japan. Such collaboration is a step in the right direction.

Still, trilateral cooperation in ODA programs might not be sufficient to help countries in the Indo-Pacific achieve the SDGs. Facing the region's massive infrastructure gap, the three countries will need to expand cooperation to the domain of economic infrastructure, with cooperation in development finance being of vitality to the Camp David agenda.

Trilateral cooperation in development finance

Among the most anticipated items of US-Japan-ROK cooperation is the three countries' pledge to fulfill the US-led infrastructure initiative, the PGII. Announced at the 2022 G7 Summit, PGII aims to contribute to the SDGs by mobilizing hundreds of billions of dollars in financing toward quality, digital, and climate-resilient infrastructure, food security, and beyond. Following the development financing trend, it is a private sector-focused, government-led initiative to leverage more and bigger PPP projects.

Upon the announcement of the initiative, the United States claimed that $30 billion has been mobilized toward PGII projects.[27] Japan also released a list of flagship projects in five PGII-designated categories. With its attendance at the PGII meeting at the G7 Summit, Seoul expressed high interest from the outset.[28]The MoU between DFC, JBIC, and KEXIM at Camp David aims to advance trilateral development financing cooperation at the institutional level.

Indeed, JBIC and KEXIM can play essential roles in implementing the PGII. Following Tokyo's Quality Infrastructure Partnership and Seoul's New Southern Policy, the two world's largest public financiers have rapidly expanded their global footprints, particularly in developing countries. Such expansion is largely due to their shift from a traditional export-credit model to one focused on providing support essential to unlock blended finance, such as insurance and state guarantees. Along with JBIC and KEXIM, the Nippon Export Investment Insurance (NEXI) and the Korea Trade Insurance Corporation (K-SURE) are also actively expanding similar products to support private firms' overseas investments.

Moreover, the Japan Overseas Infrastructure Investment Corporation for Transport and Urban Development (JOIN) was created to carry out the mandate of PPP promotion. Supported by the Japanese Ministry of Finance, JICA, JBIC, and NEXI, JOIN was established to better utilize a mixture of public funds to reduce private investors' risks. Particularly after Japan's loss to China in the bidding of the Jakarta-Bandung Highspeed Railway in 2015, Tokyo's capital injection and legislative amendments have helped enhance JOIN's functions. It has since invested in dozens of large-scale PPP projects, of which a majority are in the Indo-Pacific states, such as Vietnam, Indonesia, and India.

The ROK is moving in a similar direction. Founded in 2018, the Overseas Infrastructure and Urban Development Corporation (KIND) has provided support for Korean firms' infrastructure and other investments in the Indo-Pacific and beyond. With these new arrangements, Japan's investment support reportedly increased by nearly 90 percent between 2019 and 2020, with a total of approximately $37 billion in 2020 – more than double the amount provided by all other OECD countries combined! As the second-highest investment support provider, the ROK's investment support in 2020 increased by about 8 percent to $7.5 billion, the highest amount since 2018.[29] Notably, this estimation covers the two countries' investments in both developing and developed countries.

However, the above trends indicate that even though JBIC, KEXIM, and DFC all cater to the financial needs of their firms seeking overseas markets and forming business partners, differences exist in their practices, which are embedded in the above-mentioned national variations. One of the biggest differences is DFC's prohibition against supporting state-owned enterprises (SOEs) in developing countries, which are major recipients of JBIC and KEXIM's infrastructure lending and work frequently with Japanese and business firms. While like JBIC and KEXIM, the promotion of American overseas markets is part of DFC's stated goals, it functions more like a private sector-facing aid agency and has no clear mandate to support PPPs. There are legitimate concerns about supporting SOEs in developing countries, considering their financial and governing records and it remains debatable whether one type of development finance practice is better than the other. Nevertheless, the point stands that co-financing between these agencies is a difficult task.

Still, knowing this difficulty is crucial to setting realistic goals of cooperation between the three agencies, which does not necessarily require co-financing. The latest high-level trilateral meeting is a positive sign, during which JBIC, KEXIM, and DFC aligned their goals in decarbonization, resilient global supply chains, and digital infrastructure and announced their current focus on digital infrastructure sectors with an emphasis on crucial partners, such as India.[30]

The two strategies discussed earlier may further help advance these common aims. For instance, while information and communication technology (ICT) is the common target, JBIC and KEXIM may support public infrastructure projects, while DFC may support private entrepreneurs in this sector. DFC can tap into JBIC and KEXIM to reduce the high risk that often deters private investors in low-income countries. Likewise, JBIC and KEXIM may collaborate with DFC to attract highly competitive US ICT firms and learn about their corporate governance practices. Furthermore, the three countries may use their respective financial technical aid to improve regulatory governance and foster a PPP-enabling environment in recipient countries. Additionally, JICA and KOICA may provide technical assistance in building capital management and regulatory capacity, leveraging their high-growth "Asian" experience, as USAID can focus on helping them meet international standards for capital markets management.

