



Strategic Not Transactional: Using Development Cooperation to Advance Economic and National Security

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Introduction

Foreign assistance has always served the interests of the donor country alongside those of the recipient. The Marshall Plan, aid to Cold War allies, and support for trade-linked partnerships in more recent decades all delivered tangible benefits for the United States. The Trump administration is right to ask what return American taxpayers are getting from their foreign assistance dollars, but it is wrong in how it is answering that question. A purely transactional approach, extracting short-term wins without building the durable partnerships that sustain long-term US interests, is not a reform of foreign assistance; it is an abdication of it. This note argues for a third way: an economic statecraft agenda that is both strategically purposeful and genuinely beneficial to partner countries, because these two goals are not in conflict.

The Trump administration is radically reshaping US foreign assistance through the dismantling of the US Agency for International Development (USAID), more directly aligning remaining foreign assistance with its stated foreign policy, and moving remaining foreign assistance into the State Department. These shifts have also come with a significant decrease in foreign assistance funding levels, as the administration cancels existing grants and contracts, pursues rescission packages, and simply refuses to spend lawfully appropriated money. Throughout, Secretary of State Marco Rubio and other senior officials [have repeatedly said](#) that this is not the end of US foreign assistance, but rather a realignment with the administration's stated foreign policy of a stronger, safer, and more prosperous America.¹ Those are laudable goals, but what role the administration envisions foreign assistance and other forms of development finance will play in achieving these remains murky. At a Hudson Institute event in December 2025, State Department senior official for foreign assistance,

Jeremy Lewin, outlined three buckets of foreign assistance: humanitarian and lifesaving assistance, strategic assistance, and security assistance.² In recent weeks, the State Department has released two documents that provide additional details of how this approach will be implemented. This includes the Department's [Agency Strategic Plan](#) released in January 2026 and [a factsheet](#) outlining foreign assistance in the Indo-Pacific.³ These documents make clear that the State Department wants to “leverage assistance as a tool of statecraft” and defines strategic assistance as advancing “longer-term US interests by providing allies with...economic support and by promoting commercial and trade ties through programs that facilitate market access and US-led infrastructure development.”⁴

The United States has long used foreign assistance to achieve foreign policy and national security goals. The Marshall Plan rebuilt Western Europe after World War II; aid to Egypt (beginning with the Camp David Accords in 1979) helped cement a peace agreement with Israel and secured US basing rights and canal access; assistance to Jordan served a similar purpose in stabilizing a key partner after its 1994 peace treaty with Israel; support for Colombia in the 2000s funded counter-narcotics and counter-insurgency operations that served direct US security interests. These relationships were largely successful precisely because the assistance was tied to durable, shared interests. By contrast, support for Mobutu in Zaire and Marcos in the Philippines—both important Cold War partners whose authoritarian rule was overlooked in exchange for anti-communist alignment—illustrates the cost of subordinating long-term development and governance goals to short-term governments that ultimately collapsed. In both cases, US assistance propped up governments that fell to popular uprisings, leaving behind weakened institutions and lasting instability.

The Trump administration appears to be repeating this mistake—embracing a short-term, transactional approach that aims to deliver a direct economic, security, or financial benefit to the United States with limited consideration for the impact on partner countries. Two examples illustrate the risks of this approach. The first involves the US government providing a direct subsidy to a US telecommunications company competing against Huawei for a broadband infrastructure contract. While outbidding China in a single contract is a worthy near-term objective, it does not by itself build the regulatory environment, local workforce capacity, or long-term investment relationship that would anchor US digital infrastructure presence in a particular region.⁵ The second example involves the US International Development Finance Corporation letters of intent to develop a mineral mining project and railroad in southern Democratic Republic of Congo—investments driven explicitly by US demand for critical minerals [rather than a broader development partnership with DRC](#).⁶ If partner countries perceive US engagement as purely extractive—securing resources or contracts with little reciprocal benefit for their own economies—they may be less willing to prioritize the US over other partners, including China, in future negotiations. A transactional approach may win individual deals while losing the wider strategic competition.

Beyond the risks of a transactional approach to strategic assistance, there is a second, more immediate concern: the administration appears to be applying the same lens to humanitarian and life-saving assistance, where it has no place. [Reports have emerged](#) that in at least one instance

during negotiations over global health compacts with African countries, the US requested preferential access to critical minerals in return for health funding.⁷ This conflation of humanitarian and strategic assistance is both ethically problematic and counterproductive: it damages America's moral standing, undermines the credibility of US engagement more broadly, and risks the lives of vulnerable populations who depend on health assistance regardless of their government's stance on mineral access.

The administration should focus its efforts on strategic assistance on what previous administrations have termed "economic statecraft" or "economic security." This would offer a more compelling approach to how the Trump administration can use development cooperation to advance its goals and would largely align with its interest in supporting hard infrastructure, critical minerals, and shifting toward a "trade not aid" approach. To be successful, though, the administration will need to bring the full suite of US economic tools to bear, including foreign assistance, and it will need to present a compelling vision to convince partners that this is not just an extraction play by the United States. Done thoughtfully, economic statecraft could produce the "return on investment" the administration wants from foreign assistance while also continuing to deliver economic and development benefits for partner countries. Maintaining the latter is important as it will ensure the long-term viability of US investments in strategic areas and it will make partners more willing to engage with the US government. Partner countries want diverse trading and investment relationships, and the United States should be a partner and beneficiary in this regard.

Realizing this potential will require three things working in concert. First, a comprehensive framework built around five pillars of investment—strategic infrastructure, supply chain resilience, critical minerals mining and processing, energy, and digital infrastructure and AI—that the administration can use to organize its efforts and communicate a clear offer to partner countries. These pillars are in line with the administration's priorities as identified through recent official documents, events, testimonies, and announced initiatives. Second, a coordinating architecture that gives the State Department the authority, resources, and interagency reach to translate that framework into action, filling the gap left by the dismantling of USAID. Third, a commitment to the economic corridor approach inherited from the Biden administration's Partnership for Global Infrastructure and Investment—not as a concession to the previous administration's legacy, but because corridors have already demonstrated that layered, co-financed investment in regions can produce the kind of durable partnerships that a transactional approach cannot. The remainder of this paper develops each of these in turn, drawing on the recent history of US economic statecraft to identify what has worked, where the gaps are, and what a reinvigorated agenda would need to succeed.

