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## 先進国は成長加速のため 今こそ積極財政を

年以來続く緊縮政策は景気の足を引っ張り金 融政策への過度の依存を生んだだけだ

### Keep Your Eyes On The Ever-Expanding ‘Shanghai Cooperation Organization’

Odds are you have probably not heard of the Shanghai Cooperation Organization (SCO). Compared to all the attention China’s “Belt Road Initiative” and Asian Infrastructure Investment Bank (AIIB)—both announced by Beijing only a few years ago—are getting, the SCO has received scant notice. The organization’s roots actually date back to the mid-1990s, and we would all do well to start paying attention to it now.

Although the SCO originally comprised five countries led by China and Russia to govern an alliance that focused on security matters among the states of Central Asia, in the aftermath of decisions made at the SCO’s Annual Summit, held in Astana early this June, the organization’s mission has not only begun to broaden, but the size of the group has substantially enlarged. It now encompasses 3.5 billion people—about half of the world’s population—and its cumulative GDP now accounts for one-quarter of the globe’s output. Moreover, the Astana Summit’s actions clearly indicate the SCO is in the midst of a rapid geographic evolution, including potential expansion to the Middle East.

The history of the formation of the SCO is instructive. It was the direct outgrowth of a 1996 meeting in Shanghai of the leaders of China, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan, who pledged to cooperate jointly through a series of treaties to tamp down on terrorist, separatist and extremist activities within their borders—activities that were energized by the break-up of the former Soviet Union.

For better or worse, during the Soviet era, Moscow had provided a semblance of integrated control over these disparate states. But with the formal removal of the lid provided by Moscow, there were risks that these now autonomous states would devolve into uncontrollable entities plagued by internal dissension.

As other countries throughout the broader Asian region began to take notice of the SCO, they “wanted in”. In large part, this stemmed from a worry that the organization’s impacts on its member countries could produce negative external spillover effects throughout the neighborhood: clamping down in one territory would likely motivate “troublemakers” to simply move their base of operations to another locale.

Indeed, the fear was realized. Not only did separatists and extremists launch attacks from SCO neighboring countries’ backyards but ultimately began to operate within their actual borders. Accordingly, Afghanistan, Belarus, and Mongolia were accorded SCO “observer” status and Uzbekistan moved from “observer” status to become an actual SCO member.

But even more important in this regard, however, was the granting of “observer” status to India and Pakistan, and subsequently to Iran. This should not be surprising: the leadership of these very large, and geostrategic important countries have long been increasingly preoccupied with the potential of both internal dissension and external influences to undermine their abilities to govern. They see the SCO as a type of insurance policy to help mitigate these risks.

After years of lobbying, the 2017 Astana Summit officially recognized both India and Pakistan as SCO members. This *could* be a very big deal—not only because of the size of the populations that India and Pakistan represent, but even more so because of the intense military and other forms of enmity between these two countries.

That they have come together under a cooperative agreement is largely unthinkable. Indeed, it’s arguably hard to escape the conclusion that the SCO has begun to evolve into an organization that seeks to not only promote cooperation on security matters, but perhaps even more importantly, cooperation on social and political fronts. Of course, we will have to see what are the practical effects of this on Indian-Pakistani relations. The odds are it is likely to be a hopeful turn of events bilaterally.

At the same time, however, it would be a mistake to attribute the significance of India’s membership in the SCO as a sign of a truly extensive broadening of the SCO’s mandate to include economic, investment and trade cooperation. Why is this the case? Because in developing its ‘Belt, Road Initiative’, China has made clear that while Pakistan is a member of the initiative, India has not been invited. Thus, it is not just by chance that India and Japan recently announced a program of their own parallel to and in competition with China’s, initially focused exclusively on Africa.

In part, this stems from the growing economic rivalry between China and India. Indeed, India’s growth rates are beginning to consistently exceed those of China’s. Contrary to conventional wisdom, this is because China’s economic troubles are not just rooted in the turning of a traditional business cycle but rather they stem from the Communist Party’s refusal to allow for *bona fide* structural economic reforms.

Lastly, perhaps the most significant turn of events coming out of the SCO summit is the strengthening of the prospects for the elevation of Iran from “observer” status to SCO member. Indeed, it seems there is a good chance that the Organization may well open up a seat for Teheran in due course, perhaps at next year’s summit. This would not only expand the breadth of the SCO’s footprint all the way from the Pacific Ocean to the Middle East, but it would also potentially give to Iran—which importantly is not a member of the Gulf Cooperation Council (GCC)—a competitive advantage over GCC members.

Needless to say, this comes at a truly pivotal time for the future of security in the Middle East, especially as tensions between Saudi Arabia and Iran are unlikely to improve before they get worse.

After keeping a relatively low profile over its first two decades, the SCO is clearly in the middle of a growth spurt. As it continues to mature, it would be wise for analogous entities elsewhere in the world, specifically NATO, to chart its progress closely.