

*Research Note*  
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## Who Will Win the Strategic Long Game? The G7's Build Back Better World or China's Belt and Road Initiative?

Noah W. Miller<sup>1</sup>

<sup>1</sup> Sochin Research Institute; [nmiller@sochininstitute.org](mailto:nmiller@sochininstitute.org)

**Abstract:** This note contrasts competing development initiatives: The first is China's Belt and Road Initiative that has been implemented since 2013 and the second is the Build Back Better World vision announced at the recent G7 summit in Carbis Bay. Both are strategies to gain global influence in the economic and political sphere though it remains to be seen if Build Back Better World emerges as an attractive alternative to the Chinese program.

**Keywords:** G7, development, Belt and Road Initiative, Build Back Better World

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### 2021 G7 Summit in Carbis Bay

The Group of Seven (G7) comprises the United Kingdom, United States of America, Canada, Japan, France, Germany and Italy, plus the European Union. The UK hosted the latest summit held in June 2021 and it also invited Australia, India, South Korea and South Africa as guest countries. The summit

addressed “upholding the rules-based international system and international law” (G7 2021) and competition in the global economy with China. To this extent, the G7 announced a global infrastructure initiative called Build Back Better World that is meant to counter China's Belt and Road Initiative.

### China's Belt and Road Initiative

Chinese President Xi Jinping launched the Belt and Road Initiative (BRI) in 2013, which seeks to connect Asia with Africa and Europe via land and maritime networks in order to

improve regional integration, increase trade, and stimulate economic growth. As of January 2021, 139 countries (Nedopil 2021) had joined the BRI by signing a Memorandum of

Understanding with China and some include U.S. allies and partners such as Italy, Greece, Turkey, Egypt, Saudi Arabia and the United Arab Emirates. The BRI also includes 40 countries in Sub-Saharan Africa, as well as a significant number located in the Middle East, Latin America and Caribbean, Europe, and Asia, though not all BRI members host projects. The Council on Foreign Relations (Sacks 2021) estimates that BRI member countries, including China, account for 40 per cent of global gross domestic product and 63 per cent of the world's population.

Under the BRI, Chinese banks and companies have sought to fund and build roads, power plants, ports, railways, 5G networks, fiber-optic cables and other infrastructure around the world. Morgan Stanley (2018) estimated a few years ago that the BRI would spend \$1.2 - \$1.3 trillion on projects in member countries by 2027, which includes mega projects such as the China-Pakistan Economic Corridor estimated to cost \$60 billion (Sacks 2021). The World Bank, however, was more cautious and projected cumulative BRI expenditures to be \$545 billion by 2019 (Tonchev 2020). A more recent estimate based on the Refinitiv database links 2,600 projects to the BRI at a cost of \$3.7 trillion, as of mid-2020 (Holland and Faulconbridge 2021). Irrespective of the actual funding levels for the BRI, slower economic growth in China imposed by structural changes and

the COVID-19 pandemic will inevitably affect the completion rate of BRI projects, at least in the near future. This is particularly the case since 59 per cent of BRI projects are owned by government entities (Mohanty 2021).

Even before this year's G7 summit, the fortunes of the BRI have been in flux, as China was no longer positioned to give favorable loans to its BRI partners. Furthermore, some African governments are under scrutiny for signing loan agreements with China that prohibit them from disclosing the lending terms. This has led to speculation, in some cases, that governments have pledged critical infrastructure as collateral in the event of loan defaults. The level of debt incurred by some African governments is also of grave concern, as exemplified by the largest debtors on the continent such as Angola (\$25 billion), Ethiopia (\$13.5 billion), Zambia (\$7.4 billion), the Republic of Congo (\$7.3 billion), and Sudan (\$6.4 billion), as reported by the Africa Report (Broadman 2021). Most recently, some Western leaders are openly criticizing the BRI and China such as when Italy's Prime Minister Mario Draghi called China "an autocracy that does not adhere to multilateral rules and does not share the same vision of the world that democracies have" (Kington 2021) and assured that it will assess the BRI carefully.

