



# Atlantic Council

## GEOECONOMICS CENTER

### ISSUE BRIEF

# The Marshall Plan and the Belt and Road Initiative: More Differences than Similarities

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China's flagship Belt and Road Initiative (BRI) is often directly compared to the United States' postwar Marshall Plan. The comparison is made due to the BRI's scale, global infrastructure investment ambitions, and geopolitical and security ramifications. But how accurate is this analogy, and what do the similarities and differences between the two infrastructure programs tell us about the economic and political anxieties of our time? While there are far more differences than agreements between the BRI and the Marshall Plan, the impetus behind both initiatives reveals important parallels between the postwar reality and post-financial crisis global posture. These insights are crucial as international political and business leaders once again call for a "new Marshall Plan"<sup>1</sup>—this time to rebuild Ukraine should Russian aggression end.

## The nuts and bolts of the Marshall Plan and the BRI

From 1948 to 1952, the Marshall Plan disbursed funding via grants, in-kind subsidies, and direct loans to sixteen European countries and Turkey following World War II.<sup>2</sup> Chief among the reasons for the disbursement of \$130 billion in 2010 dollars<sup>3</sup> from the United States to its allies was an attempt to boost the foreign market for US exports, reinvigorate the European economy, ease trade restrictions within Europe, lower domestic political support for communist parties, and rebuild European industries and

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1 Kate Connolly, "Pete Buttigieg Calls for New Marshall Plan to Rebuild Ukraine," *Guardian*, May 24, 2022, <https://www.theguardian.com/world/2022/may/20/pete-buttigieg-says-us-backs-new-marshall-plan-to-rebuild-ukraine>; Naomi O'Leary, "Calls for Ukraine 'Marshall Plan' As Donors Pledge \$6.5bn," *Irish Times*, May 5, 2022, <https://www.irishtimes.com/news/world/europe/calls-for-ukraine-marshall-plan-as-donors-pledge-6-5bn-1.4870538>; and Tony Diver, "Britain Should Fund 'Marshall Plan' to Rebuild Ukraine, Urges Liz Truss," *Telegraph*, March 25, 2022, <https://www.telegraph.co.uk/politics/2022/03/25/liz-truss-urging-rishi-sunak-pour-millions-new-ukraine-marshall/>.

2 Nicola Bianchi and Michela Giorcelli, "Reconstruction Aid, Public Infrastructure, and Economic Development: The Case of the Marshall Plan in Italy," NBER Working Paper No. w29537, National Bureau of Economic Research (NBER), December 6, 2021, <https://ssrn.com/abstract=3978395>.

3 Ibid., 6.

localities.<sup>4</sup> Initially proposed by then US secretary of state George C. Marshall in a 1947 address at Harvard University, the Marshall Plan replaced the Morgenthau Plan, which had called for permanently deindustrializing Germany in the hopes of turning it into an agricultural state.<sup>5</sup>

One hundred and thirty countries have signed BRI memoranda of understanding (MoU) and projects have been implemented in more than sixty countries.<sup>6</sup> As a massive infrastructure and development program, the BRI has invested hundreds of billions of dollars' worth of financing in hard development projects across Southeast Asia, Africa, and some parts of Latin America and Europe—mostly via loans. BRI financing climaxed in 2015, with the equivalent disbursement of \$125.25 billion in project financing, and has declined since then.<sup>7</sup> The BRI's stated goal, as summarized by Chinese President Xi Jinping in his 2017 address to the 19<sup>th</sup> National Congress of the Chinese Communist Party (CCP), is to offer developing states a path to modernization with “socialism with Chinese characteristics” as a new infrastructure financing approach.<sup>8</sup> From a domestic perspective, the BRI was intended to help China utilize its excess manufacturing capacity, lower regional economic inequality within the nation, and improve China's standing in international finance relative to the United States and Europe.<sup>9</sup>

In practice, the BRI has brought regional powers closer to China geopolitically, expanded the foothold of Chinese state-owned enterprises (SOEs) in foreign construction and development markets, attempted to embed Chinese regulations and tech standards abroad, and generated opportunities for Chinese “soft infrastructure” development—for example, in the form of scientific

cooperation.<sup>10</sup> The efficacy, feasibility, and durability of “hard” infrastructure projects begun under the BRI is mixed, with some successes and some failures. Regardless of the quality and functionality of completed BRI projects, countries like India warn China furtively hopes to use the BRI to create a “String of Pearls” strategy; such a strategy could permit China to seize key strategic ports via debt instability.<sup>11</sup> Also of strategic value is the Digital Silk Road, a 2015 addition to the BRI umbrella which sees critical Chinese banks extending major lines of additional credit to information and communications technology (ICT) firms like ZTE and Huawei in order to amass Chinese digital infrastructure in BRI recipient countries.<sup>12</sup>

As development and infrastructure projects, the Marshall Plan and the BRI are typically framed in terms of foreign development aid and official development assistance (ODA). Crucial to analyzing each program's qualification as aid or assistance is the nature of the disbursement of funds by the donor country and the method of repayment by recipient and partner countries.

