



Citizen-Centered Approaches  
to State and Market



# A Framework for a New Silk Road in Asia

REPORT II

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October 2011

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## Introduction

For five hundred years, the specter of war haunted Europe. In the last sixty years, this long European conflict has been brought to an end by a compelling vision of European economic and political integration and the statesmanship to make the vision a reality. By contrast Asia has remained haunted by conflict through the second half of the 20<sup>th</sup> century and the first two decades of the 21<sup>st</sup> century. An end to this long Asian civil war would allow for tremendous economic, political and cultural growth in the most populous region on earth, with profound implications for many of the challenges confronting our deeply inter-connected world. Bringing the long Asian conflict to a close requires a vision that is as compelling and far-reaching as that of the European vision, and for the leaders of Asia to rise to the challenge of founding a new and enduring order.

The New Silk Road vision supplies a powerful, historically resonant, Asian analogue to the European success story. By reminding Asians of a great ancestry, in which transcontinental trade networks generated prosperity, security and political stability, the image suggests that a 21<sup>st</sup> century Silk Road could secure Asia's future just as regional integration reshaped Europe.

## The Old Silk Road

While the New Silk Road would not simply attempt to replicate the old, the old Silk Road has much to teach us about how regional economic and political integration can be achieved. First, much more than simply a network of roads, the old Silk Road is better understood as a set of interlocking institutions that combined to create a system. The Silk Road system included sophisticated financial institutions, dispute resolution systems rooted in Islamic and Mongol codes of conduct, and created connections between urban elites that straddled empires. The New Silk Road cannot succeed simply by creating transportation networks throughout the region and it will be important to create the broader institutional arrangements that will be required. Finding ways to embed the states of the Middle East, Central, South and East Asia within regional flows and webs of interdependency will be a critical challenge.

## The New Silk Road

The Asian continent is undergoing a great economic transformation, as China, India and Russia increasingly shift from maritime to land-based trade. This transformation presents tremendous opportunities for all countries in the region. At present, however, regional tensions - including between Afghanistan and Pakistan, and Pakistan and India - mean that this potential is not being harnessed. Without a vision for a different future, and a program of action to realize it, the opportunity will be lost.

Prevalent attitudes of suspicion regarding regional cooperation reflect an autarkic 19<sup>th</sup> mentality in which a perceived need to control dwindling resources prevents recognition of the vast potential of today's economic dynamics. It will take time to demonstrate the benefits of the New Silk Road, and regional cooperation and integration will emerge incrementally, by understanding

and using imagination and creativity to build upon what already exists. The first step on this journey therefore should be to perform a full stock taking: mapping stakeholders and existing assets as well as identifying constraints.

Certain areas would seem to merit particular attention. Lack of agreement on the rules governing flows of people, goods and ideas is a key obstacle to the emergence of a New Silk Road. At the regional level, attention should be given to laying the foundation with a set of international agreements in areas of clear mutual benefit. The process of reaching agreement helps to build trust, and once the benefits of the agreements are felt, support can be built for subsequent agreement in other areas. The European Union grew from the relatively humble beginnings of an agreement on Coal and Steel.

Cities will play a crucial role as nodes of connection along the New Silk Road. This vision, however, is incompatible with cities that are centers of informality and illegality. The development of citizenship - understood as involving both rights and duties - the governance of urban development, and catalyzing and regulating the market must be understood as parts of a whole. Reform of property relations will be vital to the empowerment of the poor and to positioning cities as centers of entrepreneurship. Regional and global experience of reform can provide invaluable insights.

The financial architecture of the region requires serious attention. Small and Medium sized enterprises are critical drivers of economic growth, but financial intermediation remains low and there is much to do in creating the instruments to provide the reliable, fairly priced credit needed to produce growth. Given the vast scale of infrastructure that will be needed for regional integration, much scope exists to create innovative financing mechanisms for construction and maintenance. Again, regional and global experience – not least Singapore’s use of pension funds to provide housing for the population - provides startling examples of the possibilities. Risk management is another area in which incremental improvements could yield great benefits, and here the international development partners have an opportunity to add value.

Global experience has shown that creation of a domestic construction industry is a key driver of growth. Building infrastructure will be at the heart of the New Silk Road, but, to drive growth, the task of building infrastructure should be used to build domestic and regional capacity in design, procurement, project management, supply chain management, operation and maintenance and a range of other vital areas. Technical advances in value chain and supply chain management, if they could be applied to the infrastructure requirements of the New Silk Road, would similarly yield immense efficiencies. Building the New Silk Road infrastructure is a golden opportunity to create institutional and human capacity that can subsequently be put to work in other ways and that change the horizons of what is possible.

The international community has an opportunity to support this agenda by championing a new model of contracting that minimizes wasteful sub-contracting chains and creates new partnerships between international expertise and region industry, by simplifying and clarifying international norms and standards, and that builds state capacity to monitor and regulate.

## **Conclusion**

These issues will converge with great intensity on the issue of harnessing the abundant mineral wealth of Asia. Afghanistan alone is estimated to possess \$1-3 trillion in mineral wealth, and the

Chinese and Indian economies have much to gain from such assets. Well-governed according to a Silk Road vision of regional consensus and mutual benefit, these regional resources could become an engine of stability and prosperity for all players. Without a shift in mentality, however, these resources could become a driver of instability, corruption, and environmental degradation. This latter scenario would serve narrow, short-term interests but would produce yet another lost generation. This is the choice: our mental outlook is our greatest obstacle.