

Comparative Analysis of New Global Economic Initiatives and Modern International Cooperation

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The author considers the basic content and goals of the new 2021 Global Economic Initiatives of the United States of America (Build Back Better World or B3W) and the European Union (Global Gateway) as an updated approach towards international development and cooperation policy in the context of drastic changes in the World Modern Politics and Economics. The comparative analysis of the mentioned US and EU and the Chinese Belt and Road initiatives presents a fundamental part of the research. Despite the differences and challenges, these initiatives reflect the commonality, as well as needs of state and private sectors, international community for closer partnership to overrun the consequences of global crisis. Georgia has recently joined the EU Global Gateway initiative as participant of the Black Sea Submarine Electric Power Line project and will play a meaningful role in the mentioned program. © 2023 Bull. Georg. Natl. Acad. Sci.

B3W, global gateway, Chinese belt and road initiative

A set of unexpected global economic and non-economic risks appeared for last years (including the Covid-19 pandemic disaster and crisis in Ukraine), changes in balance of forces among the major players on the World market in combination with other factors have forced to strengthen the modern system of international development and cooperation policy.

Despite some post pandemic recovery, this process takes place when the Geopolitical conflicts are steadily climbing to its pinnacle... „Great power tensions will set the global geopolitical pace and condition the prospects of recovery” [1].

Despite the efforts of the United Nations, the UN Fund for Sustainable Development has not contributed effectively to economic and social progress of the countries in need due to lack of finances, the United Nations Development Program amid other related structures focused mostly on the issues, that are beyond of their mandated Agenda and duplicate the activities of other international organizations.

This is an evident indication of certain decline of multilateral approaches towards international development and aid programs in favor of other formats of cooperation led by the United States, European Union and China and accompanied by

their competition over leadership in developing countries of Africa, Latin America and Asia.

As a starting platform, the global climate change and infrastructural modernization problems have been chosen for an Updated Agenda of international cooperation.

Following the mentioned trends some new Global Initiatives have been inaugurated in 2021, including the US B3W and the European Union Global Gateway Initiatives.

The US B3W Global Initiative

The B3W Initiative was launched by the US President Joe Biden during the G-7 Summit held in Glasgow, Scotland, 2021 at the sidelines of COP-26, the United Nations Climate Change Conference, based on the provision of a green, collaborative global infrastructure to make the world more clean and stable.

The major goal of the Initiative, as to US President is a value-driven, high-standard, and transparent infrastructure partnership” based on the financial projects for developing countries [2].

In fact, the B3W Initiative can be considered as an alternative one to the multitrillion US Dollars Chinese Belt and Road initiative announced in 2013, which has activated mostly infrastructural projects in many countries of Asia, Latin America, Africa and some parts of Europe.

Ghana and Senegal from Africa with Colombia, Ecuador and Panama from Latin America have chosen by the US Administration to provide the preliminary working consultations in this respect. The President’s vision for B3W is to work with partners that share our democratic values to finance and develop infrastructure in a manner that is transparent, sustainable, adheres to high standards, and catalyzes the private sector where possible.

The European Union Initiative Global Gateway

On December 1, 2021 the European Union launched a new Initiative called Global Gateway – the

EU New Strategy. The goal of the Initiative is to support infrastructure development around the world, particularly in the developing countries through connectivity projects covering digital, climate and energy, transport, health, education and research sectors. The other reason, in some expert opinion, is the rivalry with China Belt and Road Initiative as a new large – scale program of investments and development. But the new European Initiative is not limited by economic development agenda only. „It is an attempt through investments to promote further democratic values and high standards of international law and modern business management, to advance the private sector in the countries with fragile market management experience. The Global Gateway strategy is a template for how Europe can build more resilient connections with the world” [3].

The financial package of the EU Global Gateway initiative includes 300 billion Euro investments for implementation of the global program within 2021-2027 years. This amount is divided into some directions: €135 billion in investment foreseen under the European Fund for Sustainable Development plus (EFSD+), where the EU provides €40 billion in guarantee capacity – of which €26.7 billion via EIB and €13 billion via a EFSD+ new window dedicated to Global Gateway, targeting national financing and development finance institutions. €8 billion in grants under other EU external assistance programs. €145 billion in planned investments by EU countries’ financial and development finance institutions. Existing programs such as the Pre-Accession Assistance (IPA) III, Interreg, Invest EU and Horizon Europe will also be used to mobilize resources under Global Gateway. Establishment of Neighborhood, Development and International Cooperation Instrument (NDICI) with 79.5 billion Euros budget for the period of 2021-2027 is planned, as well as introduction of the „Team Europe package” with 40 billion.

