

# Partnership for Global Infrastructure and Investment (PGII) A West's Initiative to Uplift Developing Countries and Counter BRI

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## **Key Points**

- PGII is aimed to deliver game-changing projects to close infrastructure gaps in developing countries; it conforms with the Biden administration's new strategy, involving elements of 'invest, align and compete'. This new approach is viewed to deter growing Chinese influence, however it is entirely contingent upon availability of funds and cooperation amongst G7 countries.
- Analyzing the criticality of the 'decisive decade' for US, involving a critical pyramid of time, relative investment benefits and essential countries (selected countries for investment), a delayed conception of PGII vis-à-vis continual advance of BRI poses an uphill task to achieve desired benefits.
- Analysts counts PGII as a prospect for US and the West to showcase their renewed endeavor/strategy, shifting from a disruptive to a cooperative approach, affording US and the West 'greater global stature' and 'reliability'.
- Contiguous region of CASA, ME, and Caucasus is termed as 'decisive region' for strategic competitors; PGII affords US/ the West ability to invest in under bellies of China and Russia.
- Critics analyses that with formation of PGII in parallel to BRI may help in uplifting the 'quality of life' of masses as mega projects are expected to start under the banner of PGII.
- China welcomes PGII to promote global infrastructure development, highlighting that one initiative should not replace another. However, it opposes the use of the name infrastructure to promote geopolitical schemes.

## **Introduction**

The US and China, the two major strategic competitors, are seeking engagements to establish 'economic partnerships' aimed at attaining greater influence/ leverage over certain countries/ regions. There have been intense activities globally in recent times, encompassing economic, political, and diplomatic measures, affecting international relations. The US dominated the period following World War II and China is relatively new to the game;<sup>1</sup> however, the latter has made great strides in finding allies by utilizing its economic clout. This situation is forcing the US and other Western nations to innovate and take initiatives to counter growing Chinese influence. The world's wealthiest economies, through the PGII initiative, plan to address the needs of developing countries and

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<sup>1</sup> <https://www.brookings.edu/essay/the-long-game-chinas-grand-strategy-to-displace-american-order>

counter China's economic influence.<sup>2</sup> It is just a rebranding and an official launch of what had been rolled out at the G7 meeting in the UK in 2021 as "Build Back Better World" (B3W). PGII is a value-oriented, high-standard, and transparent infrastructure partnership that aims to help narrow the infrastructure gap of over 40 trillion USD in the developing world.<sup>3</sup> As a lead partner in PGII, the US will seek to mobilize the full potential of development finance tools, including the Development Finance Corporation, USAID, EXIM, the Millennium Challenge Corporation, and the US Trade and Development Agency. Together with the G7 partners, the US aims to mobilize \$600 billion in global infrastructure investments by 2027.

### **Progress of PGII**

Over the past year, members of the US administration along with Western partners have traveled to hear directly from partner countries on how the West can meet their infrastructure needs, deepened coordination across the US Government and with the G7, honed the infrastructure investment tools, and closed game-changing deals. Various initiatives<sup>4</sup> in different regions have been planned/ executed to attain the desired objectives.<sup>5</sup>

### **Why PGII Now?**

- Prevalence of perception about 'US abandoning its partners' vis-à-vis China's growing influence in Africa, Central Asia & GCC and post-Ukraine invasion may have pushed the US to propose an alternative 'development model' to third world countries.
- The US/ West is aspiring to strengthen themselves against China on a global level to reaffirm its central economic and political position; a way to resume the reins in the international chess game.
- PGII would also complement existing international consensus regarding the provision of quality infrastructure to third world countries, led by the G7 and G20.