## Disbursement and repayment

While the specific terms and conditions of infrastructure financing in the Marshall Plan and the BRI vary by recipient country, a general image emerges of the Marshall Plan boosting or supercharging the economies in recipient states, and of the BRI generating opportunities for lower trade barriers, but also running risks of unsustainable public debt. The Marshall Plan disbursed infrastructure funding in the form of grants, in-kind subsidies, and direct loans, with grants and concessional subsidies constituting an estimated 90 percent of all funding and repayable

- 4 Ibid., 1; Armin Grünbacher, “Cold-War Economics: The Use of Marshall Plan Counterpart Funds in Germany, 1948-1960,” *Central European History* 45 (4): 697–716, Cambridge University Press, doi:10.1017/S0008938912000659; and “The OEEC and the EPU,” CVCE.eu, University of Luxembourg, accessed May 1, 2022, <https://www.cvce.eu/en/education/unit-content/-/unit/026961fe-0d57-4314-a40a-a4ac066a1801/22243aaf-3f7c-429e-b98c-283989b2b5e9>.
- 5 Frederick H. Gareau, “Morgenthau's Plan for Industrial Disarmament in Germany,” *Western Political Quarterly* 14 (2) (June 1961): 517–534, <https://doi.org/10.2307/443604>.
- 6 Pepe Zhang, *Belt and Road in Latin America: A Regional Game Changer?* Atlantic Council, October 8, 2019, <https://www.atlanticcouncil.org/in-depth-research-reports/issue-brief/belt-and-road-in-latin-america-a-regional-game-changer/>; and Andrew Chatzky and James McBride, *China's Massive Belt and Road Initiative*, Council on Foreign Relations, January 28, 2020, <https://www.cfr.org/backgrounders/chinas-massive-belt-and-road-initiative>.
- 7 Duncan Miriri, “African Nations Mend and Make Do As China Tightens Belt and Road,” Reuters, November 22, 2021, <https://www.reuters.com/markets/europe/african-nations-mend-make-do-china-tightens-belt-road-2021-11-22/>.
- 8 Tamas Matura, “The Belt and Road Initiative Depicted in Hungary and Slovakia,” *Journal of Contemporary East Asia Studies* 7 (2) (November 3, 2018): 174–189, <https://doi.org/10.1080/24761028.2018.1537091>.
- 9 Alex He, “The Belt and Road Initiative: Motivations, Financing, Expansion and Challenges of Xi's Ever-Expanding Strategy,” *Journal of Infrastructure Policy and Development* 4 (1) (April 2020): 139–169, DOI:10.24294/jipd.v4i1.1180; and Jennifer Hillman and David Sacks, *China's Belt and Road: Implications for the United States*, Independent Task Force Report No. 79, Council on Foreign Relations, last updated March 2021, <https://www.cfr.org/report/chinas-belt-and-road-implications-for-the-united-states/findings>.
- 10 Ibid.; and Zhang, *Belt and Road in Latin America*.
- 11 Chatzky and McBride, *China's Massive*.
- 12 Hillman and Sacks, *China's Belt and Road*.



Former President Harry Truman signs the European Recovery Act in 1948. *Credit: George C. Marshall Foundation.*

loans making up the remaining 10 percent.<sup>13</sup> The in-kind subsidies acted as a type of gift or grant from the United States to Marshall Plan recipients since the donated goods (which mostly consisted of food, raw materials, medications, and machinery)<sup>14</sup> and in-kind services like transatlantic shipping were sold by recipient governments to individuals and businesses; the profits on these sales were then deposited in European Recovery Program (ERP) special accounts in respective central banks to be re-disbursed for infrastructure projects.<sup>15</sup> The Organisation for European Economic Co-operation (OEEC), the precursor to today's Organisation for Economic Co-operation and Development (OECD), was established in 1948 to develop priority areas for the disbursement

of Marshall Plan funds and to manage the physical disbursement of the funds once they were allocated by the United States' Economic Cooperation Administration (ECA; also formed in 1948).<sup>16</sup> The level of autonomy that governments had over where and how these funds were disbursed was mixed, with some states, such as the United Kingdom, being granted permission to use the funds to reduce debts accumulated with the United States during World War II, while other states, such as West Germany, were instructed by US officials to use the funds to build houses for miners in the Ruhr region and for refugees fleeing from the German Democratic Republic (GDR), what was then East Germany.<sup>17</sup>

<sup>13</sup> Jean-Baptiste Gossé, Aymeric Schneider, and Roger Vicquéry, "Lessons from the Marshall Plan for the European Recovery Plan," *Eco Notepad*, Post n°236, Banque de France, October 29, 2021, <https://blocnotesdeleco.banque-france.fr/en/blog-entry/lessons-marshall-plan-european-recovery-plan>.