The implementation of a renewed economic statecraft agenda faces a challenging external environment. US credibility as a consistent, rules-based partner has been complicated by the administration's imposition of tariffs on key partner countries, its skepticism toward multilateral institutions, and the disruption of existing foreign assistance relations. G7 allies, while broadly supportive of PGI and the economic corridor framework, are hedging their own partnerships with

alternative blocs and are less willing to assume that US commitments will be sustained across political cycles. Canadian Prime Minister Mark Carney captured these dynamics in his [recent speech](#) at the World Economic Forum in Davos.⁸ Any renewed US initiative must therefore be designed with this “variable geometry” in mind: establishing clear commitments with Congressional backing where possible, designing coalition structures that can function even with unclear US leadership, and demonstrating early, concrete delivery to rebuild partner confidence.

Economic statecraft and strategic uses of assistance

As a concept, economic statecraft is [generally defined](#) as the different tools—foreign assistance, development finance, trade policy, and other financial instruments—that advance a country’s foreign policy and economic security objectives.⁹ Economic statecraft can be broadly divided into two categories: positive measures—such as foreign assistance, development finance, preferential trade agreements, and market access—that are used to build partnerships and advance shared interests; and coercive measures—such as sanctions, tariffs, and trade restrictions—deployed to compel behavioral change or impose costs on adversaries.

In recent years, the US government has increasingly relied on sanctions or the threat of sanctions to achieve national security or foreign policy goals, though this is not unique to the United States. The government of the People’s Republic of China (PRC) has similarly weaponized economic tools to penalize governments that challenge its interests—a reminder that coercive statecraft, while sometimes effective in the short term, can provoke backlash and drive partners toward alternative relationships. China’s decision to [restrict Guatemalan agricultural imports](#) following the Guatemalan president’s state visit to Taiwan, and its economic pressure on the Philippines over the South China Sea dispute, illustrate how economic coercion can harden rather than resolve political disagreements.¹⁰

Prior to the second Trump administration, the US government had increasingly looked at how it can balance a positive economic statecraft agenda with more coercive elements such as sanctions. As the US government has confronted the rise of a strategic competitor in the PRC, there has been an increasing focus on how it can rely on its tools of economic statecraft, including foreign assistance, to counter the PRC’s trade and investment presence in critical regions.

The roots of this challenge stretch back to the early 2000s when the [PRC deepened its trading relationship](#) with these regions, rapidly supplanting the United States as Africa’s number one trading partner, for example.¹¹ Through its Belt and Road Initiative (BRI), the PRC provided significant financing to support infrastructure such as ports, roads, railroads, airports, and other projects. While often characterized as foreign assistance, [BRI relied primarily on loans](#), frequently on commercial terms direct to governments; often these were secured with a country’s natural resources.¹² Beginning in President Obama’s second term, Washington increasingly focused on the

challenge posed by the PRC's rapidly expanding trade and investment relationship. These shifts reinforced thinking in the United States that countering the PRC as a strategic competitor required more than just increased defense spending and/or a shift in defense strategy; it would also require a rethink of how the US used its economic and development tools abroad.

Despite initial skepticism about foreign assistance, the first Trump administration came to see the value of assistance and development finance in offering an alternative to the PRC. After **initially proposing** to shut down the Overseas Private Investment Corporation (OPIC),¹³ the administration pivoted in late 2017 to embrace a bipartisan effort to reform OPIC and launch a full-fledged US development finance institution. The resulting US International Development Finance Corporation (DFC) **opened its doors at the end of 2019** and represented a significant step forward for US development finance by providing the new agency with enhanced tools such as equity, higher total commitment level, and a long-term authorization.¹⁴ Much of the support for DFC was explicitly premised on the need to more aggressively counter China's BRI by offering an alternative source of financing that was held to higher standards, provided transparently, and did not shoulder countries with unsustainable debt levels.

Building off DFC, the Trump administration also created the Blue Dot Network (BDN) and the Infrastructure Transaction Assistance Network (ITAN), both of which sought to improve how the US government engages with partners in supporting hard infrastructure (see below for further details on ITAN). BDN and ITAN remain housed at the State Department, which serves as the policy lead and interagency coordinator. In practice, ITAN depended heavily on USAID to execute transaction-level support through the Transaction Advisory Fund (TAF), given that the State Department lacked both the contractual mechanisms and technical expertise to deliver project-level assistance directly. Coordination was managed through an interagency working group, though—as discussed below—alignment was not always seamless.

The COVID-19 global pandemic put in stark relief how fragile the global trading system was and how dependent the US economy was on the PRC for certain supply chains. The disruption reinforced a general sense that while the US could never fully “de-couple” from the Chinese economy, it did need to diversify its supply chains, especially for medical supplies, vaccine precursors, critical minerals, and renewable energy. This triggered an intense debate over whether to re-shore or onshore manufacturing back to the United States; **others argued** that this was impractical given the costs and the US needed to look to “near-shoring” or “strategic shoring” to shift critical supply chains to close partner countries to diversify and create more resilience.¹⁵ As this author has argued previously, a better approach would be to pursue “strategic shoring,” which seeks to identify countries that are primed to expand supply chains that would enable diversification away from over-reliance on the PRC. This **could include** supply chains such as semiconductors and other tech components, medical devices, pharmaceutical products, batteries, critical minerals mining and processing, and renewable energy components.¹⁶ This would also support countries in pursuing an export-led industrialization policy, which **some argued** would enable greater economic growth.¹⁷

BOX 1. BLUE DOT NETWORK: STANDARD SETTING

The Blue Dot Network (BDN) was launched in November 2019 by the United States, Japan, and Australia on the sidelines of the 35th ASEAN Summit in Bangkok, with an initial focus on the Indo-Pacific, where Chinese infrastructure financing had gained the most traction.^a Rather than creating a new source of public financing to compete dollar-for-dollar with Chinese loans, BDN sought to mobilize private capital by reducing the information costs that discourage institutional investors—pension funds, insurers, infrastructure funds—from investing in emerging markets. It functions as a **quality certification for infrastructure projects**, analogous to a “Michelin Guide” for investment-grade infrastructure: projects that earn BDN certification signal to investors that key risks have been assessed, that internationally recognized environmental, social, and governance standards have been met, and that financing is transparent and fiscally sustainable.^b

From launch through 2023, BDN operated as a policy commitment without an operational certification mechanism—a gap that drew sustained criticism. The State Department served as the US policy lead, managing interagency coordination through its Bureau of Economic and Business Affairs. Membership **expanded over this period** to include the UK, Spain, Switzerland, and Turkey as governing members, with Canada, Czechia, Peru, Palau, and Montenegro as network members.^c The critical transition came in April 2024, when BDN formally launched its certification framework, hosted by an independent Secretariat at the OECD. The **framework synthesizes** over 80 existing international standards into 10 core elements covering economic sustainability, debt transparency, climate resilience, and environmental and social safeguards, with certifications awarded by independent third-party bodies rather than governments.^d The first four certifications were awarded in April 2025, spanning transportation, water and sanitation, telecommunications, and aviation sectors across multiple continents.