Partnership for Global Infrastructure and Investment (PGII)

Later, in 2022 at the 47th G7 leadership Summit a renewed model of Global cooperation was introduced called, as Partnership for Global Infrastructure and Investment (PGII), which aims to fill up the infrastructure financial gaps of low-to middle-income countries. As to initiators, the PGII, in general, is also connected with the modernization of infrastructure network and aims to help narrow the infrastructure gap of over 40 trillion US Dollars in less developed economies. In fact, the PGII has combined the EU Global Gateway and the US B3W 2021 initiatives under unified updated financial package. The United States and the European Union pledged 600 billion US dollars for PGII till 2027. The PGII financial scope is smaller compared to the Chinese Belt and Road Initiative. While the US development institutions have a full capacity of 196 billion US Dollars, projects under the PGII have received 1.8 billion in US loans, grants and equity commitments as of June 2022. In case of GG (Global Gateway) 21.1 billion US Dollars has been committed towards various projects in Africa and Europe.

The mentioned developments led to a question mark – how the updated Western Initiatives coexist with the existing Chinese Belt and Road Initiative in terms of their competitiveness and which of them can be more effective for developing countries? No doubt, this is a huge dilemma to respond unless the world back to predictable status dependent much on completion of war in Ukraine.

Anyway, what are similarities and differences between the US-EU and Chinese (Belt and Road) Global Initiatives and their impact on International Development and Cooperation Policy?

Common Elements

Both Initiatives are connected with the Development and Cooperation Policy direction of the modern system of international economic relations (or Global Economy) and reflect the willingness, as

well as readiness of global players to respond new challenges and opportunities in the rapidly developing world;

The Western and Chinese both initiatives start not from „zero ground” level. It is a continuation of previous programs of international development and cooperation run by relevant national and international organizations „both initiatives rebranded existing development assistance efforts... and support their countries corporations and investors by foreign development projects” [4].

It is announced, that the key element in both initiatives are investments in infrastructural projects and support for the developing countries to reduce the poverty, accelerate the market-oriented economic reforms, improve standard living of the population and minimize the strong hit of the Covid-19 pandemic crisis.

We have to admit that, unprecedented, in the modern history, amount of financial resources is going to be allocated for implementation of the mentioned initiatives.

The urgent need to mitigate the consequences of the climate change and protect the environment has become the standpoint in the agenda of the mentioned programs.

Both initiatives are not associated with standard international development programs traditionally elaborated by international institutions under the umbrella of the United Nations system (UNDP, UNICEF and etc), but presented by group of countries (EU Global Gateway Initiative) or one leading country, the United States (B3W Initiative) and China (Belt and Road Initiative)

On top, in our view, the pandemic crisis somehow accelerated the appearance of the mentioned new Global Initiatives.

Differences

Gap in the experience of international development and cooperation policy management and existing differences in culture of business relations between

Western and Eastern communities, despite the impact of globalization is still substantial.

In general sense, the cultural component in economic cooperation is more advanced in the Chinese BRI model („people to people” contacts) unlike the US and EU initiatives. In our opinion, it can be explained by two factors: Chinese traditional interest towards new external cultural environment (more than 150 million Chinese citizens visited foreign countries before pandemic wave in 2019) and rise of standard living of population.

One additional difference is connected with the partnership of state and private sectors in implementation of development projects. The EU invitations to private companies to be involved in development cooperation agenda often are declined by business executives. This is a huge gap between the development of community and the investment community and a lack of understanding in both directions...” unlike Chinese approach aimed at creating better financial support for their companies [5].

The existing gap in implementation of international law norms and relevant regulations in the field of international development and cooperation policy in China and Western Community is also a problematic issue.

Challenges

The mentioned Global Initiatives require the fundamental modernization of the modality and content of existing International Development and Cooperation policy in order to tailor it to a new reality in the World Politics, Economics and Security Environment originated by multifunctional (polycrisis) global crisis and lessening of collective efforts. Current system of provision of international assistance and development cooperation programs is rather complicated and too fragmented by enormous number of local initiatives, that differ by donors level (international and national), by sectors (economic development, education, poverty reduction, management and etc) and by geography of distribution based on criteria, tools of financial aid,

sources of allocation (state and private) and so on. Thus, the core challenge is to optimize this activity at international and national levels.

The 2030 Agenda catalyzed the new dimensions of contestation in development cooperation, particularly by emerging economies, including „regional initiatives such as the Belt and Road Initiative and the Silk Road Fund by China, the „Marshall Plan” for Africa and Asia-Africa Growth corridor launched by India and Japan” [6].

The initiators of both global programs have announced, that „hard infrastructural projects” will be substituted by „soft infrastructural projects” based on „digital economy” platform. But one of the major obstacles, in our view, is a human factor – the release of modern managers, particularly in developing countries and their effective incorporation into new agenda of cooperation;

Since the mentioned programs have been opened for international community in the mid of Covid-19 pandemic crisis, the task force now is how to mobilize such a huge amount of financial resources for development, when the crisis management operations have already consumed and will consume enormous budgetary and private funds to overrun the consequences of the mentioned crisis. We think, this is one of the reasons of certain corrections in implementation of the adopted initiatives and programs (case of the US B3W initiative adopted in 2021 and later transferred into PGII in 2022 or establishment of Global Development Initiative by China in 2022).

