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## The EU's Global Gateway Strategy: Opportunities and Challenges

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The Global Gateway (GG) strategy aims to increase the EU's infrastructure connections on a global scale. The strategy might lead to improving the Union's image, for example, in its immediate vicinity, and increasing the participation of Member State entities in the implementation of EU projects. The challenge is how to effectively coordinate the strategy amongst EU institutions and get private sector cooperation. For Poland, it will be important to accelerate investments in the Eastern Partnership (EaP) region and to diversify transport corridors from the EU to China.

Disruptions to supply chains and gaps in digital communications development during the COVID-19 pandemic have exposed the EU's incomplete infrastructure connections with the rest of the world. The EU is also concerned about [China's investment offer under the Belt and Road Initiative \(BRI\)](#), which [may limit the EU's influence in developing](#) and neighbouring countries. In December 2021, the European Commission (EC) and High Representative Josep Borrell announced the EU's Global Gateway strategy to meet these challenges and to support connectivity on a global scale.

**Strategy Assumptions.** The EU's goal is to ensure sustainable development in the world by reducing the gap in infrastructure connections. The EU also wants to strengthen the resilience of its supply chains and increase trade opportunities for its economy. Through GG, it intends to support investments in transport, energy, digital communications, health, education, and research while respecting international standards in the areas of project management and human rights (see Table). The document outlines several flagship initiatives already being implemented by the EU, such as the development of a network of underwater fibre-optic cables between the EU and Latin America, and new ones to be developed.

Although the GG is based on [the Europe-Asia connectivity strategy from 2018](#) and EC current practices, it brings some new elements. It extends the geographic scope of EU action worldwide and the material scope to the field of health. It stands higher in the hierarchy of EU priorities because it

will be an EU flagship initiative in its external relations, implemented under the direct leadership of the EC president. The strategy will be applied by using the Team Europe approach, which involves the coordination of activities with European banks, the private sector, and the Member States. A GG Board will be established to provide strategic guidance for the implementation of projects, but its composition and method of operation are still to be determined. The EU also plans to cooperate closely with the U.S. and other allied countries, such as India, Japan, Canada, and South Korea, for instance, in collaboration at the G7 level with the U.S. infrastructure initiative [Build Back Better World \(B3W\)](#). The EC will also launch a campaign to promote the Global Gateway brand globally, and EU diplomacy will provide support by monitoring disinformation against it. EU delegations will present project proposals based on local consultations.

**Financing.** Global Gateway is to generate projects worth up to €300 billion in 2021-2027, including up to €150 billion for African countries. The strategy is based on existing EU mechanisms of investment support and it does not present new solutions in this area (see Table). The main institution responsible for financing hard infrastructure projects will be the European Investment Bank (EIB). Guarantees from the EU budget for loans granted to the public and private sectors will remain the most important tool. However, the guarantee level will be increased by creating a special financing "window" for GG projects. Covering the loan with the EU guarantee means that if the borrower defaults, the

## PISM BULLETIN

EU will cover the missing funds up to the ceiling specified in the contract. This lowers the cost of granting a loan and allows for investments in higher risk countries. The terms of the EU financial guarantees vary depending on the nature of the project and the investor profile, and may include political or operational risks. Public institutions, as well as banks and corporations benefiting from a state guarantee usually obtain loans on better conditions than private investors.

The EC allocates the highest guarantees for EIB loans through [the European Fund for Sustainable Development Plus \(EFSD+\)](#). Under this fund, the European Commission also grants guarantees for investments supported by other international financial and development institutions, such as those from the Member States, but the amounts are smaller. As for geographic directions, the EU allocates the most resources to hard infrastructure projects in the Western Balkans and countries covered by the European Neighbourhood Policy (ENP) and Sub-Saharan Africa. In 2020, the EIB granted loans to entities from these two groups of countries worth, respectively, €5.5 billion and €2.2 billion.

**Opportunities and Challenges.** As hard infrastructure projects and people-to-people programmes attract public attention, a campaign to promote the GG brand can improve the visibility of the EU's activities and its image in at least the Union's neighbourhood. Despite the already relatively high EU investment in infrastructure development in these countries, EU communication in this field has been ineffective. In 2020, only 13% of the inhabitants of southern neighbourhood countries reported that they saw tangible benefits in this area, while 20% of the citizens of the EaP region declared knowledge of such projects. A condition for an effective GG campaign will be reaching the local population.

The GG will enable better exchange of information on planned projects between the EU and the U.S. at the G7 level. Both sides probably will position the GG and B3W as a complementary and positive offer from the West in the development of infrastructure around the world based on high standards. While some G7 countries implement joint projects, such as co-financing the production of a COVID-19 vaccine in Senegal, joint EU-U.S. infrastructure projects may be limited. The EC and the U.S. will probably seek to promote autonomous initiatives under the GG and B3W brands, and some Member States may treat the U.S. projects as competition.

