A Background Guide for the

Asian Infrastructure Investment Bank

Harvard Model United Nations China

March 15 - 18, 2018

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Harvard Model United Nations China

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Dear Delegates,

Welcome to HMUN China 2018! If you are reading this, then you have been assigned to a position in a committee at conference. Preparing for a Model UN conference can be intimidating, but I can assure you that our team will provide you with the support and resources that you will need to succeed. By opening this guide, you've taken the first step towards being fully prepared to discuss and debate your assigned topic.

Background guides are intended to outline the major issues and ideas that delegates will have to confront in the committee room. In the following pages you will find background information about your committee, a description of the history and current status of your topic area, and a range of other useful analysis. You are encouraged to read through the guide both carefully and completely, keeping in mind that it was written by the very person who will be running your committee in a few short months!

That being said, your preparation should not end with this document. Consider what you learn from the background guide to be a launching point for further research, and feel free to dive into specific sub-topics that you find particularly interesting. Consult the "Suggestions for Further Research" section at the end of this guide, and send any questions to your director by email. Research is a key step in the MUN process, so be sure to take advantage of the time you have to prepare for conference!

If you have any questions or concerns regarding the more technical and procedural side of committee preparation, have a look at the many resources available on the HMUN China website under the "Preparation" tab. There you will find information about the structure of the conference and its committees, along with our comprehensive Guide to Delegate Preparation. The Guide to Delegate Preparation details the rules and procedures that you will be expected to follow at conference, and contains lots of additional advice.

Thank you once again for choosing to participate at HMUN China 2018! We are beyond excited for conference, and look forward to meeting you in Beijing this Spring!

Sincerely,

John D. Bowers

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Harvard Model United Nations China

A LETTER FROM THE DIRECTOR

Dear Delegates,

On behalf of the Harvard International Relations Council, allow me to warmly welcome you to Harvard Model United Nations China 2018! My name is Nicolas Weninger and I am very excited to be directing this session of the Asian Infrastructure Investment Bank. I am originally from London and I am thoroughly looking forward to meeting each and every one of you in Beijing this April!

Born and raised in London, I had the opportunity to visit the London Science Museum every weekend as a child. The immense aircraft landing gear at the main entrance and the roaring steam engine in the main hall not only peaked my interest in how these fascinating machines worked, but also just how much human endeavour and ingenuity was poured into them. That is the reason I am studying Engineering Sciences at Harvard and indeed how I began to question why rapidly growing economies like those seen across Asia still lacked basic social safety nets, despite these technological marvels. I wondered whether it was possible to develop a welfare framework for China with characteristics befitting the cultural differences that exist in China as compared to those in Western societies.

I became involved in Model United Nations quite unexpectedly at the start of my freshman year at Harvard, when a friend suggested that I might enjoy it. Despite my tendency towards technical subjects, I was instantly gripped by the exposure to worldwide affairs, the chance to research topics well outside my traditional scope of knowledge and interact with a great community across campuses. Since then, I have gone on to direct at Harvard's Boston MUN conference and have made many friends through the organization. If nothing else, I sincerely hope that you enjoy your experience at HMUN China, develop your public speaking and diplomatic skills, and make close friends from across the globe. I can only hope that you are as excited about this committee as I am.

Please do not hesitate at all to reach out to me at any point with any questions or concerns you may have. I look forward to welcoming all of you to Beijing in March.

With kindest regards and best wishes for your trip to Beijing,

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Introduction

As a rapidly expanding economic powerhouse, China is heading into a bright future. To ensure that this new era of prosperity will be properly enjoyed by people of all social and economic backgrounds, the Asian Infrastructure and Investment Bank must act to build economic capacity across all of China. As the AIIB, you will be debating the expansion of infrastructure projects in modern China, considering how new infrastructure can be used to make progress towards solving three major problems: healthcare, poverty relief, and housing. Across all three issues, we hope you will be sensitive to the needs of various sub-groups, including urban residents, rural residents, and the "floating" or migrant populations. As you proceed with your research and prepare for conference, please keep in mind some central points of contention across the issues, including those between depth and breadth of coverage, the rural-urban divide, the central-local nexus, and the position of the country in the broader world.