<sup>14</sup> Bianchi and Giorcelli, "Reconstruction Aid."

<sup>15</sup> Grünbacher, "Cold-War Economics."

<sup>16</sup> "The Marshall Plan and the Establishment of the OEEC," CVCE.eu, University of Luxembourg, accessed May 1, 2022, <https://www.cvce.eu/en/education/unit-content/-/unit/55c09dcc-a9f2-45e9-b240-eaef64452cae/164c96b3-4d46-4c09-a177-2e6d35a832b2>.

<sup>17</sup> Grünbacher, "Cold-War Economics."

As opposed to the Marshall Plan, the BRI is primarily financed via repayable loans that are agreed between BRI partner governments and Chinese policy banks or state-owned commercial banks. Roughly 45 percent of BRI financing comes from loans from the China Development Bank (CDB) or Export-Import Bank of China (EXIM), 36 percent from loans from Chinese state-owned commercial banks, 9 percent from equity financing, 4 percent from bonds, 2 percent from the Silk Road Fund, 2 percent from multilateral financial institutions, and 2 percent from bilateral funds.<sup>18</sup> The People's Bank of China—China's central bank—injects liquidity into CDB and EXIM which, in turn, allows them to issue loans for BRI financing at a more competitive rate than other policy and multinational banks.<sup>19</sup> However, these competitive terms do not eliminate the possibility of BRI projects heaping massive and unsustainable debt loads on recipient countries. Indeed, while there were no public debt defaults attributed to BRI project lending before the COVID-19 pandemic, the Center for Global Development warned in 2018 that Tajikistan, Pakistan, Mongolia, Montenegro, Djibouti, Kyrgyzstan, the Maldives, and Laos were at risk of severe debt distress on account of BRI funding levels relative to GDP and the terms of the debt issued.<sup>20</sup> The consequences of political fights over BRI debt have already been felt in Pakistan, where protesters in Gwadar voiced anger over the public expenditure allocated to a BRI-funded port project which did not bring new jobs to the local fishing communities and deprived crucial public services of needed funding.<sup>21</sup>

Issues of employment and job creation with BRI projects only scratch the surface of the key difference between the Marshall Plan and the BRI. Since the vast majority of Marshall Plan funding was disbursed in grants, and the remaining funding via loans went directly to domestic firms, the postwar infrastructure financing ushered in employment growth and propped up new and existing industries in Europe. Of course, these advancements in the labor market were uneven, with labor demand

increasing in heavy industries and declining in agriculture.<sup>22</sup> One of the BRI's greatest weaknesses is its disbursement design: by relying on Chinese banks to issue the loans and (usually) Chinese SOEs to carry out the construction work (as contractors or subcontractors), the infrastructure financing in BRI partner countries builds needed infrastructure projects but does not always directly invest in local economies.

While some BRI projects utilize local labor forces, Chinese SOEs that are listed as contractors or subcontractors prefer to use Chinese labor to lower costs, and thereby maximize profits. For instance, while various BRI financing in Cambodia has created twenty thousand local jobs, BRI telecommunications projects in Africa tend to rely exclusively on imported Chinese labor, and other African BRI projects are known to reserve only low-skill jobs for local workers, while Chinese workers are given privileged access to high-skill jobs.<sup>23</sup> Furthermore, as of 2019, at least one million Chinese laborers were employed abroad in BRI projects, with the actual figure likely much higher as many hundreds of thousands of Chinese laborers work illegally on tourist visas.<sup>24</sup>

In short, the juxtaposing methods of infrastructure financing, disbursement, and repayment in the Marshall Plan and the BRI precipitated different outcomes for partner economies. However, there is one notable similarity between the two development initiatives: both motivated a rise in the US dollar's position as an international reserve currency.

