"One Belt One Road" Strategy and the Sustainable Development of Asia: The Case of Afghanistan and DPRK

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Abstract. The goal of this study is to determine how efficient the “One Belt One Road” strategy to stabilize and promote the growth of Asian economy. “One Belt One Road” strategy, which is advocated by the Chinese president Xi Jinping, may have the same value of “New Silk Road Strategy”. The strategy situates China as a regional trade and transit hub in the “Heart of Asia”. This study’s theoretical framework is a hybrid of fragile state theory and the new economic geography theory. The finding of this study is about the “One Belt One Road” strategy is more advanced than the traditional international development aid model. This study employee the Afghanistan and DPRK (Democratic People’s Republic of Korea) as the case studies to identify “One Belt One Road” strategy would promote the most fragile and isolated states to become more fully integrated into the regional and global economies by developing the transport, energy and mining sectors. The study further finds that the implementation of the hardware infrastructure projects may result in increased risk of failure in certain politically fractious and unstable regions of the countries. This study contributes substantially to aid policy by demonstrating the characteristics that are essential to a successful strategy for the development of a failed state that is geological-characterized, fragile, and conflict-affected. Moreover, this study expands the use of econometric techniques such as cost-benefit analysis to the design of an economic development strategy for the failed states. Thus, from both theoretical and applied perspectives, this study will contribute to the emerging bodies of academic research on fragile states; post-conflict reconstruction and stabilization; geological-characterized less development countries; and applied and theoretical economic growth models.

Introduction

In the past decade, both academic and professional communities have increased their attention on the question of how best to assist fragile and less developed states in the pursuit of stability and economic development (Katsimpras 2012). With “One Belt One Road” Strategy at the front of this debate, “a major shift [has occurred] in the way development outcomes, priorities and results are defined” (Davies, Missika & Petrie 2011, p. 17). After September 11, 2001, the international community realized that the fragile states such as Afghanistan are a threat to global security. According to the United States 2002 Strategy Paper, “The events of September 11, 2001 taught us that weak states, like Afghanistan, can pose as great a danger to our national interests as strong states” (U.S. Strategy 2002, p. 5). During the past decade, fragile states have received more attention than at any time in the past, “more than doubling [non-military aid] from $92 billion in 1992 to around $200 billion in 2008 … [and] $3.2 trillion between 1960 and 2008” (Fengler & Khares 2011, p. 2). And so does DPRK.

Recently, the emergence of Korean Nuclear Issues has also been pricking the international community. However, a consensus has emerged, not only within academia and in communities of practitioners, but also within the international organizations themselves, that a new way of thinking is required to better utilize aid for fragile and conflicted-affected states to achieve stability, and
develop sustainable economies. The World Bank’s World Development Report argues that countries characterized by “institutional fragility” and a history of conflict and violence cannot achieve even one of the “Millennium Development Goals” unless a significant shift takes place in how they address the critical root causes of poverty and instability (WDR 2011, p. 87). In 2011, United Nations Secretary General Ban Ki-Moon stated that “no conflict-affected country has achieved even one of the Millennium Development Goals” (Busan 2011). Paul Collier (1994, p. 6) has concluded that half of all post-conflict countries revert back to conflict within five years.

Extreme poverty and joblessness have been major reasons for countries’ reverting back to conflict. And the isolation could also limit the economic development. Thus, the traditional international aid development model is not appropriate to manage the current situation. As Ghani and Lockhart observed, “[T]he expenditure of tens of billions of dollars over a half a century has resulted only in disenchantment and mutual recrimination without many significant breakthroughs in wealth creation” (2008, p. 6). Fengler and Khares have further argued that “the core of the aid architecture—the set of rules governing aid flows—has changed little over the past few decades … [W]e believe that the developments of the last decade have radically reshaped the aid environment and the traditional arguments no longer hold” (2011, p. 2). The United Nations High Level Forum on Aid Effectiveness that convened in Busan, Korea, from November 29 to December 1, 2011, concluded the following:

The current ways of working in fragile states needs serious improvement. Despite the significant investment and the commitments of the Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008), results and value for money have been modest. (U.N. Busan Report 2011, p. 39)

The development issues are even more complex when the fragile and conflicted-affected states also happen to be the geological landlocked and the ideological isolated countries such as Afghanistan and DPRK. Again, the U. N. Secretary-General Ban Ki-moon sounded alarm bells in the 2008 General Assembly, and was declaring that “time was running out to help the world’s 31 less developing countries surmount the severe infrastructure and transport constraints that had curtailed their economic growth and continually eclipsed opportunities to integrate into the world trading system” (UNGA 2008).