BDN’s long gestation period—five years elapsed between announcement and operational certification—reflects both the genuine complexity of building a multilateral certification framework and the limits of what a standards-based approach can achieve without adequate resourcing. Critics have noted that BDN, unlike BRI, offers no financing of its own: certification may lower the cost of capital for investors, but it cannot substitute for the concessional loans and direct equity that drove BRI’s initial expansion. The framework’s **effectiveness will ultimately depend** on whether certification translates into measurable increases in private capital flows to certified projects—a metric that is only now beginning to be tested.^e For the current administration, however, BDN represents a largely intact institutional asset: unlike ITAN or Power Africa, it was not dismantled in the foreign assistance review, and its OECD-hosted secretariat insulates it from domestic budget disruptions. Maintaining active US engagement with BDN—and promoting certification for projects in priority economic corridors—should be a low-cost, high-visibility component of a renewed economic statecraft agenda.

a. US International Development Finance Corporation (DFC), “The Launch of Multi-Stakeholder Blue Dot Network,” Press Release, November 4, 2019. <https://www.dfc.gov/media/opic-press-releases/launch-multi-stakeholder-blue-dot-network>.

b. US-China Perception Monitor, “Connecting the Dots: The US Answer to the BRI?,” November 4, 2019, <https://uscnpm.org/2019/11/04/connecting-the-dots-the-us-answer-to-the-bri>.

c. US Department of State (archived), “Blue Dot Network,” January 8, 2025. <https://2021-2025.state.gov/blue-dot-network>.

d. OECD, “The Blue Dot Network Begins Global Certification Framework for Quality Infrastructure, Hosted by the OECD,” Press Release, April 9, 2024, <https://www.oecd.org/en/about/news/press-releases/2024/04/the-blue-dot-network-begins-global-certification-framework-for-quality-infrastructure-hosted-by-the-oecd.html>.

e. Wilson Center, “Infrastructure Investment 101: What Is the Blue Dot Network and How Will it Encourage Investment?,” <https://www.wilsoncenter.org/article/infrastructure-investment-101-what-blue-dot-network-and-how-will-it-encourage-investment>.

Prior to January 2025, the US government had a diverse suite of tools that could support and advance an economic statecraft agenda. Despite significant attention over the past 10 years, these were neither well coordinated nor aligned around a common strategy, with Power Africa being a rare exception. While some remain, there are now significant gaps that will hobble a sustained approach to economic statecraft, especially non-financing-related instruments. Tools included grant-based assistance at the State Department and USAID; the Millennium Challenge Corporation’s (MCC) multi-year compact approach; and the private sector-oriented finance of DFC, Export-Import Bank (EXIM), and the US Trade and Development Agency (TDA). The State Department, USAID, MCC, and TDA brought a mix of grant-based foreign assistance that can support policy and regulatory reforms leading to an improved enabling environment or technical assistance to advance specific transactions or investments. DFC and EXIM bring a mix of financial instruments—loans, guarantees, equity, and political risk insurance—that can help de-risk investments for the private sector. Underneath these departments and agencies were also a series of initiatives that further targeted elements of economic statecraft, including Power Africa, Prosper Africa, the Minerals Security Partnership (MSP), Partnership for Global Infrastructure and Investment (PGI),¹⁸ ITAN, and others (see Box 2). Table 1 provides a summary of programs and initiatives at departments and agencies that relied on grant-based assistance, and Table 2 shows the same for private sector facing agencies.

Table 1. US policy tools of economic statecraft, pre-January 2025

AGENCY	INITIATIVES	SECTORS	INSTRUMENTS
USAID	PGI Power Africa Prosper Africa <i>Transaction Advisory Fund (TAF)</i>	Infrastructure Critical Minerals Energy	Grants Policy dialogue Technical assistance
State Department	PGI ITAN Blue Dot Network Minerals Security Partnership (MSP)	Infrastructure Critical Minerals Energy	Policy dialogue Technical assistance
MCC	Power Compacts (in support of Power Africa)	Infrastructure Energy	Grants

Note: Programs in bold were cancelled under the State Department’s Foreign Assistance Review; bold and italics are programs cancelled but later resumed.

Table 2. US financing tools for economic statecraft, pre-January 2025

AGENCY	INITIATIVES	SECTORS	INSTRUMENTS
DFC	PGI Power Africa Prosper Africa	Infrastructure Supply Chains Critical Minerals Energy	Direct loans Loan guarantees Equity Political risk insurance Technical assistance
EXIM	PGI China and Transformational Exports	Infrastructure Supply Chains Critical Minerals Energy	Direct loans Loan guarantees Insurance
TDA	PGI Power Africa	Infrastructure Supply Chains Critical Minerals Energy	Technical assistance

Note: Programs in bold were cancelled under the State Department’s Foreign Assistance Review; bold and italics are programs cancelled but later resumed.