Understanding the impact of infrastructural development on economic growth and social equality will be the key to performing well in this committee. As you read through this guide, think about how spending on large-scale infrastructural projects—roads, bridges, and electrical grids, for example—can facilitate the economic elevation of previously impoverished or disadvantaged groups. Consider, for instance, a remote village which can only be reached by driving a car over miles and miles of dirt roads. Given its inaccessibility, residents of this village have a hard time finding economic opportunities (commuting to a job elsewhere is too difficult), fulfilling healthcare needs (access to hospitals is hampered by a lack of good roads and financial resources), and building new structures of its own (the dirt roads leading to the village are not suited to large trucks capable of shipping large quantities of building materials). Now imagine that the AIIB or another institution funds the creation of a gigantic highway that runs right past the village and its neighbors. With their newfound access to the outside world and its resources, our village's residents can commute to jobs in nearby cities and towns, access healthcare, and procure the resources they need to build new homes and infrastructure of their own. Equitable development and poverty alleviation are not just about social welfare programs—they are also driven by the expansion of economic opportunity through investment in infrastructure.

We will consider the Chinese welfare system as it currently exists, and consider how AIIB programs targeted at expanding infrastructure within China can supplement the work of the welfare system to provide universal or near-universal access to poverty alleviation through economic opportunity, healthcare, and housing. As such, this guide traces some of the major developments in the creation of the contemporary Chinese welfare system, highlighting areas where the AIIB could contribute meaningfully to the attainment of the goals outlined above.

History of the Committee

The AIIB is one of the newest organizations in the international development world, having started operations in January of 2016 following a "15-month participatory process during which our founding members worked collaboratively to shape our core philosophy, principles, policies, value system, and operating platform."[1] It seeks to bring efficient and modern practices to sustainable development, emphasizing the use of knowledge and methods from the private sector to confront massive social and economic problems across Asia. The bank's focus is on building sustainable infrastructure across Asia, from transportation and agriculture projects to clean energy and broadband internet initiatives. While it is still very young, the bank has launched a number of projects across Asia in countries including—among others—China, India, Pakistan, and the Philippines. The AIIB sees infrastructure as a mechanism of transformative social and

economic change with the potential to meet Asia's growing economic needs and challenges. Its core operational principle is to be "Lean, Clean and Green."[2]

The origins of the AIIB are traceable to Chinese President Xi Jinping, who saw the need for an international development bank focused on promoting connectivity and economic growth throughout China and the greater Asia region. Headquartered in Beijing, it represents an example of Chinese leadership in the global financing of development efforts while committing to extensive collaboration with other governments and global financial institutions. The AIIB is currently comprised of 58 member states from across the world, the majority of which are located in Asia itself. China has significant control over the bank's activities, as is reflected by its very large voting share (28.7% as of February 2017). The bank is capitalized at $100 billion, with half of that amount having been contributed by China. The United States has voiced considerable opposition to the AIIB, despite the fact that many of its key allies are members.[3] Please note that at HMUN China the AIIB committee's voting procedures will adhere to standard ECOSOC procedures—each country will have one vote.

Figure 1: Presentation at the first annual AIIB meeting

In 2016, its first year, the AIIB successfully met its lending target and contributed $1.73 billion to 9 projects. Several of these were carried out jointly with the World Bank, which provided partial financing and logistical support. The AIIB's largest contribution was $600 million towards the construction of a natural gas pipeline in Azerbaijan, reflecting—alongside other contributions to the construction of hydropower plants in Pakistan and electrification efforts in Bangladesh—the AIIB's focus on clean energy infrastructure. It also contributed $216.5 million to the redevelopment of poor provinces in Indonesia, signaling a commitment to supporting sustainable and equitable development practices.[4]

The committee will be run in resolution format, with the end product being a resolution committing the AIIB to an extensive investment in China's infrastructure. This resolution should adhere to the mission of the AIIB, and address the three primary challenges laid out in the introduction and the following sections—poverty alleviation, healthcare, and housing. While considering how the resolution should be written and structured, delegates are encouraged to look at documentation published by the AIIB for its previous and ongoing projects.