## Currency effects

Interestingly, the one area in which the Marshall Plan and the BRI meaningfully overlap is the role they played and play, respectively, in boosting the power of the US dollar as an international reserve currency. Marshall Plan grants, which were denominated in US dollars, helped recipient countries build up dollar reserves. And the European

18 He, "The Belt and Road Initiative."

19 Hillman and Sacks, *China's Belt and Road*.

20 John Hurley, Scott Morris, and Gailyn Portelance, "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective," CGD Policy Paper 121, Center for Global Development (CGD), March 4, 2018, <https://www.cgdev.org/publication/examining-debt-implications-belt-and-road-initiative-a-policy-perspective>.

21 Farhan Bokhari and Benjamin Parkin, "Pakistan Seeks to Calm Protesters at Chinese Belt and Road Port Project," *Financial Times*, December 18, 2021, <https://www.ft.com/content/0bd3988d-96d6-47a2-8006-1810cd90c151>.

22 Bianchi and Giorcelli, "Reconstruction Aid," 3.

23 Jennifer Hillman and Alex Tippet, "Who Built That? Labor and the Belt and Road Initiative," *Internationalist*, Council on Foreign Relations, July 6, 2021, <https://www.cfr.org/blog/who-built-labor-and-belt-and-road-initiative>.

24 Ibid.; and Emily Feng, "China's Globetrotting Labourers Face Dangers and Debt," *Financial Times*, January 15, 2019, <https://www.ft.com/content/753279be-bd6e-11e8-94b2-17176fbf93f5>.





Motorists drive on the controlled section during the construction of the Nairobi Expressway, undertaken by the China Road and Bridge Corporation (CRBC) on a public-private partnership (PPP) basis, along Uhuru highway in Nairobi, Kenya August 5, 2021. REUTERS/Thomas Mukoya.

Payments Union (EPU), established in 1950 to ease trade restrictions between European countries and create stable exchange rates between currencies, held exchange rate parity in terms of the gold value of the dollar.<sup>25</sup> The EPU, along with the rest of the Bretton Woods system, ushered in an era of US dollar dominance since trade balances were settled and exchange rates were stabilized in terms of US dollars.<sup>26</sup> While the Marshall Plan was not directly related to the EPU, the EPU was established by the OEEC at the same time as the international organization determined Marshall Plan priorities and disbursement amounts per country. Furthermore, trade liberalization was a main goal of both the Marshall Plan and the EPU, as postwar European institutions and reconstruction were implemented to sustain long-term economic prosperity. Thus, by lowering trade barriers via exchange rate stabilization, the EPU

helped foster economic stability and growth while the Marshall Plan rebuilt industry and crucial roads and other infrastructure that allowed for trade expansion.

BRI loans have also boosted the value of the US dollar as an international reserve currency since they are typically denominated in dollars, and only occasionally in Chinese renminbi.<sup>27</sup> Instead of using the BRI as an opportunity to advance the renminbi's position in global currency markets, the denomination of massive infrastructure financing in US dollars has had the opposite effect. In fact, since major BRI projects have commenced, the renminbi has lost its share in domestic and international payments, while the US dollar has held steady at about 40 percent.<sup>28</sup> To make matters worse for the renminbi, there have also been fewer international bonds issued each year in the

25 "The OEEC and the EPU."

26 Ibid.; and Sandra Kollen Ghizoni, "Creation of the Bretton Woods System," Federal Reserve Bank of Atlanta, Federal Reserve History, July 1944, <https://www.federalreservehistory.org/essays/bretton-woods-created>.

27 Veasna Kong et al., "The Belt and Road Initiative—Six Years On," Analysis, Moody's Analytics, June 2019, <https://www.moodyanalytics.com/-/media/article/2019/Belt-and-Road-Initiative.pdf>.

28 Colby Smith, "The Belt and Road's Dollar Problem," *Financial Times*, December 18, 2018, <https://www.ft.com/content/2524222a-b66b-3605-a6f6-bc496787f0bd>.

currency since the BRI peaked in 2015.<sup>29</sup> Such concerns remain even after the International Monetary Fund (IMF) established the renminbi as an international reserve asset in the Special Drawing Rights (SDR) basket, which should have boosted the currency's standing in international currency reserves.<sup>30</sup> The faltering reserve standing of the renminbi creates risks not only for CDB and EXIM as policy banks, which require Chinese dollar reserves in order to issue BRI financing, but also for the borrowers who agree to the Chinese-backed loans. Exchange rate destabilization, or more unfavorable exchange rate terms, can increase the risk of debt unsustainability.<sup>31</sup>

The current economic crisis in Sri Lanka demonstrates how issues of exchange rate destabilization and debt unsustainability can converge to create an economic nightmare for a government. Sri Lanka has been facing an economic crisis over rising food prices for some time, and in early April 2022, protests broke out in Colombo over high food prices, fuel shortages, and a collapsing healthcare system. Amidst calls for the government to resign, Sri Lanka had a selective default on its public debt, mostly due to dwindling international currency reserves since 2020 and a devaluation of the Sri Lankan rupee in March 2022, both of which made repaying public debt even more expensive. Sri Lanka is indebted to China more than any other country, a major part of which is debt owed and accumulated on BRI projects.<sup>32</sup> As other least developed countries (LDCs) face mounting public debt distress from rising grain and food costs due to Russia's war in Ukraine, BRI financing in such countries may again face the spotlight as an additional currency and debt sustainability risk.