As Table 1 indicates, many of these initiatives touched on USAID in one way or another; it was an essential agency in that it held grant and contract mechanisms that enabled important elements of economic statecraft, especially infrastructure. The US government by and large does not provide direct funding of infrastructure projects, but it can provide important technical assistance to advance specific projects. For example, the [State Department launched ITAN](#) in 2018 with the goal of providing increased support for the development of hard infrastructure projects.¹⁹ But to provide direct transaction assistance to specific projects, State turned to USAID to create an instrument that could provide the direct support needed through the agency’s global infrastructure support contract mechanism. At the time, the State Department had neither contract mechanisms nor the technical expertise to support ITAN directly. This partnership yielded the Transaction Advisory Fund (TAF), which first was funded to support infrastructure transactions in the Indo-Pacific, but it was later expanded to cover sub-Saharan Africa and Latin America. Projects supported under ITAN and TAF included subsea cable projects in the Pacific Islands and power projects in Southeast Asia among others. In 2021, TAF provided project management and legal support to oversee the construction and installation of an undersea cable that would connect the island of Palau into the broader Pacific undersea cable network. This work was conducted jointly with Japan and Australia and [was meant to provide](#) cheaper, faster, and more reliable internet access in Palau.²⁰ TAF was initially canceled under the Trump administration’s foreign assistance review, and the planned geographic expansion never took place. Though recent conversations indicate that TAF has been reinstated at the State Department.²¹

ITAN and TAF were not without shortcomings. Implementation was slower than anticipated, owing in part to the complexity of multi-agency coordination, the limited scale of available grant funding, and the time required to stand up a new contracting mechanism at USAID. Partners, including Australia and Japan, expressed frustration at times with the pace of US engagement relative to the urgency of the infrastructure competition they were trying to win against China. A revamped transaction assistance mechanism would need faster disbursement timelines, pre-positioned contracting vehicles, and clearer division of labor between State and implementing agencies—lessons that should inform the design or revamp of a successor to TAF.²²

BOX 2. OTHER USG INITIATIVES TO SUPPORT ECONOMIC STATECRAFT

Power Africa was a US government-led public-private partnership launched in 2013 that aimed to expand electricity access across sub-Saharan Africa. Coordinated by USAID and involving 12 US government agencies, the initiative worked to increase power generation, transmission, and distribution in a continent where approximately 600 million people lack reliable electricity access. Power Africa used grant funds to catalyze much larger volumes of private and public finance for energy projects by tackling barriers to investment, combining both grid and off-grid investments as well as renewable and fossil fuel approaches. The partnership brought together over 200 public and private sector partners with the goal of adding at least 30,000 megawatts of cleaner electricity generation capacity and 60 million connections by 2030. Power Africa was discontinued by the Trump administration's foreign assistance review, but there are rumors it may be relaunched by the Department of Energy.^a

Prosper Africa was a whole-of-government initiative launched in 2018 to substantially increase two-way trade and investment between the United States and African countries. The program brought together 17 US government agencies, coordinated by USAID, to connect American and African businesses with new buyers, suppliers, and investment opportunities. By leveraging private sector resources, Prosper Africa provided matchmaking, financing, insurance, and advisory services to help companies identify partners, advance opportunities, and close deals. Prosper Africa supported hundreds of trade and investment deals across dozens of countries, worth billions of dollars. Like Power Africa, Prosper was cancelled under the Trump administration's foreign assistance review.

(continued)

Minerals Security Partnership (MSP)^b is a multilateral initiative launched in June 2022 to accelerate the development of diverse and sustainable critical mineral supply chains. Led by the US State Department, the MSP includes 15 partner countries (Australia, Canada, Estonia, Finland, France, Germany, India, Italy, Japan, Norway, South Korea, Sweden, the United Kingdom, the United States, and the European Union) working to address supply chain vulnerabilities for minerals essential to clean energy technologies. The partnership focuses on minerals including lithium, cobalt, nickel, manganese, graphite, rare earth elements, and copper, considering projects along the full value chain from mining and extraction to processing, refining, and recycling. MSP partners established a Finance Network bringing together development finance institutions and export credit agencies to facilitate project financing, and created the MSP Forum to partner with mineral-producing countries on advancing projects with high environmental, social, and governance standards. In February 2025, at a critical mineral ministerial hosted by the State Department, Vice President JD Vance announced that MSP would become the Forum on Resource Geostrategic Engagement (FORGE). No further details were offered on how FORGE might differ from MSP or stay the same.^c

a. USAID, “Power Africa,” archived at <https://2021-2025.usaid.gov/powerafrica>—all these figures appear in official program documentation. For the 600 million figure specifically: International Energy Agency, *Africa Energy Outlook 2022*, <https://www.iea.org/reports/africa-energy-outlook-2022>.

b. US Department of State, “Minerals Security Partnership,” <https://www.state.gov/minerals-security-partnership>.

c. State Department, Critical Minerals’ Ministerial Factsheet, February 4, 2026, <https://www.state.gov/releases/office-of-the-spokesperson/2026/02/2026-critical-minerals-ministerial/>.

A framework for strategic assistance

The administration needs to articulate a clear and credible offer to partner countries. An approach premised solely on extracting the minerals and resources the United States needs will not distinguish US engagement from the Chinese model that Washington has long criticized. Too often, **China’s approach yielded short-term economic gains** that were unsustainable for countries in the long run, the so-called “sugar rush” effect of its infrastructure investment.²³ While the United States has historically been seen as a more transparent, rule-based partner than China, that advantage is no longer self-evident. Tariff escalation, the dismantling of USAID, and signals of US disengagement from multilateral institutions have prompted partners in Africa, Southeast Asia, and Latin America to accelerate diversification of their economic relationships—away from dependence on both China and the United States. This makes the case for strategic, durable US engagement more urgent, not less: the US must actively compete for partnerships it could once take for granted. The administration’s offer to partner countries must be compelling on its own terms, not merely by comparison to China.

Developing countries want to move away from subsistence agriculture, resource extraction, and low-level production to generate long-term economic growth through value-added industrial production. This should mean a greater focus on industrial production and manufacturing that can plug these countries into international supply chains. The administration needs to recognize these dynamics and embrace the idea that it can gain a clear return on investment for US financial support *and* support the economic aspirations of partner countries. To do so, the administration should launch a reinvigorated economic statecraft initiative that incorporates the following elements:

1. Investment in high-quality, resilient **transportation infrastructure** geared toward lowering the costs associated with external and internal trade. Investments in transportation infrastructure can be supported by digital infrastructure, ports and airports, and other hard infrastructure that can facilitate export-led economic activity. US government support in this area would be in three ways: (1) direct financing of projects through DFC, EXIM, and, in countries that meet its established criteria, MCC; (2) transaction assistance from the State Department to address specific legal, technical, or regulatory barriers to infrastructure and broader investment climate; and (3) project preparation support from USTDA.
2. Support the development of **resilient supply chains** in strategic sectors, including medical supplies, pharmaceutical products, energy, semiconductors, and agriculture. Each of these will face their own unique challenges, and the US government would be well served in identifying constraints to investments associated with each supply chain in a particular geography. That said, such investments can also help diversify economies through the development of new economic sectors by developing productive, export-led industry and expand new markets for existing goods and services. US government support would be directed toward supply chains that have been previously identified as being vulnerable to disruption or ones that are overly dominated by a strategic competitor (e.g., China).
3. Investments in **critical minerals' mining and processing** to enable countries to move up the economic value chain and produce more secure sources of these resources for the United States. Critical mineral mining and processing has emerged as a standalone supply chain as China and other competitors have come to dominate. This includes everyday minerals such as copper or cobalt and rare earth elements.
4. Increase investment in **the energy sector** in partner countries adopting an “all-of-the-above” approach that includes legacy non-renewable energy as well as renewable energy where practicable. This will be needed to meet the increased demand for reliable power generation to support mining, processing, and manufacturing associated with supply chain investment.