Statement of the Problem

China's Welfare System – History and Overview

During the Central Planning era (1952 – 1978) when Mao was President, the urban welfare system had three main principles: guaranteed employment ("iron rice bowl"), egalitarian distribution, and cradle-to-grave welfare coverage.[5] Rural welfare was based on a different, co-operative system, predicated on the assumption of a steadily growing national income to support a growing population. While the economy grew for several years in the 1950s, a series of political campaigns by Mao against his rivals hampered economic growth and led to a reversal of China's economic fortunes.[6]

Nonetheless, even the elaborate Central Planning system was far from sound. First, public ownership de-incentivized productivity and led to welfare dependency (Leung 1994). Secondly, the egalitarian ideal championed by Communism was severely challenged when faced with the constraint of resource scarcity, and officials favored party members and state sector employees over ordinary peasants for positions in the party, civil service, and state-owned enterprises[7]. Third, the rural-urban divide cultivated a strong sense of entitlement among urban residents, and till today the *hùkou* ( ) system has been so profound that resistance to equalizing social welfare entitlement among urban residents remains strong. A Hukou is a record in a government system of household registration mandated by law, and officially identifies a person as a resident of an area. [8]However, the success of this policy has arguably been limited, in part because healthcare expenditures have been rising faster than the rate of insurance coverage and subsidies.

Figure 2: Household Hukou registration

In 1978, Deng Xiaoping, Mao's successor, implemented a series of policy reforms that overhauled China's welfare policy and economic strategy. First, the state started to promote entrepreneurship, and the early success of the self-employed motivated many others to the extent that some people with public sector jobs quit to join the private sector. However, people soon realized that higher cash income in the private sector did not always compensate for the loss of welfare benefits, and work-unit welfare, welfare for employees of state-owned companies, became the bottleneck slowing down economic liberalization (Wu and Xie, 2003). Second, a social security system was set up to reduce the welfare burden of work units, requiring contributions by individuals and employers. A social insurance-based pension system was also set up to help establish the social pooling of pension funds and eschew employers as a source of welfare. In rural areas, the collective social protection system, a social safety net for the unemployed or economically disadvantaged, was stopped as households took over social responsibilities from rural collectives. At the same time, organized development programs were introduced to relieve rural poverty.

These reforms helped relieve the social burden taken on by state and collective enterprises. However, these gradual social insurance reforms did not try to integrate the different social insurance accounts, leading to a significant degree of overlap and excess among welfare programs, to the point where Chinese social security contribution has now become one of the highest in the world. [9]Another problem with modern day Chinese welfare policy is the legacy of the planning system. As observed by many researchers, entitlements under the new welfare system in this period continued to be defined by status rather than need. For instance, senior cadres enjoyed more generous subsidies to larger houses and better healthcare coverage than the average population. This has contributed to an increasing gap between the more and less economically privileged.

During this period, rural welfare and social services were also reformed. For example, rural education was reshaped to improve education efficiency. In the healthcare sector, coverage of rural healthcare services deteriorated following the reforms.[10] Nonetheless, welfare reform in this period (1992–2003) was designed to support the reform of state enterprises and to improve economic efficiency. Measured by GDP growth, economic reforms during this period were indeed successful, and

the government was keen to continue pursuing economic growth.

Danwei System and its Inequities

A key factor for continued disparities in Chinese citizens' access to welfare can be traced back to the danwei system, an institutional legacy of the command and centrally planned economy, which began prior to Deng's reforms in 1978. This system harks back to the state-owned enterprises in the planning economy, when most welfare provisions were tied to the danwei, mostly through official employment. [11]Under Maoist China, every citizen would be assigned to a unit that would provide for his or her work, social, and cultural needs. A danwei refers to the work units that these citizens were attached to, and served as a form of social organization. These danwei were often gated, self-sufficient communities that were only accessible to members of that particular danwei. Further, employers of these danwei were obliged to provide a full suite of amenities including housing, schools, medical care, and a canteen. However, those excluded from danwei were thus similarly excluded from welfare benefits, denying them welfare privileges and a social safety net. [12]

Even within the Danwei, welfare privileges differed in breadth of coverage and depth of benefits depending on the type of Danwei involved. The more powerful a danwei (usually measured by its place in the hierarchical chain of command within a company), the greater its welfare benefits. Employees who hailed from such powerful units therefore enjoyed more public services than others, and this system "privileged a minority of the urban industrial work force at the expense of the majority".[13]

Poverty, Healthcare, and Housing

Poverty Reduction

The 2006 abolition of agricultural tax greatly improved the economic wellbeing of lower income farmer households, with rural medical care and education reforms. This change brought about a two-pronged result – improvements in development and poverty relief. A 1978 policy reform to allow farmer households to contract land, lifted the majority of the rural population out of poverty. This reform has been widely successful, and was followed by three large-scale relief programs since 1986. These programs entailed increasing government investment, providing low interest loans to poor rural areas, helping farmers increase productivity, and investing in infrastructure. China's rural population below the poverty line decreased from 260 million in 1978 to 23 million in 2006. As delegates consider mechanisms of infrastructural expansion that the AIIB may wish to pursue, they should keep the legacy of these agriculturally targeted programs in mind.