Thanks to the Team Europe approach and better information exchange at this level, the involvement of Member State institutions in the implementation of EU projects may increase. The challenge will be to ensure that the GG goals are respected at the level of selecting specific projects. Until now, they were selected depending on the preferences of individual directorates-general of the EC and the EIB, which had wide scope to make financing decisions. The bank's staff is mainly guided by technical and financial criteria related to project feasibility, and to a lesser extent by political criteria. It is doubtful that the planned GG Board will be able to ensure the effective realisation of its strategic guidance. Due to the implementation of the EU budget by the European Commission, it will play a consultation role, and not a decision-making one.

The Union guarantees may not attract enough capital to generate the planned investment value. Due to the economic slowdown caused by the COVID-19 pandemic, public institutions burdened with additional expenditure on healthcare and economic aid may have less capacity to invest in infrastructure development. Increasing the share of the private sector in financing projects is questionable, as the EC has not presented new mechanisms in this field.

**Perspectives.** The Member States will be interested in GG implementation. Countries with large investment opportunities, such as Germany, France, and Italy will be keen on increasing the share of their financial and development institutions in the implementation of EU projects. For other Member States, it is an opportunity to co-finance infrastructure projects in regions of interest. For Poland, it will be important to implement the extended TEN-T transport network in the EaP countries and the flagship initiatives of [the EaP Economic and Investment Plan](#).

It would be beneficial for the EU to identify new, strategic GG projects to diversify transport corridors from China to the EU. For example, the EU could consider political and financial support for the development of the Trans-Caspian International Transport Route (Middle Corridor). The advantage of this rail route running from the EU (Poland, Romania, Bulgaria, and the Baltic states), through Ukraine, the South Caucasus countries, and Kazakhstan to China, would be to bypass the territory of Russia and limit its political influence. For Poland, the development of the project could be an impulse to expand and promote the Broad-Gauge Metallurgy Line from the Polish-Ukrainian border to the Sławków Euroterminal.

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**Table. The Most Important Elements of the Global Gateway Strategy.**

EU investment priorities
<p><b>Digital development:</b></p> <ul style="list-style-type: none"><li>- expanding digital networks and infrastructure, such as underwater and terrestrial fibre-optic cables, secure communications systems in space, and cloud data and computing infrastructure;</li><li>- presenting an offer of cooperation to partner countries in the field of the digital economy, combining investment in infrastructure with advice on, for example, personal data protection, cybersecurity, and artificial intelligence.</li></ul> <p><b>Climate and energy:</b></p> <ul style="list-style-type: none"><li>- supporting partner countries in their energy transformation and diversification of clean energy suppliers in the EU;</li><li>- development of regional energy integration, based on interconnectors and joint projects (e.g., the construction of offshore wind farms in coastal regions);</li><li>- promotion of energy efficiency and renewable energy (including the expansion of smart grids);</li><li>- collaborating with partner countries that have the potential to develop renewable hydrogen production and creation of a free market for international hydrogen trade;</li><li>- investments in infrastructure to strengthen the supply chains of primary raw materials.</li></ul> <p><b>Transport:</b></p> <ul style="list-style-type: none"><li>- development of infrastructure investments around the world in all types of transport, including rail and road, as well as logistic points (ports, airports) and border crossings;</li><li>- strengthening the position of the EU as a global transport hub.</li></ul> <p><b>Health:</b></p> <ul style="list-style-type: none"><li>- investments in infrastructure for the development of local production of vaccines, drugs, and medical technologies in order to overcome diseases such as COVID-19, malaria, yellow fever, tuberculosis, HIV/AIDS;</li><li>- support for investments in the diversification and security of pharmaceutical supply chains;</li><li>- strengthening crisis management through cooperation between the EU agency HERA and partner countries.</li></ul> <p><b>Education and Research:</b></p> <ul style="list-style-type: none"><li>- developing high-quality education, including digital and lifelong learning, with particular attention to the inclusion of girls and women and other vulnerable groups;</li><li>- supporting the mobility of students, staff, teachers and trainees and strengthening the network of higher education institutions;</li><li>- implementation of joint research and innovation, mobility programmes, and multilateral partnerships in this field.</li></ul>
Financing
<p>GG is to mobilise investments of up to €300 billion in 2021-2027 through:</p> <ul style="list-style-type: none"><li>- investments worth up to €135 billion through the EFSD+, thanks to the launch of, among others, €40 billion in guarantees, including: €26.7 billion in guarantees for the EIB for investments in green infrastructure, clean energy, and health; €13 billion in guarantees under the dedicated Global Gateway window for investments in energy, transport, and digital communications; blended financing.</li><li>- grants of up to €18 billion under EU external aid programmes (some funds can also be used as investment guarantees, for example, under the Neighbourhood, Development and International Cooperation Instrument, Instrument for Pre-Accession Assistance).</li><li>- €145 billion of planned investments by European financial and development institutions.</li></ul> <p>The EU will explore the possibility of establishing a European Export Credit Facility to help EU companies operate and participate in infrastructure projects in third country markets where they increasingly have to compete with foreign competitors receiving government support.</p>

Source: Own compilation, PISM.