5. Investment in **digital infrastructure and AI-enabling technology**, including subsea cable networks, data centers, spectrum management, and interoperability frameworks for AI-driven applications. Digital infrastructure is increasingly foundational to all other elements of economic statecraft: smart ports, digital trade facilitation, AI-assisted mining operations, and grid management all depend on robust, secure digital connectivity. The US government and private sector have a compelling offer in this space—particularly compared to Huawei-dependent alternatives—and should leverage it aggressively. This should be an explicit pillar of an economic statecraft framework, not an afterthought.

Table 3 outlines the departments and agencies, roles and responsibilities, and instruments that each would bring to a renewed economic statecraft approach.

Table 3. Strategic assistance post-January 2025: Agencies, roles and responsibilities, and instruments

DEPARTMENT/ AGENCY	ROLES/ RESPONSIBILITIES	INSTRUMENTS	SECTORS
State Department	Identify policy and regulatory reforms needed through constraints analysis; Provide on-demand transaction assistance	Grant-based assistance (mechanisms potentially under development)	Infrastructure Economic development Critical minerals
Treasury Department	Policy and regulatory reform; MDB policy	Grant-based technical assistance through OTA (OTA provides support through advisors assigned in response to a country request)	
MCC	Compact and threshold programs	Grant-based assistance	Infrastructure
DFC	Project investments; technical assistance	Loans, Guarantees, Political Risk Insurance, Equity, and Grants (TA)	Infrastructure Critical Minerals Other supply chains Energy
Export-Import Bank*	Project investments	Loans and guarantees	Infrastructure Critical Minerals Other supply chains Energy
USTDA	Project preparation; policy and regulatory reform	Grant-based technical assistance	

*As the US government's export credit agency, the Export-Import Bank (EXIM) requires a US nexus to support a project abroad. To date, EXIM has not been fully engaged in advancing US economic security abroad. The Biden administration took some steps to better integrate EXIM, but the Trump administration has an opportunity to go further given EXIM's upcoming need for Congressional reauthorization in 2026.

Though not explicitly mentioned in the above table, trade policy is an essential but currently underused tool of economic statecraft. Preferential market access, the reduction of non-tariff barriers, and the development of trade corridors can provide partner countries with economic incentives to align with US supply chain priorities, which are often at lower cost to the US government than direct financing. Though the administration has pursued a protectionist and, at times, chaotic trade policy to date, the administration should shift toward seeing trade policy as a positive that could help it achieve its objectives. For example, it should explore using differentiated tariff treatment that could be offered to countries that meet agreed standards for labor, environment, and supply chain security that could complement the other tools outlined above.²⁴ At the same time, the US should work with allies to develop common definitions for infrastructure and critical technologies, something that Under Secretary of State Jacob Helberg recently flagged at a [Hudson Institute event](#).²⁵ Such an approach could build on BDN and other quality infrastructure initiatives to create positive-list frameworks for countries that subscribe to these standards, enabling streamlined foreign direct investment screening and export control cooperation analogous to provisions in the [Foreign Investment Risk Review Modernization Act \(FIRRMA\)](#).²⁶

Economic corridors

The Biden administration worked with the G7 to develop the Partnership for Global Infrastructure and Investment (PGI) to provide a positive counteroffer to China's Belt and Road Initiative (BRI). PGI began life as the [Build Back Better World \(B3W\)](#) initiative launched at the June 2021 G7 summit in the UK.²⁷ Over the course of two years, it evolved from B3W to PGI with a tangible focus on what the G7 termed "economic corridors."²⁸ PGI was not a perfect program, but the use of "economic corridors" does offer a useful organizing principle for a more extensive linkage between economic statecraft and foreign assistance. Under PGI, an economic corridor would include investment in transportation infrastructure to reduce the cost of imports and exports with layered investments in agriculture, digital access, electricity production, critical minerals, and other sectors that could contribute to broad-based economic growth. This tracks closely with the three elements the [OECD defines](#) as core to an economic or trade corridor: (1) infrastructure (transportation links); (2) institutions (soft infrastructure); and (3) related services (trade and economic policies).²⁹

At the end of the Biden administration, there were three priority corridors under development: the Trans-Africa/Lobito Corridor in Southern Africa, the Luzon Economic Corridor in the Philippines, and the Middle Corridor in Central Asia.³⁰ The US did have success in pulling other G7 partners into partnerships in developing these corridors, including the EU in Lobito and Central Asia, Italy in Lobito, and Japan in Luzon. The corridors were also an opportunity to engage multilateral development banks (MDBs), including the African Development Bank, the Asian Development Bank, and the European Bank for Reconstruction and Development, all three of which can provide significant sources of finance for infrastructure. As Table 4 indicates, each of these included

investments in transportation infrastructure that served as a centralizing focus of each corridor. Alongside investment in infrastructure, the corridors offered an opportunity for secondary investments in agriculture and agro-processing, renewable energy, digital technology, and other economic sectors that could take advantage of improved infrastructure. This approach recognized that countries want more than just investment in extractive industries and that job creation and sustained economic growth are driven by a diversified economy.