In urban cities, creating jobs particularly in construction-related activities through government-initiated investments in infrastructure has been the primary tool for reducing poverty. This has supplemented by small loans and preferential taxation policies for local residents, which were meant to encourage local residents to become entrepreneurs themselves by creating local businesses. Some local urban governments have also experimented with paying poor residents to provide public and community services as a way to eliminate zero employment households (making sure that at least one person in every household who is able to work is employed), to great success. Delegates may wish to consider partnership models of this kind in discussing the role of infrastructural development in modern China. The AIIB could benefit from making local governments and the country's impoverished people partners in their development efforts.

Healthcare

Prior to Deng Xiao Ping's healthcare reforms in 1978, the Chinese government provided healthcare services at a low cost to the masses through a "patriotic public health campaign" that was centred on prevention, supplemented by "barefoot

doctors" in rural areas and free healthcare in urban centres. These barefoot doctors were farmers who received basic medical and paramedical training, and who mostly worked in rural villages in China. Their main purpose was to bring healthcare to rural areas where urban-trained doctors refused to practice. Consider, once again, the hypothetical village discussed in the introduction to this guide. Barefoot doctors were ultimately a response to an essential infrastructural problem—rural villages lacked access to transportation and medical infrastructure, and were therefore unable to seek care at more established and professional facilities. Since the adoption of market reforms, the Chinese government has redirected its focus towards significantly expanding medical resources and upgrading medical facilities, as well as investing in proper medical infrastructure to anticipate the rapidly growing healthcare needs of the Chinese population. Nationwide spending on healthcare rose to 759 billion yuan in 2004.

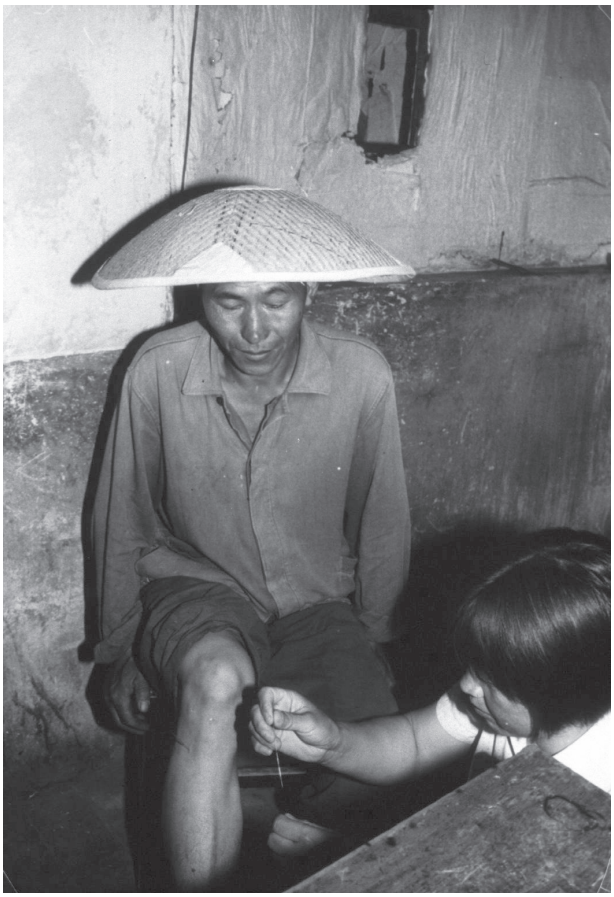

Figure 3: A barefoot doctor visits a rural man

Affordability and accessibility remain key concerns. Delegates of the AIIB should consider how they might work closely with the Chinese government to target spending in a way that maximizes access to these new healthcare resources and facilities. Despite improved health insurance coverage in both cities and rural villages, the public still feels that quality healthcare is unaffordable and inaccessible. Medical expenses are growing faster than personal income, such that in 2003, 20% of patients in China could not afford healthcare. Another survey by the Ministry of Health in 2003 showed that 65% of the Chinese population lacked medical coverage while 45% of urban residents lacked basic coverage, a staggering 70% of rural residents lacked any sort of coverage altogether. Thus, most of the rising cost of healthcare is borne by patients themselves. Fortunately, the Chinese state seems to be aware of this problem and healthcare has been claiming a rising share of the annual budget. From 2003 to 2007, China's health budget grew by more than 20%.[14] Infrastructure can play a key role in affordability as well, increasing rural residents' ability to pay for healthcare services by providing them with the economic opportunities needed to succeed.