## Illuminating Marshall Plan and BRI examples

To further exemplify critical similarities and differences between the Marshall Plan and the BRI one needs only to look at port projects in Italy and the Netherlands, and

various other Marshall Plan projects executed in Turkey; and BRI projects such as the expansion of a Maldives international airport and the construction of hydropower plants in Zambia and Ecuador.

The ECA recorded at least seven thousand six hundred individual projects provided at the provincial level for public works, railroads, buildings, municipal functions, public sanitation, and telecommunications in Italy from 1948 to 1952. As one example, Italy's Christian Democratic administration earmarked 300 million lire for the refurbishment and expansion of Agrigento's port in Sicily.<sup>33</sup> Port reconstruction, like in Agrigento, was crucial for reestablishing flows of imports and exports into and among European states. This is why the OEEC and the ECA also provided significant funding for rebuilding Rotterdam's port, through which food for the entirety of the Netherlands was imported. The Netherlands was also able to use Marshall Plan financing to construct homes for an estimated 9.5 million Dutch residents.<sup>34</sup>

In Turkey, \$39.7 million (in 1950 US dollars) was provided just in the first few years of the Marshall Plan for mining, agriculture, power, and road construction purposes, and an additional \$30 million (again in 1950 US dollars) was allocated to Turkey for similar infrastructure projects from 1949 to 1950.<sup>35</sup> Despite this large sum, Turkey received less favorable terms in Marshall Plan financing than Western European states, with \$29 million of the initial \$39.7 million tranche being disbursed in the form of a repayable loan.<sup>36</sup>

Marshall Plan funding was primarily spent on basic infrastructure needs and services—roads that were bombed or destroyed during World War II, ports that needed rebuilding in order to service imports and exports efficiently, and the redevelopment of critical energy and natural resource industries, such as mining. These infrastructure projects not only provided the means for US companies to export more goods to Europe,

29 Ibid.

30 International Monetary Fund, "IMF Adds Chinese Renminbi to Special Drawing Rights Basket," IMF News, September 30, 2016, <https://www.imf.org/en/News/Articles/2016/09/29/AM16-NA093016IMF-Adds-Chinese-Renminbi-to-Special-Drawing-Rights-Basket>.

31 Hurley, Morris, and Portelance, "Examining the Debt Implications."

32 Ayeshea Perera, "Sri Lanka: Why Is the Country in an Economic Crisis?" BBC News, May 20, 2022, <https://www.bbc.com/news/world-61028138>.

33 Missione Americana per l'ERP in Italia, *Tre Anni di ERP in Italia [Three Years of ERP in Italy]* (Washington, DC: U.S. Economic Cooperation Administration, 1951).

34 Sam Bostwick, "The Historical Impacts of the Marshall Plan," Borgen Project, October 1, 2019, <https://borgenproject.org/the-historical-impacts-of-the-marshall-plan/>.

35 US Economic Cooperation Administration, *Turkey: Country Study, European Recovery Program*, Vol. 84 (Washington, D.C.: US Government Printing Office, February 1949).

36 Ibid.





US Deputy National Security Advisor Daleep Singh speaks during a news conference as the last stop on his three-country Latin America tour to promote a G7's infrastructure program aimed at countering China's Belt and Road initiative in Panama City, Panama, September 30, 2021. REUTERS/Erick Marciscano.

but also for faster and more expedient inter- and intra-European trading. The roads could be used by civilians and corporations alike, while houses built with Marshall Plan funds provided necessary basic shelter and were intended to alleviate postwar poverty. BRI funds were and are also used for basic infrastructure projects, such as railways and ports, and for more modern infrastructure needs, such as energy sector upgrades and natural resource extraction, with some renewable energy platforms too.