The goal of this study is to investigate why the traditional model for supporting fragile and less developed states has failed and whether “One Belt One Road” Strategy is more advance to the economic development that can stabilize and develop a sustainable economy for fragile and less developed countries such as Afghanistan and DPRK. Base on the empirical econometric analysis of the less developed countries, it argues that the traditional development aids model has failed to stabilize and develop a sustainable economy due to its structural shortcomings. First, the traditional development aids model promotes a “one size fits all” model, which could not match upon the complexities of less developed countries (see: Ghani & Lockhart 2008, p. 5). Second, the traditional development aid model could facilitate the less developed countries disproportionately to rely on the external foreign aids (Stijns 2003, p. 3). This may result the “Dutch disease” that stabilize the less developed country “toward the end of the relief-to-development continuum” (Duffield 2001, p. 99-100). Thirdly, the traditional development aid model does not highlight the characters of each countries that donor to.

In contract, “One Belt One Road” strategy could promote the donor countries to explore their own keys to the economic success. It generally differs the traditional development aids model in two ways: the “One Belt One Road” strategy could promote the indigenous economic development of donor countries. Secondly, the “One Belt One Road” strategy could internationalize the standard of economic issue of the donor countries in order to promote the regional economic cooperation and development and regional security. In fact, ‘One Belt One Road’ strategy is not only an economic strategy, but also the political tactics (Kuchins 2011 p. 77-91). If the neighbor could economically benefit and stake in the donor countries’ economic development while the donor countries participate the strategic economic development alliance, these neighbor will have incentive to
support the long-time stabilization of donor countries. Moreover, the traditional development aids model will be moved away from the donor countries and instead of carrying out a realistic assessment of how the country can build up trade and investment within the region (Kuchinsk 2011, p. 77-91).

This study investigates two hypotheses: (1) whether political and security factors affect the implementation and viability of economic interventions in fragile and less developed countries such as Afghanistan and DPRK, and (2) whether projects in the transportation, energy, and mining sectors—the Hardware Infrastructure Project (HIPs)—are the most expedient for facilitating regional economic integration by boosting counties’ exports and overall trade.

The reason for employing Afghanistan and DPRK is to explore the different nature of governance should have the common benefit of “One Belt One Road” strategy. Afghanistan was ranking the first on the Failed State Index of 2002 (Fund for Peace 2003). After 30 years over-period chaos and conflicts, the society of Afghan has been torn to shreds. The social capital was almost inexistent; almost none of organization could address the problems and the government had none capacity to function. On the contrary, DPRK is the state of power government. Although, DPRK identifies itself as “a genuine workers” state in which all the people are completely liberated from exploitation and oppression. The workers, peasants, soldiers and intellectuals are the true masters of their destiny and are in a unique position to defend their interests. DPRK is truly a regime which is governed by Kim family, especially after KIM Jong-un came to power. KIM Jong-un reinforces his authority and demonstrates that he is the one to determine DPRK’s course. During his generation, there is nothing to show the weakening of the hierarchical management system and the liberalization of political regime. The young leader is keen to put DPRK people into his own administrative circle (Fisher, M, 2013).

This study’s theoretical framework is a hybrid of fragile state theory and the new economic geography theory. The fragile state theory adopted herein incorporates not only political factors and their programmatic policy objectives, but also economic policy prescriptions stemming from the belief that real world economic relief is equally as important in catalyzing political reform. New economic geography theory requires that fragile and less developed countries such as Afghanistan and DPRK must devote significantly more resources to the transportation sector, and take advantage of telecommunications and information technology advances to circumvent the additional burden on the transportation sector. This hybrid theory provides the framework for assessing this study’s empirical evidence as to how regional economic integration can sustainably grow an economy. The hybrid theory was tested via an econometric analysis of specific development programs. To determine the effectiveness of various economic interventions, the researcher employed a case study approach, focusing on original field research to yield both quantitative and qualitative data. The original field research and econometric analysis resulted in an array of evidence confirmed by various economic indicators. These results demonstrated that the application of the traditional development aid model in fragile and less developed countries such as Afghanistan and DPRK had failed; they also aided in the identification of specific “hardware” infrastructure projects and “software” reform interventions. In order to introduce evidence capable of testing the hypotheses that underlie the argument, the infrastructure projects were subjected to econometric analysis to determine their cost-benefit and impact on macroeconomic indicators. In addition, the effects of political and security variables upon the economic viability of these hardware infrastructure projects was analyzed using political economy cost-benefit analysis, which combines traditional cost-benefit analysis with the predictive Senturion Predictive Simulation Model.