The urban-rural divide has similarly posed a huge obstacle for the efficacy of the healthcare system, leading to a bifurcation of healthcare provisions. In urban areas, free health services are provided to public employees at health service facilities financed and managed by the government. In contrast, rural areas adopted a three-tier healthcare system, comprising local village services, township health centers, and county or city hospitals. Infrastructure can play a key role in equalizing access to medical treatment between urban and rural populations.

Overall, the Chinese healthcare system has experienced considerable successes in the past decades. The China has been lauded by the World Health Organization and has been paraded as an example of a developing country that had significant progress in achieving improvements in healthcare since 1949. Indeed, from 1952 to 1982,

average Chinese life expectancy rose dramatically from 35 to 78 years, and infant mortality dropped from 240 deaths to 40 deaths per 1000 births. These achievements can be attributed to the Chinese central planning system, an emphasis on primary care, and the expansion of infrastructure to increase access to healthcare services. Hence, as delegates of the AIIB, it is of primary importance that you debate how further infrastructural investment can drive the continued expansion and improvement of the Chinese healthcare system.

Though less immediately linked to the functioning of healthcare systems themselves, the AIIB's emphasis on clean energy is similarly critical to the improvement of health and healthcare practices across China. A study by scientists and public health experts from Fudan University showed that the total health cost created by outdoor air pollution in China in 2003 was as great as 520 billion Yuan, shortening lifespans and impairing productivity.[15] The AIIB has made the adoption of green energy technology—which creates much less pollution—a major focus of investment and attention. Delegates should consider the highly positive secondary effects of transitioning away from highly polluting forms of energy—such as coal, which is widely used in China today—towards cleaner alternatives such as natural gas and renewables like wind and solar power. By decreasing pollution through investment in clean energy infrastructure, the AIIB could simultaneously combat global warming, increase energy output, and lessen the burden imposed on China's healthcare system by pollution-related illnesses.

Another area of healthcare where the AIIB's infrastructural focus could be useful is clean drinking water. At present, hundreds of millions of China's residents experience illness every year due to the inaccessibility of clean drinking water. This problem is particularly pronounced in rural areas.[16] The lack of clean water throughout much of China is driven by a number of factors, including pollution from fossil fuels and fertilizer runoff, obsolete piping systems which introduce potentially harmful substances into water, and inadequate sanitization infrastructure.[17] Infrastructural investment by the AIIB—in partnership with the Chinese government itself, which has begun working extensively on this issue—could allow for the renovation and renewal of existing infrastructure to expand access to clean water across China. Like pollution mitigation measures, such projects would decrease the burden on the Chinese healthcare system by stopping preventable water-borne diseases.

Housing

A Chinese housing security system had been developed since 1994, with three broad elements: subsidized home ownership; housing provident funds that people can borrow with favorable terms; and low rent public housing for the poor, and public rental housing at half the market price for newcomers to the local labor market.[18] However, after 1998, housing policy was reformed to cater to residents' growing diversity of needs, reflecting China's growing shift towards a market economy. Under the reforms, poorest families could rent subsidised flats provided for by the government or their employers, lower to middle income households could purchase subsidized and inexpensive apartments, and those middle income and above could either buy or rent commercial apartments set at market price. Residents were expected to use the money they had accumulated in the housing provident funds, or get bank loans to buy houses in the private market.

While the 1998 reforms successfully pushed people to buy homes and dramatically increased home ownership rates, urban housing continues to be unaffordable for ordinary wage earners, in particular young people, lower-income groups and migrant workers.[19] These groups have ended up living in rented accommodations in urban villages and semi-urban farmhouses. Even today, where the average Chinese residents lives in much better housing conditions with per capita housing area averaging 28.7 square metres, inequality continues to be a persistent problem.[20] This

becomes particularly relevant as local governments are encouraging the development of luxurious commercial housing at the expense of affordable low-rent housing. As rising housing prices become the subject of widespread complaints, the government has stepped up measures to increase the affordability of housing for ordinary wage earners. These measures include subsidising the rent of low-income workers, and building more low-rent apartments. For example, in Liaoning, the provincial government subsidized the renovation of shantytowns populated by ordinary miners, benefitting 1.2 million people[21]. The central government is studying Liaoning's experience and looking to replicate its success in other provinces.