The first key BRI example is the expansion of the Velana International Airport in Malé in the Maldives. Built by the Beijing Urban Construction Group with a loan from EXIM, the 2014 airport expansion oversaw the construction of a new cargo terminal, fuel farm, and runway. The airport

expansion was expected to provide major economic benefit to the Maldives since the country is heavily dependent upon tourism and travel capacity.<sup>37</sup> While the airport infrastructure project did boost tourism and was popular amongst locals, a regime change which saw the Maldives Democratic Party (MDP) come to power in 2018 changed the Maldives government's stance toward BRI projects. The public debt on the projects is claimed by the MDP to be higher than the initial amount of the loans, and the MDP doubts that the infrastructure projects will generate enough revenue to repay the debt.<sup>38</sup>

The final two exemplifying BRI projects are both hydropower plant construction works—one in Africa and the other in Latin America. The Kafue Gorge Lower Hydro Project in Zambia's Chikankata District was built

37 Asia Maritime Transparency Initiative, *Chinese Investment in the Maldives: Appraising the String of Pearls*, Center for Strategic and International Studies, September 4, 2020, <https://amti.csis.org/chinese-investment-in-the-maldives-appraising-the-string-of-pearls/>.

38 Anbarasan Ethirajan, "China Debt Dogs Maldives' 'Bridge to Prosperity,'" BBC News, September 17, 2020, <https://www.bbc.com/news/world-asia-52743072>.

with a \$2 billion loan by Chinese SOEs SINOHYDRO and ZESCO.<sup>39</sup> Begun in 2013, the hydropower project along the Kafue River was expected to be completed by 2018, but delays meant the first unit of the power plant was not operational until July 2021.<sup>40</sup> The delay could have been the result of difficulties on Zambia's end to finance debts to China, which were revealed in fall 2021 to be *twice* the international estimate of \$3.4 billion.<sup>41</sup> Indeed, Zambia was the first country during the COVID-19 pandemic to default on its public debt, over half of which was owed to China. While such a default cannot be directly attributed to the BRI, public investment debt in Zambia skyrocketed with the formal introduction of the BRI in 2013 and China is far and away the largest sovereign lender to the country.<sup>42</sup> In Ecuador, two of eight planned hydropower plants under the BRI experienced delays, corruption, and negative environmental impacts to the local communities. Two others experienced contract terminations due to infringements of environmental protection clauses. And the remaining four hydropower plants (Delsitanisagua, Canar and Naranjal, Sopladora, and Minas San Francisco) were successfully completed.<sup>43</sup> These examples demonstrate that while some BRI funding may be used to build renewable energy infrastructure, such as hydropower plants, issues of unsustainable debt, corruption, and environmental degradation can still remain.

In sum, BRI projects are meant to spur opportunities for expanded economic growth, energy security, and other infrastructure advantages. But bureaucratic delays, corruption in partner countries, and the provision of ill-advised Chinese loans to countries that are already heavily indebted can significantly hamper these objectives. Yet there are success stories, like the expansion of the airport in the Maldives, which lend credence to the idea that the feasibility and appropriateness of BRI programs may depend upon responsible governance in BRI recipient countries. Leaders and coalition partners in power must only accept BRI funding when they know the infrastructure project is

needed, can be sustainably funded, and has monitoring and oversight mechanisms for corruption, local social exclusion, and environmental degradation to be prevented or minimized. The BRI examples are also distinct from the Marshall Plan ones insofar as they rely heavily on Chinese SOE partnership for not only the financing of the projects, but also the physical construction process, as was previously mentioned.

## Geopolitical posturing

The international and geopolitical contexts in which the Marshall Plan and the BRI were launched framed their scope, distribution, and aims. Since these characteristics overlap between the two international development and infrastructure programs, it is unsurprising that there are underlying themes between the United States' foreign policy decisions at the beginning of the Cold War and China's investment policies in the modern era. As much as the Marshall Plan was meant to build up European industry both for the import of US goods and to lower risks of economic uncertainty that could imperil the global economy in the aftermath of World War II, it was also a strategy for pulling Western allies closer to the United States geopolitically. The disbursement of Marshall Plan funding was contingent on communist parties being excluded from governing power. For example, Marshall himself gave public statements in the lead-up to Italy's 1948 elections that if the Italian Communist Party (Partito Comunista Italiano; PCI) came to power, then Italy would not receive Marshall Plan financing and investment.<sup>44</sup> This gave new postwar political parties in Europe incentives to form coalitions without the communist parties, and some motivation for European citizens to vote against the communists.

The BRI does not exclude ideological enemies to the same extent, as is evident from the fact that so many diverse countries and political coalitions have signed MoUs with the CCP. China has tried to take the opposite

39 *Zambia: Country Mining Guide, Strategy Series*, KPMG, August 2013, <https://assets.kpmg/content/dam/kpmg/pdf/2013/08/zambian-country-guide.pdf>; and Hydro Review, "Zambia Commissions First Unit of 750-MW Kafue Gorge Lower Hydropower Station," HYDROVISION International, July 26, 2021, <https://www.hydroreview.com/hydro-industry-news/zambia-commissions-first-unit-of-750-mw-kafue-gorge-lower-hydropower-station/>.

