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GLOBAL TRANSITIONS SERIES

The Partnership for Global Infrastructure and Investment (PGII) and the Belt and Road Initiative (BRI): Meeting the World's Infrastructure Gaps amid Geopolitical Competition

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The Global Transitions Series looks at fragmentations in the global order and how these impact peace and transition settlements. It explores why and how different third-party actors – state, intergovernmental, and non-governmental – intervene in conflicts, and how they see themselves contributing to reduction of conflict and risks of conflict relapse. The series critically assesses the growth and diversification of global and regional responses to contemporary conflicts. It also asks how local actors are navigating this multiplicity of mediators and peacebuilders and how this is shaping conflict outcomes and post-conflict governance.

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This research is an output from the Peace and Conflict Resolution Evidence Platform (PeaceRep), funded by the UK Foreign, Commonwealth & Development Office (FCDO) for the benefit of developing countries. The information and views set out in this publication are those of the authors. Nothing herein constitutes the views of FCDO. Any use of this work should acknowledge the authors and the Peace and Conflict Resolution Evidence Platform.

Thanks to Mia Furlong, Allyson Doby, and Rick Smith of Smith Design Agency for production work. The author is also grateful to the PeaceRep programme at Edinburgh Law School for their support on this project.

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Key Points

- In 2022, the U.S. and the other members of the G7 launched the Partnership for Global Infrastructure and Investment (PGII), a collaborative initiative that aims to raise $600 billion for global infrastructure projects in emergent nations.
- The PGII did not start de novo. It rebranded the previous infrastructure development spending commitments made by Western countries, including the G7 Build Back Better World (B3W) and the European Union's Global Gateway (GG) initiatives.
- China and the G7 nations share common interests in meeting the huge infrastructure development needs of low and medium-income countries. These run parallel to both actors' concerns in advancing their own geopolitical goals.
- While the PGII has potential to support global growth trajectories and development plans, it is also intended to counter China's growing influence, resultant of its Belt and Road Initiative (BRI).
- There are similarities between the visions and plans underpinning the BRI and the PGII, which, whilst not wholly congruent are – in part at least – complementary.
- Emergent nations will benefit if PGII projects transcend geopolitics and are instead determined by the infrastructure needs of recipient countries, and do not contribute to an increase in societal tensions, instability and conflict.
- PGII and BRI implementers should ensure that projects are designed and implemented in ways that involve genuine stakeholders' consultation in the country concerned.
- There is scope for collaboration between BRI and PGII implementers, who should learn from one another's comparative challenges and advantages, explore how spreading resources across a set of projects may leverage comparative advantages and mitigate risks, and collaborate where interests and opportunities to develop infrastructure overlap, for example in Africa.
- Recipient countries should engage with the BRI and the PGII and leverage the differences in the initiatives to negotiate the best deal for their infrastructure development.

Filling Global Infrastructure Gaps

Globally, there is a large disparity in meeting the infrastructure needs of emerging countries. In 2017, the Asian Development Bank (ADB) estimated that Asia needed twenty-six trillion U.S. dollars over the fifteen years from 2016 to 2030 to pay for infrastructure building. Estimates by the African Development Bank (AfDB) have suggested Africa's infrastructure will require investments of as much as 170 billion U.S. dollars a year by 2025. In Latin America and the Caribbean, investments in infrastructure – including water, sanitation, energy, transportation, and telecommunications – have been calculated to amount to 2.2 trillion U.S. dollars by 2030.

Ten years ago, the Chinese government launched the Belt and Road Initiative (BRI), a multi-billion-dollar venture that aims to stimulate growth and boost trade through significant investment in international infrastructure projects. With its "belt" of land corridors and a "road" of maritime shipping lanes, the BRI spans through 147 countries across Asia and Europe, as well as Africa, Latin America and the South Pacific. From 2013 to December 2021, construction contracts and investments in the BRI amounted to nearly 890 billion U.S. dollars.

The BRI encompasses numerous sectors, from major infrastructure to agriculture, people-to-people exchanges and health. However, the bulk of BRI investments have been in capital intensive "physical infrastructure" projects, such as roads, bridges, ports, pipelines, power plants, fibre-optic cable links and 5G telecom networks, with Chinese state-owned enterprises (SOEs) at the forefront of implementing projects that are financed by policy banks.

Over the past ten years, lessons have been learned from the BRI process, both regarding its potential to contribute to the economic growth of emergent nations, and the problems associated with the initiative. Numerous BRI-related investments are concentrated in fragile and conflict-prone environments, with large tracts of the BRI's "corridors" crossing areas where political and ethnic tensions often lead to violence. In such contexts, the economic weight of Chinese BRI investment has implications, not only for Chinese businesses and the development prospects of recipient countries, but also for local peace and security dynamics, as it affects domestic power balances, economic development, and peacebuilding prospects.