### **Chinese Response against PGII**

In public, China pretends to be nonchalant and does not seem to display anxiety over the joint US/ West project; nevertheless, presumably it has responded positively to the G7 initiative. Chinese Foreign Ministry spokesman Zhao Lijian said: ".....China always welcomes all initiatives to promote the construction of global infrastructure and we don't think there is such an issue of similar initiatives replacing each other but we oppose the promotion of geopolitical calculations under the banner of infrastructure construction and words and deeds that try to smear and slander the BRI Initiative...".<sup>6</sup>

- China believes that there is a broad space for cooperation in the field of global infrastructure, rather than competing initiatives.
- Nevertheless, the West's new initiative has made China rethink at least a few of the growth models of BRI, as it has been criticized for generating climate and environmental risks. In response, China is coerced to adapt and lay

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<sup>2</sup> <https://www.globaltimes.cn/page/202206/1269179.shtml>; G7 interpreted as intended to counter China's BRI  
<sup>3</sup> [Partnership for Global Infrastructure and Investment | Legacy IAS Academy](#); the factsheet put out by the White House described the PGII as a "values-driven, high-impact, and transparent infrastructure partnership"

<sup>4</sup> <https://www.aeaweb.org/forum/2731/partnership-global-infrastructure-launches-issues-policy>; President Biden will announce flagship projects of PGII, along with additional projects that have been undertaken over the past year

<sup>5</sup> <https://www.whitehouse.gov/briefing-room/speeches-remarks/2022/06/26/remarks-by-president-biden-at-launch-of-the-partnership-for-global-infrastructure-and-investment>

<sup>6</sup> <https://news.cgtn.com/news/2022-06-27/China-welcomes-infrastructure-plans-but-opposes-smears-against-BRI-1bcVDOrOE5a/index.html>

great emphasis on greenbelt & road development as President Xi announced to refrain from building new coal-fired power plants in the partner countries.<sup>7</sup>

### **Global Development Initiative (GDI)<sup>8</sup>**

There has been a recent development by China regarding its new commitments at the recent high-level BRICS (Brazil, Russia, India, China, and South Africa) dialogues, which analysts believe went relatively unnoticed, since PGII dominated the international media headlines. The main announcements from China were under a new umbrella term, the Global Development Initiative (GDI), which according to the Chinese government was launched in September 2021 to raise awareness of the challenges threatening the delivery of the Sustainable Development Goals (SDGs) and re-prioritize and renew global commitments to these goals. However, the GDI is still relatively amorphous 'vision'; it is broader in concept than BRI and China's theory of global public good, of how international development ought to be. There is no timeline for delivery, no overall financial goal, no clarity on priority countries or regions, or even sectoral themes. Indeed, this makes it seem somewhat similar to the PGII initiative, which has also been criticized for being too broad and too ambitious.

### **Comparison - BRI and PGII**

Both BRI and PGII differ significantly in scope, funding, and governance:

- While PGII is still in its initial stage, BRI has already embedded its roots in several regions. What gives the BRI an upper edge is its visible operational existence vis-à-vis the emerging status of PGII.
- PGII seems to focus more on soft infrastructure projects such as environment, healthcare, gender equality, etc. In contrast, the BRI focuses more on traditional hard infrastructure projects<sup>9</sup> such as developing ports, roads, and power plants etc.
- Chinese strategy includes bringing Chinese workforce, which does not benefit the local skill growth and does not inject money through wages, etc. Whereas the PGII will look to use local workforce.
- There has been little progress towards the implementation of PGII; multiple projects in different regions are still in embryonic stage. Financial outlay of \$600 billion extended over five years (2027) is judged as over-ambitious.
- PGII aims to finance its infrastructure investments primarily from the development finance tools, (USAID, EXIM etcetera) and considerable amount of private capital. In contrast, the BRI is financed by financial engines, including Asian Infrastructure Investment Bank (AIIB) & China Development Bank etcetera to back the project.<sup>10</sup>
- The BRI framework aims at synergies with the development strategies of the Middle East countries<sup>11</sup> (e.g., Saudi Vision 2030, Abu Dhabi 2030, Qatar National Vision 2030, Turkey Middle Corridor & Egypt's Vision 2030), whereas PGII is graded as an isolated effort of the West.
- The BRI manifests the principle of 'peaceful rise & development'<sup>12</sup>, denying realist solutions and has liberal pursuit vis-à-vis any contemporary issue, envisaging collective growth through win-win policy.
- Analyzing the shortfalls in BRI investments in different regions (Sri Lanka, Cambodia, Malaysia, Poland etc.), PGII may offer transparent alternatives to partner countries, affording mutual benefits.

