BRI and the QUAD Plus: Emerging Avenues for Regional Development

South Asia, Southwest Asia and Sub-Saharan Africa rank among the least developed regions of the world. With abysmally low scores on the Human Development Index (HDI), these regions are investment-starved and have poorly developed infrastructure, along with low penetration of Information & Communications Technology (ICT).

The inception of China's Belt-and-Road Initiative (BRI) project—arguably the biggest infrastructure and development project of the early 21st century—offers a glimmer of economic hope to the countries in these regions. The terrestrial and maritime Silk Roads—part of the BRI—traverse through these regions, hence offering a chance to develop their physical infrastructure, ICT, trade, and regional markets. Small wonder then that BRI is also referred to as the "game changer" by many analysts.

The BRI can best be understood using the Marxian framework of 'Surplus Recycling Mechanism' (SRM), which was popularized by the Greek economist and former Finance Minister Yanis Varoufakis. At its core, the SRM contends that capital needs to be reinvested at a profit to ensure its continued sustenance, but when an economy offers few opportunities for this reinvestment, conditions of stagnation may start to prevail. In this context, then, a country looks for other markets to fruitfully employ its economic "surpluses", which are also simply known as "excess capacity". According to Varoufakis, the country with excess capital (a hub) will look for markets in its vicinity (the periphery) to recycle its surpluses.

The rise of China in the late 20th and early 21st centuries offers the best example of economic growth via import substitution industrialization (ISI), which has allowed it to build economic surpluses. As part of this strategy, China focused all its energies on developing affordable goods for exporting to major world markets while simultaneously cutting back on profligate imports. However, with the financial crash of 2007-8, the aggregate demand—i.e., the purchasing power of people—in Western markets was severely diminished, resulting in a decline in the sale and profitability of Chinese manufactured goods. As a result, China has been grappling with a crisis of excess capacity, both in its capital and industrial output.

However, the Chinese state has successfully resolved the crisis of excess capacity by channeling it in the periphery countries using the BRI framework. The various investments in the BRI approximate to a whopping $1 trillion with considerable spillover effects and projections of continued economic benefit long after the project is fully complete. In short, China has successfully tackled the problem of growing domestic surpluses by recycling them in the BRI, while simultaneously aiding the periphery countries—mostly located in South Asia, Southwest Asia, and Sub-Saharan Africa—in their economic growth and infrastructure development.

While BRI is a geo-economic phenomenon as explained above, unfortunately, it is perceived in geostrategic and geopolitical terms by the United States. Ever since the project was first announced by Chinese authorities in 2013, the US has voiced its active opposition—diplomatic and political—at all forums.

The prevailing mindset in Washington—irrespective of the partisan divide—comprehends BRI as part of China's concerted efforts to undermine the US world hegemony and establish itself, first as a regional power, and then as a global power.

In its paranoia, the US is actively dissuading its regional allies from joining the BRI, or any of its related initiatives such as the Asian Infrastructure Investment Bank (AIIB) - a multilateral development bank (MDB), set up by China in 2016 to deal with all the BRI initiatives besides bailing out poor economies. Despite US pressure, many of its major allies, such as the United Kingdom (UK), Australia, and South Korea, have already joined the AIIB, with Japan seriously considering the prospect.

Besides, to counter the ostensible rise of China via BRI, the US has revitalized the Quadrilateral Security Dialogue (Quad) and expanded it to include New Zealand, South Korea, and Vietnam, besides the existing member countries, i.e., the US, India, Japan, and Australia. Hence, the Quad has transformed into a Quad Plus.

A closer look into the framework of Quad Plus reveals that this arrangement is a desperate attempt by the US to salvage its hegemony in the region. Devoid of any economic aid or infrastructure development plan—which is in sharp contrast to BRI—the Quad Plus mainly focuses on devising a strategic plan to check the alleged encirclement by China in the Asia-Pacific. So, while China is rescuing its economy and simultaneously building other economies in the region, the US is attempting to save its moribund regional influence. It is, therefore, not surprising that many major allies of the US are opting to join the BRI project, much to Washington's chagrin.

This is because in the era of the Fourth-Industrial Revolution—also known as the age of the knowledge economy—geo-economics takes precedence over geopolitics or other geostrategic considerations. Countries around the world—including major powers—are increasingly making political alliances and strategic decisions based on the calculus of their economics and regional development.

In this context, then, the interests of the US can best be served by fostering a spirit of cooperation with China (and other emerging countries) and by ceasing to view it through an antagonistic lens. The prospects of a Sino-US partnership will not only yield large peace dividends, but will bode quite well for regional integration and global economic development.

In fact, seeds for such prospective cooperation already exist in the form of the Trans-Pacific Partnership (TPP) - a framework that encourages free-trade and economic cooperation in the Pacific region by reducing regulations, tariffs, quotas, and other trade barriers. The TPP can perfectly complement the BRI in a joint framework where the former will develop software of integration by opening up regional economies, and the latter will develop its hardware by continuing to invest in infrastructure projects. Such a framework will not only result in a win-win outcome for both China and the US, it will also help regional economies achieve new levels of prosperity.

Hassan Mujtaba is a researcher at Centre for Aerospace & Security Studies (CASS). The article was first published in Pakistan OBSERVER. He can be reached at cass.thinkers@gmail.com