In recent years, China has revamped its approach to the BRI in what has been dubbed the Belt and Road 2.0, putting increased emphasis on economically sound and environmentally friendly projects. The combined challenges of a slowing global economy, rising interest rates and higher inflation — exacerbated by the COVID pandemic and Russia's invasion of Ukraine — have raised concerns in China about the debt sustainability of numerous BRI partner countries, some of which, including Sri Lanka and Zambia, are struggling to meet their debt obligations. The era of high-risk loans offered by Chinese banks appears to be over, as policy makers exert pressure to evaluate the financing of new projects more rigorously.

On 26 June 2022, at the forty-eighth G7 summit, the United States and other G7 members (Canada, France, Germany, Italy, Japan, and the United Kingdom) formally launched the Partnership for Global Infrastructure and Investment (PGII) to support infrastructure projects in developing nations. Since its announcement, the PGII has attracted international comment on its geostrategic implications and comparative analysis due to its scale, scope, and position to the BRI. Although the PGII rebranded previous infrastructure development commitments made by Western countries — in particular the Build Back Better World (B3W) initiative, announced at the forty-seventh G7 summit in June 2021, and the European Union's Global Gateway (GG) initiative launched in December 2021[1] — the ambition and commitment of the new global infrastructure development initiative are significant.

The PGII promises "a values-driven, high-impact, and transparent infrastructure partnership". It is informed by the standards and trust principles of the 2019 Blue Dot Network (BDN) certification programme that was later absorbed into the B3W, which are based on transparency, sustainability, labour rights and accountability.

The scope of the PGII is wide; it includes tackling the climate crisis, bolstering global energy security, developing clean energy supply chains, strengthening cybersecurity, and further developing digital and health infrastructure. It also puts emphasis on gender equality and equity. Although the details of the PGII are yet to be disclosed, there is an expectation that it will become a significant catalyst for clean energy transition, sustainability and social equity.

G7 members have pledged to raise, through the PGII, $600 billion in private and public funds by 2027 for "game-changing" projects that deliver quality, sustainable, and innovative infrastructure, and investments in low- and middle-income countries. The U.S. alone seeks to "mobilize" $200 billion for the PGII through grants, federal financing, and private sector investments. By incorporating the GG initiative into the PGII, the EU has committed to investing up to 300 billion Euros in green and digital transitions and partnerships around the world. The G7 expect the needed capital to come from "like-minded partners, multilateral development banks, development finance institutions, sovereign wealth funds, and more".

Overcoming Likely Challenges

The PGII and the BRI offer hope to emergent nations in need of qualitative and sustainable infrastructure to boost economic growth and development. New financial pledges under the PGII that offer additional sources and alternatives to the BRI can help to provide some of the much-needed investments. There will, however, be hurdles to overcome.

The PGII will have to prove that it provides value and can deliver on its headline promises. Through their own national programmes and funds, or within multilateral lenders, G7 countries have been a key source of infrastructure investment in developing countries. In addition to this, G7 members and EU institutions are already leading providers of official development assistance. The PGII is partly re-labelling already committed funds under previous initiatives, including the B3W and the GG. However, to meet its ambition, the PGII will also need to scale up infrastructure ventures and mobilize additional capital, including from private sources, that will eventually enable a large number of high standards and sustainable projects to materialise. There is a gap to bridge between financial pledges made in high profile international gatherings and money put forward, especially in those countries where international development assistance is decreasing and private investors are risk-averse. The latter may have misgivings about investing in countries where there are political risks, or may be unwilling to compete against, for example, Chinese state-owned enterprises (SOEs). In the best-case scenario of overcoming capital shortages, the design and implementation of projects will still require time to materialise.

Geopolitics is an additional complicating factor. The PGII aims to meet not only the infrastructure needs of low- and middle-income countries, but also to "support the United States' and its allies' economic and national security interests". At the first meeting of the Global Gateway Board in December 2022, the President of the European Commission, Ursula von der Leyen, unambiguously linked infrastructure investment in emergent nations with geopolitical objectives[2].

The PGII, like the BRI, goes much further than the cause of supporting emergent nations through infrastructure projects, and needs to be situated in the context of strategic competition among China, the U.S., and its Western allies. Through the PGII, the G7 has offered an alternative to the BRI that reflects the values, standards, and ways of doing business of G7 members while competing against China on geo-economic grounds to improve supply chains and increase shares of the global market. Competition can be beneficial if it encourages higher standards, makes the best use of the resources available, and reduces investment costs. However, if the GPII and the BRI partnerships turn primarily into geopolitical battle lines where the main objective of infrastructure development assistance is to counter geostrategic challenges, it is unlikely that investments will address the most urgent infrastructure needs and strengthen the global economy. The main risk is that geopolitical tensions and competition for influence, rather than development assistance demands and local needs, will become the determining factor in the allocation of projects and will not deliver the expected improvements to people's lives.