<sup>7</sup> <https://www.bbc.com/news/world-asia-china>

<sup>8</sup> Do not Sleep on China's Global Development Initiative <https://thedi diplomat.com/2022/07/dont-sleep-on-chinas-global-development-initiative/>

<sup>9</sup> 'Build Back Better World' and the Belt and Road Are Not Necessarily at Odds – The Diplomat

<sup>10</sup> [HTTPS://green-bri.org/tag/asian-infrastructure-investment-bank-aiib](https://green-bri.org/tag/asian-infrastructure-investment-bank-aiib)

<sup>11</sup> <https://www.mei.edu/publications/build-back-better-world-alternative-chinas-bri-middle-east>

<sup>12</sup> <https://global.chinadaily.com.cn/a/202204/07/WS624e1c8fa310fd2b29e5566e.html>

- China's infrastructure projects, estimated to total \$1 trillion, have effectively masked China's debt trap and made developing economies dependent on financing. In fact, as per a report<sup>13</sup> last year, China has trapped 165 countries with debts<sup>14</sup> of at least \$385 billion for BRI projects.
- BRI seems to be slowing down as China's annual lending to countries under the initiative dropped from its peak of \$125 billion in 2015 to around \$50 to 55 billion in 2021.<sup>15</sup> Several partner countries renegotiated their loans with China, especially after the economic crises, and are also involving other global players in their infrastructure projects to protect their economic and political independence.

### **Analysis - PGII**

- The PGII initiative is almost a decade too late, and to catch up with BRI, serious efforts through 'quick execution of projects' are imperative.
- The availability of promised funds has been a major risk since the announcement of PGII.<sup>16</sup> Institutional investors and donor organizations would have to attract financing for infrastructure investments; competing with state-sponsored and subsidized BRI loans would be difficult.
- Critics argue that if G7 countries really cared about helping low-income countries with their poor infrastructure/ economic development, then they could have joined the BRI, therefore making a separate platform for same purpose seems duplicative.<sup>17</sup>
- The US has hardly completed any large infrastructure project domestically in the past 10 years, not to mention abroad. For example, California's high-speed rail, a flagship US infrastructure project,<sup>18</sup> is tens of billions of dollars over budget and years behind schedule.<sup>19</sup>
- The US may confront domestic criticism for pushing PGII externally while failing the B3 framework domestically due to non-availability of funds and political differences; the US administration believes that projecting the PGII agenda could be provident.<sup>20</sup>
- It is feared that the PGII and its promised funding by the US government is never likely to become reality, considering the US domestic economic problems and the unstable political situation (the inconsistent US policy on the JCPOA<sup>21</sup> to deter Iran & the declining support for NATO by Trump).<sup>22</sup>

### **Conclusions**

- Within the context of 'Strategic Competition', PGII affords a huge playing field to reinforce the West's dominance and strengthening its relations with third world countries.
- The US can mitigate the negative perception of its CT/ threat-oriented policy, if it can utilize the PGII platform to showcase to the world its reformed approach. Negative sentiments against the US can be addressed through strategic investments.