Sustainable development is another priority for cooperation. From the US Energy Policy Act of 2020 and Clean Energy for America Act of 2021-2022 to Japan's Green Growth Strategy of 2020 and Korea's Green New Deal of 2021, climate policies have elevated as national priorities in all three countries. Crucially, these policies pledge to promote carbon neutrality through massive investments at home and abroad. To fulfill these policies, DFC, JBIC, and KEXIM have been actively expanding co-financing partnerships or investing in climate-themed funds with both bilateral and multilateral DFIs over the past few years. This process is incremental yet necessary to compensate for the weak and fragmented coordination between bilateral DFIs. For example, JBIC and IFC recently signed an MoU to strengthen co-financing in the environment and infrastructure sectors.

Such bank-to-bank collaboration should not be limited to bilateral DFIs but expand to include private financiers if the three agencies hope to leverage greater private capital. It is undeniable that private financiers prioritize shareholder interests rather than development promotion. However, they are not only essential because high-impact projects are capital-intensive and require greater resources, but they are also better positioned to ensure the bankability of PPPs due to their insights on market trends and industry connections. In fact, with the trend of environmental, social, and governance (ESG) in the business world, private financiers are increasingly interested in adopting best practices and forming public partnerships to strengthen their reputations. Moreover, cooperating with DFIs also helps share the risks incurred when investing in developing countries. Sumitomo Mitsui Banking Corp and MUFG have signed sustainable financing agreements with both JICA and JBIC, and at the Tokyo International Conference on African Development in 2023, the two financial juggernauts, together with other Japanese banks, signed

MoUs with several African countries to support sustainable economic growth. Similarly, DFC and Citi announced co-financing agreements for renewable energy projects in East Africa and East Europe.

To further ensure the delivery of quality infrastructure, the United States and Japan should also bring the ROK into the Blue Dot Network (BDN). Started in 2019 by the OPIC/DFC, JBIC, and Australia's Department of Foreign Affairs and Trade, the BDN is a certification scheme aimed to foster quality infrastructure for sustainable and resilient development. The BDN has built a framework aligned with other global standards, including the G20 Principles for Quality Infrastructure Investment, the UN SDGs, the IFC Performance Standards, the Equator Principles, and OECD Guidelines for Multinational Enterprises and the Recommendation on the Governance of Infrastructure. In April 2023, the United Kingdom joined the BDN Steering Committee, giving additional momentum to this initiative. With its expansive overseas infrastructure portfolios, the ROK's participation can enhance Korean firms' global recognition while boosting the BDN's impact on development financing.

In addition to private banks, the three countries should also bring other private players into the fold because their market interests are critical to realizing the PGII. Industries and trading companies provide important input in guiding co-financing arrangements at the project level. For example, JICA and KEXIM co-funded Kenya's largest geothermal power complex following a business partnership between Hyundai Engineering and Toshiba Equipment.[31]

None of the steps above are easy to implement, and trilateral cooperation in development finance has a long way to go. Cooperation is not a linear path, and certain degrees of learning by doing are inevitable among the agencies and firms involved. However, the United States, Japan, and the ROK should work together step by step to scale up cooperation from bilateral to trilateral and to multilateral, which can only be achieved by making consistent long-term investments in this partnership.

Conclusion

Development cooperation between the United States, Japan, and the ROK is of vital importance to their common vision in the Indo-Pacific region. Cooperation in this area is not only important in keeping the momentum of trilateral cooperation after the Camp David Summit but also in creating "buy-ins" of the Indo-Pacific Economic Framework (IPEF), which continues to encounter skepticism from countries in the region.

This article provided an overview of opportunities and challenges for Washington, Seoul, and Tokyo to consider should they wish to produce tangible, actionable, and timely results. Such results are imperative for fostering a supportive environment for trilateral cooperation. Crucially, the three countries should expect that Indo-Pacific states would continue infrastructure development collaboration with other creditors – specifically China, which is the largest economic partner for many states in the region. This is particularly so as Chinese banks and industries, such as those in renewable energy sectors, are among the most active and competitive. Regardless, US-Japan-ROK collaboration is necessary for filling the Indo-Pacific's vast infrastructure gap, especially when disparity and inequality continue to threaten the region's peace and prosperity. Demanding the Indo-Pacific states choose one side or the other as the infrastructure partner is impractical, if not countering, to the goal of gaining support from the region.

While not the focus of the discussion, this article recognizes that the most critical challenge to the realization of trilateral development cooperation remains domestic politics. On the one hand, Japan-ROK cooperation continues to be shadowed by events such as the major reshuffling of the Kishida cabinet over the fund scandal, the Yoon administration's recent electoral defeat, and bilateral disputes over various long-lasting issues. On the other hand, the US presidential election in November 2024 can drastically affect the course of trilateral cooperation as well as US pledges of support for the Indo-Pacific region. Nevertheless, the steady expansion of development finance funds and foreign aid budgets over the past several years in all three countries – including the latest USAID budget approval with bipartisan support – is a positive sign that the three countries recognize the urgency in elevating their leadership on international development.

Considering the uncertainties of current geopolitical and global economic dynamics and Beijing's rise as the Indo-Pacific's largest bilateral lender, Washington, Tokyo, and Seoul must realize the high stakes associated with amplifying their role in the region's development to maintain a free, open, and rules-based order, which they cannot do without consistent efforts in building the trilateral partnership. As Biden, Kishida, and Yoon have taken steps in the right direction, more leaders and politicians in the three countries must exemplify greater political courage to come into line in carrying out the Camp David Spirit.

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