Finally, infrastructure programmes tend to be controversial even in stable and relatively well-governed societies. The stakes are higher in environments characterised by major challenges of government legitimacy, corruption, clientelism, disregard for the rule of law, and social instability. In such contexts, extra caution is needed so that investment projects are designed and implemented to ensure equitable development, rather than safeguarding elites' interests and to reduce the risks – direct or indirect – of increasing societal tensions, instability, and conflict.

Cooperation in a Tense Geopolitical Environment

Although established under different global political and economic circumstances, the BRI and the PGII share similarities. Both have a wide reach, albeit only realised in the case of the seasoned BRI, and still partly hypothetical for the PGII, which has yet to move to a full stage of implementation, with investments globally displaying a combination of economic and strategic considerations. There are also high expectations of the opportunities and benefits the two initiatives may generate, especially the prospect of faster economic growth. The BRI and the PGII emphasise benefits for emergent nations as the main targets for investments — although China has enlisted countries of all income levels, including upper middle income and high-income countries, to endorse the BRI — in addition to the need to prioritise green projects. The use of public finance (especially loans from multilateral development banks and development finance institutions) is crucial for both initiatives' projects, although the PGII also aims to catalyse the involvement of the private sector. Finally, there is a common goal of ensuring "win-wins" of shared economic interests, as both initiatives aim to spur development in recipient countries while contributing concurrently to the investors' economic growth. At a November 2021 BRI symposium, China's President Xi Jinping stressed the need to make the BRI "high-standard, sustainable and beneficial to public well-being", as well as to support recipient countries "in going green and low-carbon", in addition to stressing the need "to strengthen risk prevention and control across the board". The vision that Xi set out more closely aligns some the BRI's and PGII's aims and approaches. As China revamps its policy, the two global infrastructure initiatives may look not congruent, but are potentially complementary.

While geopolitical competition is an undeniable reality that emergent nations cannot escape, the similarities of the BRI and the PGII offer hope for potential collaboration. In the short term, working together to ensure that investments in infrastructure meet common objectives may not be possible at the state level. However, actors involved in the two initiatives may well find themselves engaging in the same, or similar, contexts, where they encounter common challenges, including complex and difficult relationships with local actors and the safety of their investments and of their own citizens. While they may be competitors, they would also have shared interests and concerns to operate in stable and peaceful environments and to learn from one another's comparative challenges and advantages.

It is premature to say exactly where and how the actors can cooperate, but there are contexts, for example in Africa, where Chinese and Western interests to invest in infrastructure development overlap more than they clash. This could be in the less sensitive areas of "soft infrastructure", such as health and food security, where cooperative interventions would be useful. Finding a common ground in these, or similar, contexts, may potentially lead to promoting more effective and people-centred approaches to "hard infrastructure" development and aid that is sensitive to local dynamics. From a risk management perspective, spreading BRI and PGII resources across a diverse set of projects that leverage the two initiatives' comparative advantages would strengthen risk mitigation practices, or support different aspects of the same project.

Where Does this Leave Recipient Countries?

In a geopolitical context transformed by the Covid pandemic and the war in Ukraine, global infrastructure initiatives present both risks and opportunities for recipient countries. These will have to prevent and combat any negative side effects accompanying infrastructure development — corruption, environmental degradation, social instability, and debt — which may be exacerbated by geopolitical competition. But with more would-be contenders for the role of global infrastructure provider, recipient countries will also have the opportunity to diversify foreign investors and foster new international partnerships to help them realise infrastructure development goals and potentially advance industrialisation and trade. In this sense, greater competition can also have positive outcomes.

Rather than being powerless actors caught in the middle of geopolitical competition, developing countries should engage with both the BRI and the PGII. In addressing the goals of potential BRI and/or PGII partners, they should assess the risks, opportunities, and implications of cooperating on infrastructure projects, leverage the differences and comparative advantages of the initiatives and negotiate the paths and modes of assistance that best suit their needs. In order to not repeat the errors of the BRI, both recipient countries and PGII project implementers will need to ensure that sustainable infrastructure programmes are designed and implemented in ways that involve real consultation with all relevant stakeholders – not just government elites.

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Endnotes

1 The GG also rebrands previous EU-Asia connectivity programmes.

2 She stated: "Global Gateway is above all a geopolitical project…It is a critical tool because infrastructure investments are at the heart of today's geopolitics".

About Us

PeaceRep is a research consortium based at Edinburgh Law School. Our research is rethinking peace and transition processes in the light of changing conflict dynamics, changing demands of inclusion, and changes in patterns of global intervention in conflict and peace/ mediation/transition management processes.

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PeaceRep is funded by the Foreign, Commonwealth and Development Office (FCDO) UK

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