One more risk. The allocation of new financial resources for international development in our opinion, can be suspended by needs of economic modernization of some important donor countries, including the United States, where the President Biden’s Administration decided to release 2 trillion US Dollars plan to rebuild infrastructure and reshape the economy of the country [7]. This task will not be an easy game for the US Administration also due to opposition of some circles of political establishment and public accusing the Government in weakening the National Agenda of Development.

In addition, the factor of uncertainty at global scope, caused by pandemic crisis and war in Ukraine, is likely to force some donor countries to abstain from concrete contributions until the world returns to normal life.

The potential threat of further escalation of global confrontation will also force some countries of Western Community to suspend their international aid programs by channeling the extra finds for security enhancement (crisis in Ukraine) and not for development programs.

The increase of illegal migration and need for allocation unforeseen expanses can also be considered as a serious problem for global stability. Not incidentally, the global migration issue has been recently identified in the 2023 Global Risks Reports (by Davos World Economic Forum) among ten top threats challenging the World in the coming years.

Finally, the crisis in Ukraine puts a question mark in terms of availability of financial and other resources for international development and aid programs in post pandemic phase, including the mentioned and future global projects.

Concluding Remarks

No doubt, the mentioned Global Economic Initiatives are important to foster the social-economic development of the low-income countries based on large-scale, ecologically clean infrastructural projects, improvement of cost of living of population and resolution of the debt crisis, particularly during the post pandemic rehabilitation stage of the socio-economic life.

Nevertheless, the present reality in the World Politics and Economics in context of new Global Initiatives of international development and cooperation has divided the politicians, academic, civic and business communities into two groups – reflecting optimistic and skeptic expectations with their own arguments in this respect.

This polarization can be explained by a lot of existing questions... and it is difficult to have a clear response until the tragedy in Ukraine overs, as well

as Covid-19 hit... As many observers underline, the year of 2023 should be decisive in terms of ending this pandemic crisis... At present, unpredictability prevails at all levels of decision-making policy, affecting the implementation of many infrastructural and other investment projects in the countries of Africa, Asia and Latin America, other regions. That is why, in our view, we observe the so called „rebranding” and partial activation of previous programs of cooperation, despite the earlier decisions of major donor countries to allocate enormous financial resources for putting them into practice.

Much depends on availability of the leading players to financially support the mentioned Global initiatives, when the security enhancement and rise of new origin threats require extra expenses in this field. But the future of development cooperation will also be willing to use new resources, generate new ideas and consider new strategies? [8]

At the same time, the good news from Brussels, regarding the decision of the European Community to allocate 2.3 billion Euros for construction of the Black Sea Energy submarine cable from Azerbaijan through Georgia to the Romania is a justification of the fact, that the EU Global Gateway Program is going to be started soon... One of its first projects is a 3GW high-voltage submarine electricity cable under the Black Sea [9] Consequently, Georgia can actually become an economic hub in the region which would be in full accordance with the content of the Central Asia-West Asia Economic Corridor project crossing Georgia [10].

But the number and frequency of natural disasters, as non-economic risk factor for the World stability, have increased for last decades (this fact was mentioned in the Davos World Economic Forum 2023 Global Risks Report). The recent large-scale earthquake hit Turkey and Syria on February 6, 2023 proves this alarming trend. Such unforeseen tragic events, regrettably, limit financial and other resources planned for international development and cooperation programs, including the mentioned Global Economic Initiatives.

ეკონომიკა

ახალი გლობალური ეკონომიკური ინიციატივების შედარებითი ანალიზი და თანამედროვე საერთაშორისო თანამშრომლობა

დ. აფციაური

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(წარმოდგენილია აკადემიის წევრის ვ. პაპავას მიერ)

სტატიაში განხილულია აშშ (დაფუზრუნდეთ უკეთეს მსოფლიოს, B3W) და ევროკავშირის (გლობალური კარიბჭე, Global Gateway) 2021 წლის გლობალური ეკონომიკური ინიციატივების ძირითადი მიზნები და შინაარსი საერთაშორისო განვითარებისა და თანამშრომლობის პოლიტიკის ახალი მიდგომის ჩამოყალიბების კუთხით მიმდინარე არსებითი გლობალური ცვლილებების გათვალისწინებით. ზემოაღნიშნული, აშშ-ს, ევროკავშირისა და ჩინეთის „ახალი სარტყელი და გზა“, ინიციატივების შედარებითი ანალიზი წარმოადგენს კვლევის არსებით ნაწილს. მიუხედავად განსხვავებებისა და გამოწვევებისა, აღნიშნული ინიციატივები გამოხატავს საერთო ინტერესებსაც და სახელმწიფო და კერძო სექტორების, საერთაშორისო თანამეგობრობის ძალისხმევას უფრო მჭიდრო კოოპერირებისადმი გლობალური კრიზისის დამლევის მიზნით. სულ ახლახანს საქართველო შეუერთდა ევროკავშირის ინიციატივას „გლობალური კარიბჭე“, როგორც შავი ზღვის წყალქვეშა ელექტროგადამცემი ხაზის პროექტის მონაწილე, რაც მის როლს კიდევ უფრო გაზრდის აღნიშნული პროგრამის განხორცილებაში.

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