Table 4. Characteristics of US-supported PGI corridors (as of January 2025)

	LOBITO CORRIDOR	LUZON ECONOMIC CORRIDOR	TRANS-CASPIAN/ MIDDLE CORRIDOR
Infrastructure Projects with USG agencies involved	Lobito Atlantic Railroad refurbishment (DFC loan) Upgrades to port of Lobito (DFC loan) Greenfield rail extension in Northern Zambia (DFC, USTDA) Bridges in Angola (EXIM)	Port upgrades in Subic Bay (USTDA) Freight railroad (USTDA)	Port upgrades in Kazakhstan Multimodal logistic centers in Kazakhstan and Uzbekistan
Supporting Investments with USG agencies involved	Solar power in Angola (EXIM) Digital infrastructure (DFC, USAID) Agriculture investments in Angola and Zambia (DFC, USAID) Rural feeder roads in Zambia (proposed MCC compact)* Mining projects in northern Zambia (DFC)	Food terminal at Clark Airport (USAID)	
Supply chain impact	Critical mineral mining and processing	Semiconductors; critical mineral mining and processing	Critical mineral mining and processing
Partners	EU Italy African Development Bank African Finance Corporation	Japan Asian Development Bank	EU European Bank for Reconstruction and Development

Sources: White House Fact Sheet on Lobito Economic Corridor, December 2024, <https://bidenwhitehouse.archives.gov/briefing-room/statements-releases/2024/12/03/fact-sheet-partnership-for-global-infrastructure-and-investment-in-the-lobito-to-trans-africa-corridor/>; White House Fact Sheet on Luzon Economic Corridor, April 2024, <https://bidenwhitehouse.archives.gov/briefing-room/statements-releases/2024/04/11/fact-sheet-celebrating-the-strength-of-the-u-s-philippines-alliance/>
Note: *By the end of the Biden administration, the MCC and Zambia had negotiated a second compact that included a planned investment in upgrading and expanding Zambia's rural feeder roads with the goal of improving market access for smallholder farmers. Though planning was not complete, internal discussions indicated that the road project would likely have connected into the greenfield railroad enabling even better connectivity for Zambia's smallholder farmers. Initially canceled by the Trump administration, the Zambia compact has been renewed and will include an enhanced road project focus that will more directly tie into the planned greenfield railroad in northern Zambia. Discussions are ongoing. Source: Key Informant Interview, January 2026.

Importantly, the US and the G7 also secured buy-in from local partners to support the development of the various corridors. In the case of the Lobito Corridor in southern Africa, the presidents of the three countries—Angola, DRC, and Zambia—were supportive of and closely engaged in identifying projects that would support corridor development. Lobito had the secondary effect of reinforcing the gains of three reformist presidents who sought to diversify their economic relationship away from the PRC, and diversify their own economies through agriculture and digital transformation. There was also an open channel to directly communicate among the three governments, the US government, and close partners such as the European Union, African Development Bank, and other G7 countries engaged in the effort.

As PGI was a G7 initiative, the corridors offered an easy way to engage other G7 countries, multilateral development banks, and the private sector in a coordinated and structured way. In Lobito, for example, it was clear that the US government would not be able to fund the proposed greenfield railroad in northern Zambia on its own. Instead, it turned to the African Development Bank, the EU, and Italy to form a co-financing consortium; the EU, for example, agreed to fund an initial feasibility study and the other partners committed capital. Within the US government, the corridors offered a similar opportunity for different departments and agencies to engage in project development. This allowed USAID, for example, to provide support through its flagship food security initiative Feed the Future to support agricultural development in Zambia that could benefit from the Lobito Corridor's infrastructure. Likewise, DFC invested in the upgrade and rehabilitation of the existing Lobito Atlantic Railroad in Angola and the port of Lobito. Though coordination both with external partners and within the interagency was not always perfect under PGI, it did demonstrate that co-financing and co-development were possible and indeed necessary to advance progress in economic corridors.

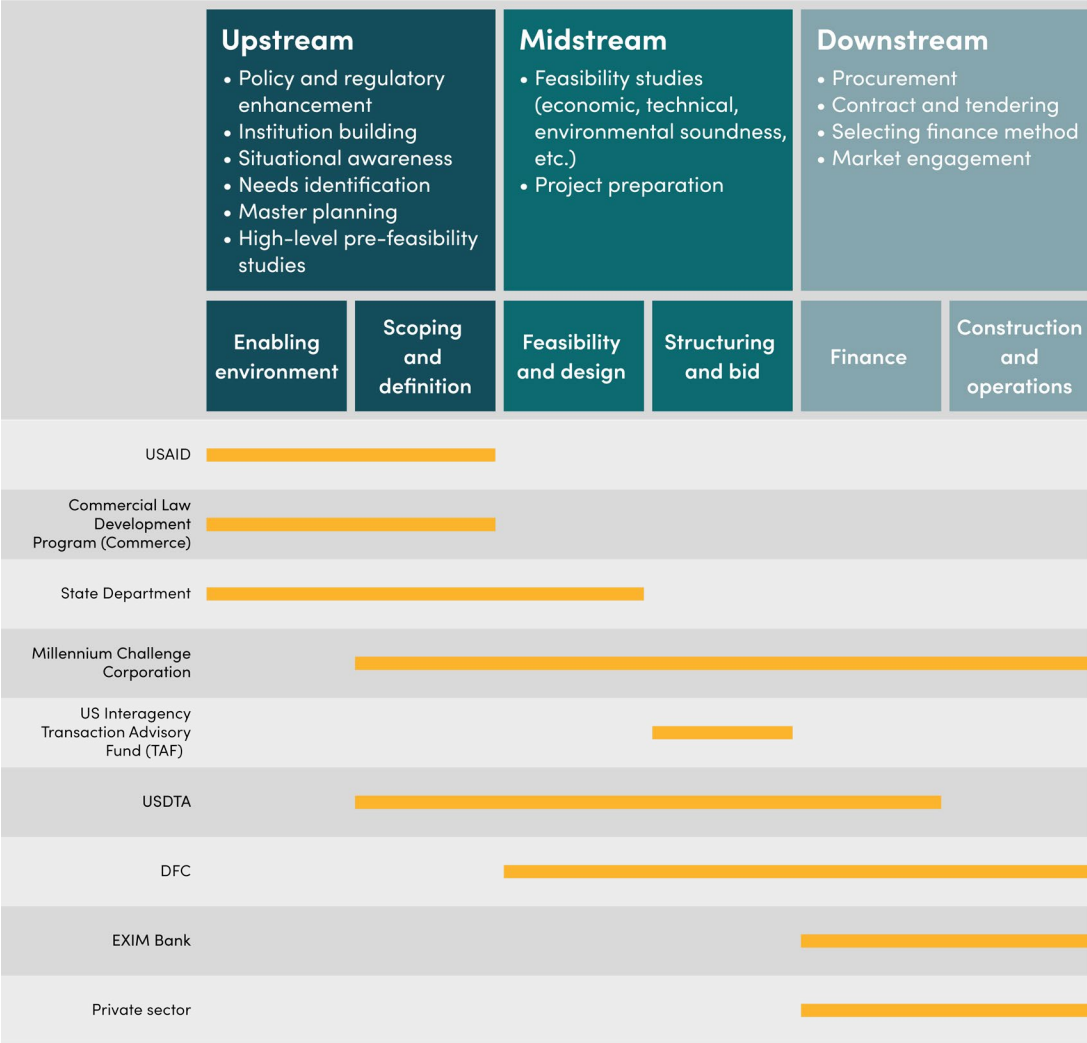
There are lessons that could be drawn from the initial period of PGI. Coordination under PGI, while often effective in principle, was not always efficient in practice. At times, the interagency process could be heavy-handed, it was slow to resolve disagreements, financing commitments sometimes lagged political announcements, and the disconnect between US diplomatic messaging and the pace of actual project delivery occasionally undermined credibility with partner governments and the G7. On the latter, the G7 often believed that what was sold as a G7-coordinated initiative was dominated by US priorities and initiatives. In addition, while timelines were ambitious, the reality was that as an inter-agency partnership and one coordinated with the G7, timely delivery was still difficult. The current administration should take these factors into account as it seeks to build on the initial progress of PGI.