40 *Hydro Review*, "Zambia Commissions."

41 "Zambia's Chinese Debt Nearly Twice the Official Estimate, Study Finds," Reuters, September 28, 2021, <https://www.reuters.com/world/africa/zambias-chinese-debt-nearly-twice-official-estimate-study-finds-2021-09-28/>.

42 *Ibid.*; Miriri, "African Nations Mend."

43 Matthew Crittenden et al., "China's BRI in Latin America: Case Study – Hydropower in Ecuador," Tearline.mil., geoLab, College of William and Mary, June 15, 2021, [https://www.tearline.mil/public\\_page/china-bri-in-ecuador-hydropower/](https://www.tearline.mil/public_page/china-bri-in-ecuador-hydropower/).

44 Rigas Raftopoulos, *Italian Economic Reconstruction and the Marshall Plan: A Reassessment, Occasional Papers No. 3/2009*, 16, PIFO (Politische Italien-Forschung), edited by Alexander Grasse, Institut für Politikwissenschaft, Giessen, Germany, <http://geb.uni-giessen.de/geb/volltexte/2009/6799/pdf/pifo-occasionalpaper-no3.pdf>.



approach to the postwar United States in pulling other countries closer to its geopolitical interest, instead of selectively pushing away or pulling others closer to its economic center. By almost indiscriminately signing on partners to the BRI, China has attempted to appear more as a commercial partner than a political or economic rival with its flagship infrastructure program. Western countries and international institutions have been cautious of this posturing. The European Union (EU), in particular, is concerned that partnerships like the 16+1 cooperation between Eastern Europe and China under the BRI could be used to “divide and conquer” the EU on foreign and trade policy issues.<sup>45</sup> As a geopolitical strategy, the BRI is more about making political overtures toward BRI partner countries while seeking foreign destinations for excess industrial capacity and opportunities to lower domestic unemployment than it is about applying specific political criteria to funding disbursement. But the BRI could still be leveraged in times of geopolitical uncertainty or aggression to call on partner countries to remain silent or take China’s ideological side in international disputes. Such fears about the BRI are evident in India’s claim about a “String of Pearls” strategy, which was mentioned above.

## Lessons for B3W and Global Gateway

The historical lessons which can be drawn from the Marshall Plan and the BRI implementation hold important considerations for the United States and the EU as they jointly embark upon the Group of Seven’s (G7’s) Build Back Better World Initiative (B3W) and as the EU expands its Global Gateway infrastructure program. While neither of these two programs are as generous in their concessional financing as the Marshall Plan, they should both include higher proportions of grants to loans than the BRI. For instance, the EU already plans to deploy its European Fund for Sustainable Development Plus (EFSD+) under the Global Gateway program to provide €18 billion worth of external assistance grants.<sup>46</sup> And while it is unclear how the total planned financing of €300 billion by 2027 with Global Gateway and \$40 trillion by 2035 under B3W will be divided between grants and loans and private and public funding, the EU has signaled it is committed to providing significant funding via loans, and

the United States has made guarantees that collateral and nondisclosure agreements will not be tied to debt financing under B3W.<sup>47</sup> The key for government officials and civil servants in Washington and Brussels is to seek as high of a grants-to-loans ratio as possible with these programs. Infrastructure grants should be prioritized for countries most at risk of debt unsustainability and political instability, both of which may hamper the economic and long-term benefits derived from the infrastructure projects if the debt is tied to loans. Moreover, officials should selectively fund infrastructure projects that have both a demonstrated need and can provide long-term opportunities for prosperity.

Claims of corruption surrounding BRI projects appear to be heightened around projects that are deemed to have been excessive or extravagant by locals after the fact. Officials working on infrastructure investment disbursement for B3W should, therefore, evaluate the need and long-term economic and environmental benefits of each major project, and remain wary of projects that may provide economic benefits predominantly to elite politicians and their allies, or be used to score political points with electorates without providing long-term local opportunities. Moreover, B3W officials should work in tandem with experts from the United States Agency for International Development (USAID) to ensure that concerns of corruption, climate change, human rights, and health are adequately addressed in the investment decisions and project implementation phase.

