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G7 Response to China's BRI

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Introduction

The recent G7 Summit held in Schloss Elmau, Bavarian Alps, Germany, occurred when the West and its relationship with Russia and China became major strategic concerns. During the summit, the G7 agreed to extend support to Ukraine in its conflict with Russia and discusses issues like climate change, global hunger, and malnutrition. Meanwhile, the G7 also decided to establish 'Climate Club' by the end of 2022 and set up a Global Alliance on Food Security, a platform that provides global cooperation¹, and further launch the 'Partnership for Global Infrastructure and Investment' (PGII). It is an important economic step to address the needs of low and middle-income countries by pledging to invest US\$ 600 billion by 2027. As the PGII focuses to counter China's Belt and Road Initiative (BRI), which provided China a strategic advantage and economic strength which strained its relation with the West.

The BRI and its Impact

The BRI includes around 135 countries and is seen as a massive Chinese infrastructure project and within the "win-win cooperation"², it assist and allow other countries to replicate China's economic success. Since its launch, the BRI project has helped China to enjoy supremacy in Africa and influenced many EU members and US allies, which has caused significant concern for the West.³ In the context of Europe, the '17+1' Initiative with Central and Eastern European countries (CEEC) along with the BRI helps China to become a major trading power in Europe.⁴ China continues to push Greece to advance the BRI⁵ while, on the other hand, Chinese loans granted to CEEC created financial instability in many countries, such as Albania, which lacks the institutional capacity to assess agreements and became vulnerable to Chinese financing.⁶

Moreover, the Uyghurs, Hong Kong, the Chinese debt, and the Taiwan issue all created a divergence between the EU and China. While bolstering its bilateral relationship with the EU members, China often uses its economic prowess to create a divide within the EU.⁷ To counter such an approach, the EU uses the 'EU Connectivity Strategy' to strengthen itself and further connect Asia and Europe⁸ where as Lithuania recently exited the 17+1 and call others to focus on the EU as a collective unit to deal with China.⁹

G7's PGII and its Significance

With the expansion of Chinese economic power led by the BRI, it pushed the G7 to launch the Build Back Better World (B3W) initiative in 2021. The recent launch of the PGII not only transformed the B3W, but was also launched itself as an alternative to the BRI.¹⁰ As the B3W has been unable to

make much progress,¹¹ questions are being asked about the significance of the PGII and whether it will counter the BRI's influence or not.

US President Joe Biden argues that such contributions shouldn't be seen as an aid or charity but rather as an investment which will provide a return for everyone, an advantage you gain by partnering with democracies.¹² Such a statement was directed against China and the BRI's win-win cooperation aspect, which has benefited China since 2013. Currently, out of the US\$ 600 billion, the US has promised to raise US\$ 200 billion, and the EU has pledged to provide US\$ 300 billion. European Commission President, Ursula von der Leyen, believes that the launch of the PGII shows that developing countries now have an option.¹³

President Biden stated that the initiative is transparent and driven to deliver game-changing infrastructure projects to low and middle-income countries. He also believes that the PGII is significant as it allows the low and middle-income countries to determine which infrastructure initiative is viable for their economy and ensure their national security isn't impacted.¹⁴ In contrast, under the BRI China spent around US\$ 1 trillion, which trapped 42 low and middle-income countries and caused debt of US\$ 385 billion to 165 countries.¹⁵ So for a long time, there was a need to develop a competitive vision vis-à-vis China's BRI, which allowed them to utilise economic leverage supported by a vast network of infrastructure developed under BRI, which gave China a political advantage.¹⁶

Many low and middle-income countries are in need of having access to high-quality financing, which helps them to address their long-term infrastructure investment goals. In this regard, the US, its partners, and private companies have a long history of providing technical support and high-quality financing for infrastructure projects across the globe.¹⁷ In contrast to China's BRI, the PGII is transparent and provides the freedom to choose.¹⁸

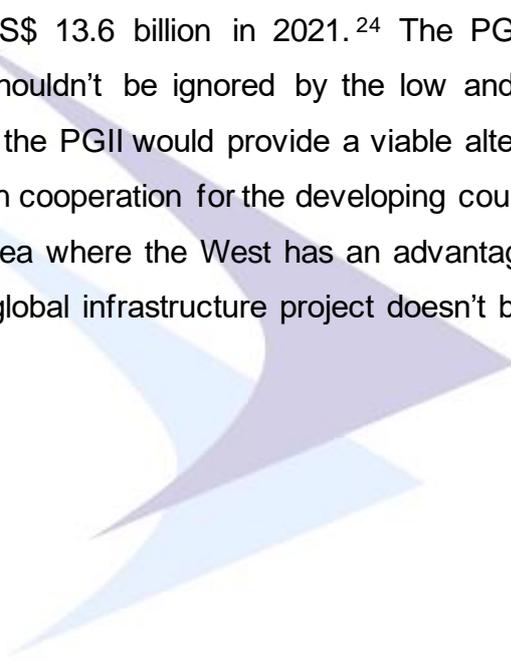
Challenges for the PGII

Meanwhile, the PGII is an arduous task as the West has to match China's BRI in terms of stability, coherence, and continuity, which the BRI has enjoyed for a long time.¹⁹ The PGII is yet to resonate with the heads of state in developing countries. In contrast, the BRI, being a state project, doesn't have to juggle between multiple internal stakeholders even if they are accused of putting a host nation under huge debt.²⁰ On the other hand, the execution of projects and success of the PGII relies on better communication and cooperation within the US and with the G7 countries, and the private sector.

President Biden reiterates that the BRI is reminiscent of the Silk Road, which connected East Asia with Europe, making partners beholden to Chinese interest. The PGII, on the other hand, offers a better opportunity to invest and improves the lives of the people around the world.²¹ Although China argues that they welcome any efforts to promote global infrastructural development, Chinese Foreign Ministry Spokesperson Wang Wenbin sees the PGII as a 'zero-sum game approach' and will fail to gain any support.²² In such a situation, the Biden administration should take advantage of the moment of strong bipartisanship in the Congress to counter China and strongly push the PGII along with its allies and friends.²³

Takeaways

As the BRI is seen as predatory to partners, the value of the projects under the BRI has diminished from US\$ 80 billion in 2020 to US\$ 13.6 billion in 2021.²⁴ The PGII, on the other hand, an infrastructure plan and a lifeline, shouldn't be ignored by the low and middle-income countries. Although it's too early to argue that the PGII would provide a viable alternative to China's BRI, the G7 should project it as a real win-win cooperation for the developing countries. In conjunction, there is also a need to ensure that the area where the West has an advantage over China needs to be further strengthened, ensuring the global infrastructure project doesn't become an area dominated by China alone.



NOTES:

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⁷ Ibid.

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¹³ "G7 summit: Leaders detail \$600bn plan to rival China's Belt and Road initiative", *BBC News*, June 27, 2022, <https://www.bbc.com/news/world-asia-61947325>. Accessed on July 01, 2022.

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¹⁸ Ibid.

¹⁹ Mehta, n.20.

²⁰ Ibid.

²¹ Ibid.

²² Ibid.

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