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<sup>13</sup> <https://www.timesnownews.com/international/article/the-ugly-face-of-chinese-debt-traps-42-nations-owe-china-debts-that-exceeds-10-of-their-gdp-thanks-to-bri>

<sup>14</sup> Out of the 165 countries, 42 were low-to-middle income countries (LMICs) whose debt exposure to China exceeded 10% of their GDP

<sup>15</sup> [Explained | What is the status of China's Belt and Road Initiative in South Asia? z- The Hindu](https://www.thehindu.com/news/international/Explained-What-is-the-status-of-China-s-Belt-and-Road-Initiative-in-South-Asia-z-Story.html)

<sup>16</sup> <https://www.globaltimes.cn/page/202206/1269179.shtml>

<sup>17</sup> [Can PGII Tell a Compelling Story? - The China Global South Project](https://www.globaltimes.cn/page/202206/1269179.shtml)

<sup>18</sup> <https://www.constructiondive.com/news/california>

<sup>19</sup> <https://www.msn.com/en-us/news/politics/california>. (Despite 14 years of work and about \$5bn of spending, the 2008 promise of quick transport between Los Angeles and San Francisco has not been materialized)

<sup>20</sup> G7's \$600 billion PGII met with skepticism, mockery - Global Times

<sup>21</sup> <https://english.alarabiya.net/News/middle-east/2022/07/12/Tehran-says-US-policy-on-nuclear-deal-contradictory->

<sup>22</sup> <https://www.theatlantic.com/international/archive/2017/05/trump-declines-to-affirm-natos-article-5/528129/>

- PGII affords Commander, CENTCOM an opportunity to implement its ‘strategic priorities’ as it resonates with his mindset, seeking increased partnerships with AOR countries.
- The idea of engaging private and semi/non-government organizations is ingenious, however competition with state-sponsored and subsidized BRI loans would be a tough contest.
- The US would be required to take the burden to steer the speedy progress of PGII projects, so that ‘quick impact’ is observed in invested countries; if the US and its G7 partners want to truly offer an alternative to BRI, they need to focus more on hard infrastructural development projects.
- Juxtaposing China, the US remains a ‘favorable choice’<sup>23</sup> provided it proactively invests through mutually agreed terms. The US can utilize its brand of ‘technological power’ to coax developing countries by providing better opportunities against China.
- It is assessed that the PGII and BRI can work together to compensate for poor standards of living; strategic competition is considered insignificant by nations facing genuine infrastructure gaps. To meet the UN’s Sustainable Development Goals, PGII may complement the BRI.
- Opponents of PGII allege the initiative as ‘the West’s insincere intention’, attributed as ‘empty promises’ of rich democracies, disregarding the needs of poor countries, and focusing only to attain their strategic interests of competing with BRI.
- Critics believed that PGII seems to be a scaling back of B3W’s ambitions as its stated goal was to leverage \$40 trillion in infrastructure investment by 2035. However, the war in Ukraine, higher energy prices, and increased inflation would affect PGII’s priorities going forward.

### **Recommendations**

- Political leadership in US should be encouraged to initiate major signature projects in the CENTCOM AOR, including energy or infrastructure ventures, to counter/ balance Chinese influence.
- To reap the full dividends of PGII, CENTCOM may assist in affording a ‘secure and stable environment’ by resolving the disputed issues within AOR countries, e.g. by resolving the Kashmir issue, the whole South Asian region would garner economic prosperity.
- The so-called ‘abandonment narrative’ can be effectively mitigated through economic investments in the CENTCOM AOR, especially in the Pak-Afghan region (projects including power plants, hospitals, or dams etc. which are visible to locals). Pakistan can act as a ‘conduit of development’ for promoting other associated industries such as petrochemicals etc.; the above plethora of opportunities, if realized, can transform the entire region, and serves PGII interests.
- Within the ambit of PGII, the political administration may be asked to place some funds at the disposal of the military to pursue selective projects, aimed at enhancing partnerships, e.g. CENTCOM can invest in health and medical related projects with partner countries.

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<sup>23</sup> <https://www.axios.com/2022/06/16/countries-prefer-us-china-superpower-poll>

ibid - <https://www.pewresearch.org/global/2019/12/05/views-of-the-balance-of-power-between-u-s-and-china-2019/>