To its credit, the current administration has embraced, both publicly and privately, the economic corridor approach launched under PGI. In April the [US ambassador to Angola announced](#) that the US remained committed to the Lobito Corridor and support for the existing partners such as the African Finance Corporation and the EU.³¹ The administration's special envoy for Africa [also reiterated support for Lobito](#) in April during the World Bank/IMF Spring Meetings.³² Secretary Rubio travelled to the Philippines in July, meeting with the president of the Philippines, and [made a commitment of \\$15 million](#) to support the continued development of the Luzon Economic Corridor.³³ How and through what mechanism this support will be directed is not clear from publicly available documents; moreover, it is likely that this is not new money, but simply a recommitment of funds made available to support the Luzon corridor during the April 2024 Trilateral Conference that were likely canceled by the Trump administration.³⁴ The original funds were a pool of technical assistance directed toward a handful of projects, including work with the Philippines' government on addressing barriers to increased investment in the semiconductor industry, work on a food export hub at Clark International Airport, and feasibility studies for infrastructure development.

An area where the current administration could improve upon the past PGI approach is through an increased focus on the broader enabling environment in the priority economic corridors. The enabling environment refers to the conditions that enable private capital to invest with confidence in a particular geography or sector. This can include fostering macroeconomic stability, improving the regulatory environment, reducing barriers to increased trade and investment, strengthening public financial management to encourage greater public investment and reduce corruption, and increasing access to finance for local business. Providing financing to support new infrastructure projects or an investment in local business is insufficient to ensure the long-term sustainability of these projects. The upstream enabling environment is equally important as it will help ensure that investments are sustainable in the long run. This requires a focus not just on delivering project preparation and strategic planning, but secondary support for an improved regulatory environment, strong governance, and other capacity building efforts. For projects like the Lobito Corridor, the administration should also focus on efforts aimed at improving cross-border trade flows among the three countries. This would require continued—or renewed—support for traditional trade capacity building projects, a sector that USAID previously engaged in. This could range from efforts to ensure trade harmonization across the three countries involved (Angola, DRC, and Zambia) to support for upgrades to border crossing infrastructure.

As Figure 1 shows, the spectrum of support to deliver successful infrastructure investments includes much more than simply finance to build the physical projects. The upstream work of enabling environment and scoping and definition requires grant-based foreign assistance that most often is provided by a foreign aid agency like USAID. In the upstream portion, DFC and other financing agencies can play a more limited role given their expertise and resources available. TDA can provide some support in upstream, but it is limited to scoping and definition type activities such as master planning and pre-feasibility studies. While Figure 1 is specific to infrastructure investment, it could also be applied to other aspects of an economic statecraft agenda, including supply chains and critical minerals. Using the State Department to continue work on the enabling environment will help to identify new projects for DFC, EXIM, and other financing agencies. This is critical for DFC, in particular, which is still developing a larger portfolio of investments in these sectors.

Figure 1. Spectrum of infrastructure development support, pre-January 2025 departments and agencies



Source: Author's design based on original design by Rock Cheung, Embassy of Australia..

While the State Department is the natural lead for bilateral US technical assistance given its convening authority and new role in implementing foreign assistance, US efforts should be designed from the outset to complement and leverage the work of the multilateral development banks (MDBs). The World Bank and regional development banks each bring substantial in-country presence, technical expertise, and financing capacity that the US bilateral system cannot replicate. Rather than building parallel systems, the State Department should identify where US bilateral TA fills gaps that MDBs are not addressing (such as politically sensitive regulatory or policy reforms or security adjacent sectors) and should co-design programs with MDB partners where appropriate.

Finally, there is an important caveat to the argument for US-provided technical assistance: sustained reliance on external TA can, if poorly designed, undermine the very domestic capacity it aims to build. A well-designed enabling environment program should therefore prioritize capacity transfer alongside immediate project support. Such a program would embed expertise in local institutions, train government counterparts, and build toward a transition in which partner countries can lead and sustain these functions themselves. This approach also builds greater local ownership, which is critical to the long-term viability of any US-supported initiative.

Recommendations

The Trump administration has an opportunity to embrace a more strategic approach to foreign assistance that is built around five core pillars: infrastructure, supply chain diversification, critical minerals mining and processing, energy investment, and digital infrastructure and AI-enabling technology. These are sectors where development cooperation could play a positive role in advancing this administration's stated foreign policy goals of a stronger, safer, and more prosperous America. To date, it appears that the administration wants to focus on using assistance in these areas to advance short-term, transactional wins geared toward a direct benefit only for the United States. To be successful, however, the administration should take a longer-term view of how to advance these areas. In doing so, it will need to carefully consider what resources are needed to support a more sustained US government effort to build greater American economic security. Private sector-focused financing from DFC and/or EXIM is insufficient and indeed in some instances, there are projects that may not have a private sector partner. To be truly viable, these investments will need support from the State Department and other sources of grant-based foreign assistance, such as the MCC, though within the confines of the select group of countries eligible to work with that agency.