Finally, the Marshall Plan and BRI examples provide context and guidance on the labor market effects of infrastructure financing and construction. Recipient governments (whether they are national or local-level officials) should consider how the B3W and Global Gateway projects will affect the local labor market during and after project construction. For example, while the Marshall Plan was a jobs creation program through the economic and trade expansion that occurred under its auspices, sudden technological upscaling left some of those most prone to unemployment without job prospects. In rural areas of Turkey, for example, the rapid introduction of tractor farming with Marshall Plan funding led to the loss of hundreds of thousands of agricultural

45 Lisa Irimescu, *Hungary’s Eastern Opening: Political and Economic Impacts*, KKI Policy Brief E-2019/57, Institute for Foreign Affairs and Trade, 2019, [https://kki.hu/wp-content/uploads/2020/01/57\\_KKI-Policy-Brief\\_HU-CHN\\_Irimescu\\_20191220.pdf](https://kki.hu/wp-content/uploads/2020/01/57_KKI-Policy-Brief_HU-CHN_Irimescu_20191220.pdf).

46 Jorge Valero and John Follain, “EU’s ‘Global Gateway’ Infrastructure Push Offers Counter to China’s ‘Belt and Road,’” Bloomberg Politics, last updated December 1, 2021, <https://www.bloomberg.com/news/articles/2021-11-30/eu-eyes-300-billion-euro-infrastructure-push-to-challenge-china>.

47 Ibid.; and “U.S. Plans January Rollout of Projects to Counter China’s Belt and Road Initiative, Official Says,” CNBC, last updated November 9, 2021, <https://www.cnbc.com/2021/11/09/us-project-aims-to-counter-chinas-belt-and-road-initiative-official.html>.

jobs.<sup>48</sup> While the planned infrastructure projects with B3W and Global Gateway are unlikely to cause such large-scale shock in recipient labor markets, the domino effect that infrastructure projects can have on local employment opportunities and fluctuations in demand for workers in specific sectors should be a critical point of evaluation in investment funding disbursement.

## Conclusion

There are more differences than similarities between the Marshall Plan and the BRI. While both reveal a need for global superpowers to fund infrastructure abroad for domestic and geopolitical reasons, the nature of the infrastructure project financing overshadows similarities in scope and outcome. The Marshall Plan was predominantly financed in concessional terms, with the seventeen recipient countries receiving infrastructure funding in the form of grants or in-kind subsidies. In this regard, the BRI is the polar opposite of the Marshall Plan, instead relying on loans for funding disbursement. These loans also require additional liquidity to be granted to Chinese policy banks from the People's Bank of China in order for them to offer loans to BRI partners at favorable terms. Furthermore, the Marshall Plan and the BRI differ widely in how they were perceived by local populaces.

In areas where the BRI has been successful, such as the international airport expansion project in the Maldives, it has fostered goodwill amongst locals toward China.<sup>49</sup> But in areas where infrastructure developments have failed, stalled, or come in heavily over budget, the deprivation of critical public services as a result of BRI project funding and indebtedness has incited public, and at times widespread, backlash. While not universally popular, the Marshall Plan largely boosted the United States' image in Europe. For instance, Marshall Plan funding was used to pay for the "ERP train"—a propaganda train that traveled across Western Europe with more

Marshall Plan goods, food, and proof of infrastructure projects already completed.<sup>50</sup> Approximately six million European citizens made trips to visit the ERP train as it traveled through Western Europe.<sup>51</sup> This is proof of both how Marshall Plan funding was used as Cold War propaganda and how widely popular the infrastructure and development funding was with the European populace, almost all of whom were directly impacted by the infrastructure projects. And while the Marshall Plan had its own drawbacks because of the politically motivated timing and nature of the financing to beat back Soviet overtures in Europe and Turkey, by and large the financed infrastructure projects were successful, lowered trade barriers, and accelerated economic and industrial advancements.

The successes and failures experienced by the Marshall Plan and the BRI provide a few caveats and helpful tips for regional infrastructure and development programs, such as will be needed in Ukraine. First, local and national leaders should have a stake and say in project development, and an independent or third party should monitor the public tender for infrastructure projects. Second, sources of the sovereign debt or grants acquired from the infrastructure agreements should be made public. And, last but not least, infrastructure with an eye to the future—construction that is sustainable, focused on renewable energy, and causes limited local environmental degradation—should be at the forefront of international investment. After all, we are not investing in a postwar economy anymore, but one that must be built for the twenty-first century and beyond.

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48 Simon A. Waldman and Emre Caliskan, *The New Turkey and Its Discontents* (Oxford, United Kingdom: Oxford University Press, 2017), 145.

49 Ethirajan, "China Debt Dogs."

50 "The Marshall Plan and the Establishment"; and Grünbacher, "Cold-War Economics," 699.

51 Grünbacher, "Cold-War Economics," 699.

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