## Build Back Better World

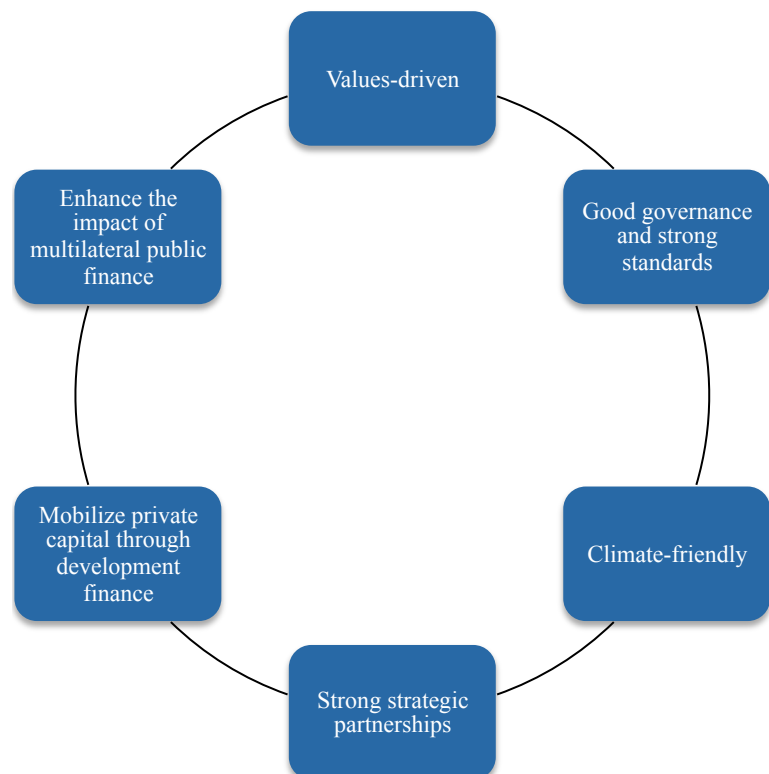
All of the aforementioned developments about the BRI might lead to a reduction in China's economic and geopolitical influence and the Build Back Better World (B3W) initiative is timed to take advantage of the BRI's current woes.

A fact sheet published by The White House outlines the broad scheme for B3W, which will have a global scope and aim to meet the tremendous infrastructure needs of low-and middle-income countries. According to the White House (2021), the developing world faces a \$40 trillion infrastructure gap that G7 partners and other leading democracies will attempt to narrow. Similar to the Belt and Road Initiative, B3W mentions Latin America, the Caribbean, Africa, and the Indo-Pacific as regions that will benefit from infrastructure partnerships. Although detail is scant at the moment, the apparent focus on low-and middle-income countries would exclude partnerships with many countries in Europe, the Middle East and Asia that are members of the BRI. In terms of sectors, B3W will concentrate on health and health security, climate, digital technology, and gender equity and equality.

The initiative will coordinate in mobilizing private-sector capital in these four focus areas, which contrasts with the preference for debt financing through China's lending entities in the case of the BRI. The China Development Bank and the Export-Import Bank are essentially "official creditors" (Broadman 2021),

whereas B3W will utilize "the full potential of our development finance tools, including the Development Finance Corporation, USAID, EXIM, the Millennium Challenge Corporation, and the U.S. Trade and Development Agency" (The White House 2021) when projects are supported by the U.S. government.

While the BRI adopted cultural values based on Confucius beliefs such as amity and equity in all mankind, the B3W will adhere to the following guiding principles.



According to a Reuters news report, the U.S. Administration was keen to stress that these guiding principles contrast starkly with those of the BRI's projects that are characterized by a "lack of transparency, poor environmental and

labour standards, and coercive approach" (Holland and Faulconbridge 2021).

It remains to be seen, however, if all G7 members will agree with the U.S. being the lead partner for the B3W and consequently rally behind President Biden's position against China. Canada, the United Kingdom and France

### Looking Ahead

B3W is very much an aspirational vision at this point and it needs to be translated into concrete policies, priorities and projects in order to compete with the well-established BRI. Although the BRI suffers from "blurred vision in need of a comprehensive conceptual framework, international standards, and a coherent implementation strategy" (Tonchev 2020), it has delivered tangible projects, particularly in the transportation and power & water sectors, which have improved the infrastructure of developing nations. While China's labor practices and loan conditions given to BRI beneficiary countries have been

appeared to be more supportive than Germany, Italy and the European Union during the first session of the recent G7 summit. Germany has huge investments in China whereas Italy has already joined the BRI and may not rescind its membership despite harsh words against China uttered by Prime Minister Draghi.

criticized, it is not clear if a values-driven and transparent infrastructure partnership approach espoused by B3W will resonate with governments of low-and middle-income countries. There is also the question of how and to what extent the massive \$40 trillion infrastructure need in developing nations will be met by private capital markets in the case of B3W. Moreover, identifying and funding projects will be much more difficult to coordinate amongst the B3W implementing partners compared to China's case where the majority funding for BRI projects come from the government.

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