While the State Department should serve as the coordinating lead—given its foreign policy mandate and newly assigned responsibility for bilateral foreign assistance—it should not be expected to carry the full technical burden of an economic statecraft agenda. Other departments and agencies, such as Energy (energy technology and nuclear power) and Commerce (trade and investment policy) can complement State's policy engagement; and Treasury brings its leadership on MDB policy and

the Office of Technical Assistance that can support fiscal reform and other macroeconomic policy engagement. These departments should all be engaged through the inter-agency working group described below.

Looking ahead, the administration should do the following:

1. The administration should launch a renewed economic statecraft initiative that focuses on transportation infrastructure investment, supply chain resilience, critical mineral mining and processing, energy investment, and digital infrastructure and AI-enabled technology. To organize such an approach at the country or regional level, the administration should **maintain and expand PGI’s economic corridor approach by continuing to support existing corridors (e.g., Lobito in Southern Africa, the Luzon Corridor in the Philippines, and the Trans-Caspian in Central Asia) and identifying new economic corridors to develop**. An economic corridor offers a strong organizing approach with a central investment in physical infrastructure that would improve trade or other economic activities. From a US perspective, there would also be opportunities to invest in supply chains, including semiconductors and other technology inputs, critical mineral mining and processing, and other strategic sectors. Ideally, the administration would continue to view these as “layered” investment opportunities that allow for agriculture and other sector investments that support broad-based, equitable economic growth.
 - a. The administration should designate the State Department as the lead department for a renewed economic statecraft initiative built around economic corridors. This should pull together existing initiatives like PGI and FORGE (previously MSP) and the department should appoint a coordinator who will work across other departments and agencies in the inter-agency to advance this agenda. Given the weakness of the National Security Council, the State Department should convene an inter-agency working group on economic statecraft. This would include the departments and agencies identified above, as well as others on an as needed basis.
 - b. As part of this, the State Department should develop a framework—developed with inter-agency input—that lays out the goals and objectives of a renewed economic statecraft initiative that identifies how it aligns with US foreign and national security policy, priority investments, and priority regions/countries of interest. Such a strategy should also incorporate a framework and criteria to identify new economic corridors.
2. **The State Department should maintain the capacity to provide technical assistance targeted at policy and regulatory reforms to create the enabling environment needed for sustainable investments.** Much of these activities resided at USAID and it is unclear what will remain of these efforts following the termination of various grant and contract instruments. As important as it is to maintain or recreate financial mechanisms to support TA, the State Department must also prioritize hiring individuals with the appropriate skill set to support this work. Providing support

in these areas will ensure the sustainability of DFC's private sector-focused investments in infrastructure, supply chains, and critical minerals. Recognizing the limitations that a financing agency like DFC has will enable it to focus on its core mission of mobilizing private investment. **The State Department should create a pool of TA funding of \$150 million to \$200 million that should focus on three lines of effort:**

- a. Provide support for regulatory reform to create an enabling environment and more conducive business and investment climate. Such work should be informed by a constraints-to-growth analysis conducted for each corridor that would identify critical barriers to trade and investment. Using this analysis, the State Department could implement projects to address these or could work with other partners better positioned to undertake this work. The constraints analysis should be modeled on and informed by MCC's own analytical model.
 - b. Trade capacity building activities supporting the implementation of trade agreements, facilitating improved trade flows, and enhancing economic responsiveness. This could include supporting physical infrastructure such as border post construction, as well as working on trade harmonization, reduction of non-physical trade barriers, and other regulatory issues that impede the free flow of trade.
 - c. Develop a pipeline of bankable projects that DFC, EXIM, and other financing agencies can support by creating new country-level deal teams at embassies and the provision of transaction advisory assistance. USAID Missions provided important deal origination support for DFC and it will need to replicate these efforts. DFC is already moving to increase its field presence through the creation of regionally based managing directors; the State Department should work to create a team within an embassy to support these individuals.
3. The administration should develop a more nuanced approach to supply chain diversification by relying on a "strategic shoring" approach that seeks to develop supply chains in countries primed to do so. This is complicated by the fact that the [administration has imposed tariffs](#) on countries like Angola, DRC, Zambia, the Philippines, Indonesia, and others, precisely the countries that should be critical partners in reducing US economic dependence on China.³⁵ Supply chains—whether critical mineral mining and processing or manufacturing—cannot be entirely re-shored or on-shored to the United States. Rather, the US should use its trade and investment tools to advance diversified supply chains in partner countries. This will require that the administration reconsider its use of tariffs, especially as they relate to partners like the Philippines and mineral resource producing countries in Sub-Saharan Africa.

Conclusion

The measure of success for a renewed economic statecraft agenda will not be the number of contracts signed or minerals secured, but whether US engagement produces the kind of durable partnerships that outlast individual transactions and individual administrations. That is a higher bar than the current approach sets for itself—but it is also a more achievable one than it might appear. Partner countries want what the US has to offer: transparent financing, high-quality infrastructure standards, and access to US markets and technology. The administration's task is not to invent a new model but to deploy the existing one with consistency and sufficient resources.

Sustaining those partnerships over time will require more than investment in infrastructure and supply chains. Countries cannot take full advantage of improved connectivity, new industrial capacity, or expanded mining operations without healthy, educated workforces. Continued US support for global health, education, and workforce training is not a concession to a development agenda at odds with economic statecraft—it is a precondition for the economic statecraft agenda to work. An economy that cannot staff a processing facility, maintain a power grid, or enforce a contract is not a viable supply chain partner, regardless of how much infrastructure finance it has received.

Finally, none of this requires mixing strategic objectives with humanitarian ones. The case for economic statecraft stands entirely on its own: it serves US interests, it serves partner country interests, and it offers a more compelling alternative to Chinese financing than anything a purely transactional approach can produce. Humanitarian and life-saving assistance must remain governed by need, not by a country's willingness to grant mineral access or align with US foreign policy positions. The administration has an opportunity to demonstrate that a stronger, more strategically purposeful America and a more generous, principled one are not in competition. That demonstration begins with keeping these two things clearly and permanently apart.

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