Organization of the Text

This is performed first through econometric analysis and then through political-economic predictive modeling. The study concludes with an overview of my empirical, theoretical, and applied findings.

The researcher employs various methods in pursuing the study’s objectives. These include: 1) traditional archival research, 2) data-gathering based on extensive original field research, (3) study
and understanding of econometric techniques of cost-benefit and macroeconomic analysis, 4) study and understanding of the Senturion Predictive Simulation Model, 5) incorporation of empirical observations based on the researcher’s experience, and 6) quantitative and qualitative analysis.

This study is organized into five substantive parts and a conclusion. Part two provides a detail characterization of the fragile, less developed states. There is a notable gap in the literature that remains to be filled—partly on the theoretical side but particularly on the policy side. Thus it argues that the standard economic development model based on a traditional understanding of fragile states is deficient, thereby leading to flawed policies and insufficient real world development outcomes. One of the principal aims of this study is to bridge this gap in the literature. It seeks to do this in two fundamental ways that stem directly from this study’s principal argument. First, the neoclassical theory underpinning the standard economic development model must be updated by incorporating core propositions from New Economic Geography (NEG) theory. Second, the updated theoretical model necessarily generates a distinctly different policy prescription that hitherto has been under represented in the literature to the point of amounting to a sizable gap in the applied literature. This study seems to fill this gap by advancing a novel policy prescription, predicated on NEG theory, which promotes a state-of-the-art economic reform plan that is specifically geared toward the particular challenges of fragile, less developed states.

Part three provides an analysis of the fragile, less developed states’ economic development, focusing on regional trade and the impact of international aid. Sultan Barakat et al. (2012) argue that a fundamental barrier to reconstruction is not the need for a certain security level in the state per se, but rather the tendency to wait for the security of the state to reach some unrealistic western level before attempting to legitimize the governing bodies and gain the trust of the citizenry. First, it can be argued that they see foreign aid as a “barrier” because development is oriented around the management of external aid. As such, development programs fail to address the principal goal of conflict reversion and rehabilitation of state fragility.

Part four identifies barriers to reconstruction and development and presents an empirically based critique of the traditional development model. It discusses that the most evident barrier to reconstruction are: the collapse of infrastructure followed by the failure of government policies to support the rebuilding of infrastructure. As a corollary, it also discusses how the simple act of placing policy reform over hardware projects as a barrier to reconstruction.

In Part five, the “One Belt One Road” Strategy is presented as an alternative economic development strategy. It identifies that the barriers to reconstruction by presenting an empirically are based critique of the traditional development aid model. The unifying argument underpinning that the fragile and less developed state’s economy has tremendous potential in key areas, but that the traditional development aid strategies, mostly led by international donors, have not succeeded in putting the fragile and less developed state’s economy on a path toward increased security, stability, and economic sustainability.

In conclusion, This study will primarily be an economic impact analysis using the econometric techniques of cost-benefit analysis, macroeconomic analysis, and political economy predictive simulation modeling. The cost-benefit (net present value and internal rate of return) and macroeconomic analyses (GDP, employment, and government revenue generations) of the study are based on the econometric techniques presented in “Guidelines for the Economic Analysis of Project”, developed by Asian Development Bank (1997). The political economy simulation is based on the Senturion Predictive Simulation Model developed by Abdollahian and Kugler at Claremont University (2006). As noted above, the researcher has used the Senturion Model, which simulates the political dynamics within regional, domestic, and international contexts and predicts how the positions of key groups and actors will evolve over time, to assess the political and economic impact the “One Belt One Road” Strategy in the fragile, less developed states. Based on the gaps that the researcher has identified in the current research and in the practices of the international community as it conducts assessments in the fragile, less developed states, the study advances a novel paradigm that marries political and economic models. As such, one of this project’s significant contributions to the study of the fragile, less developed states and their economic growth
will be the combination of these two tools, political and economic models, into what may call Political Economy Cost-Benefit Analysis (PECBA). The quantitative component of PECBA comprises cost-benefit and macroeconomic analysis measuring the economic and financial viability of projects. The qualitative component of PECBA uses the Senturion Model to measure the political viability of the projects. PECBA will make possible a more comprehensive analysis based on the political economy of a fragile and conflict-affected state.

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References