Figure 4: A shantytown in Shanghai. Shantytowns across China are being renewed by government initiatives.

The intersection between housing and infrastructure is complex. On one hand, housing is occupied by individuals and does not represent a publically held and publically usable asset like a road system or electrical grid. As such, it is tempting to consider housing as being *related* to infrastructure without being infrastructure in itself. Under this model, infrastructural investment can expand housing opportunities by increasing connectivity through roads and other transportation infrastructure. Greater connectivity means fewer problems getting builders and building materials to rural areas to complete projects, and expands individuals' ability to commute to jobs farther from their homes. If a modern, high-capacity highway or train system connects a town to a major city, residents of that town can remain in their current homes while pursuing economic opportunities in the city via commuting. Without such connectivity, they might be compelled to move to the overcrowded city itself, placing strain on its housing capacity.

On the other hand, one might consider housing to be infrastructure in its own right. The arguments on this side are strong as well—like roads, bridges, and public transportation systems, access to housing facilitates economic opportunity and drives development. As a barrier to growth, expansion, and economic mobility in China and other parts of the world, housing can be conceptualized as a direct infrastructural problem in need of solving. Under this model, the AIIB could attempt to expand housing opportunities by participating in the planning and funding of affordable housing across China, particularly in regions which currently suffer from a lack of housing access.

Future Obstacles

Resource Constraints

Recent moves to replace State-Owned Enterprises (SOEs) and rural collectives as the main provider of welfare have also led to a ballooning of the welfare budget. In particular, the disintegration of traditional *Danwei* has shifted the burden of welfare provision from employers to the government. Hence, the goal has shifted from equal pay to income redistribution to universal social security with a focus on low-income earners. Nonetheless, it remains unlikely that the government will remain the main provider of welfare, as it appears keen to play a supporting role whilst encouraging the individual, family, community and employer to play a more dominant role, in line with Confucian ethics and tradition. Organizations such as the AIIB can play a critical role in driving the economic growth needed to ensure that China continues moving towards greater economic opportunity and equality in the face of these costs.

Currently, local governments are required to allocate part of their budget towards poverty reduction programs. The financing structure of most poverty reduction programs comprise of funds by the central government, international donors, and matching funds from local governments. The ratio of contribution sources is fairly flexible and diverse, depending on the economic profile and poverty landscape of specific towns or provinces in question. However, most local governments in poor counties are in poor financial health and are threatened with the prospect of financial insolvency. A study by Jiang and Gao (1998) revealed that officially designated poor countries received a total of 6.6 billion yuan in 1994, one half of the local budgetary revenue. Due to inadequate budgetary funds of local governments, several of these poor counties are unable to provide matching funds. Indeed, an auditing report provided by the State Auditing Bureau indicated that 370 / 592 poor counties had not provided any counterpart funds from 1997 – 1999.[22]

Budgetary constraints have even forced some city and town governments to lower minimum thresholds for access to poverty relief, excluding significant populations of vulnerable communities in the process. For example, in Nanchong city, Sichuan province, fewer than 9,000 of its 39,000 urban residents with incomes below the minimum living protection line received poverty relief.[23] Fiscal constraints have also led to shoddy implementation of poverty relief projects, with some local governments neglecting feasibility studies, or failing to monitor service delivery to cut costs, at the long-term detriment of these projects' viability. Delegates should consider how the AIIB can serve as a partner to the Chinese government and its people given these challenges. Infrastructural expansion must play a key role in picking up the slack where welfare programs alone cannot provide adequate standards of development.

Rural Urban Disparities

Another key area of concern is *whom* the dualistic structure neglects. Migrant workers are a significant vulnerable community neglected by existing welfare demarcations, and the migrant population currently totals about 140 million.[24] While most rural migrant workers spend more than half their time working in cities, they are excluded from urban welfare entitlements as they lack an urban Hukou. However, they are also unable to benefit from the rural cooperative medical care as the system is not designed for them.[25] Hence, even as the Chinese governments has moved towards reforming the household registration system dividing urban and rural residents, welfare provision continues to be demarcated according to pre-reform policy structures.

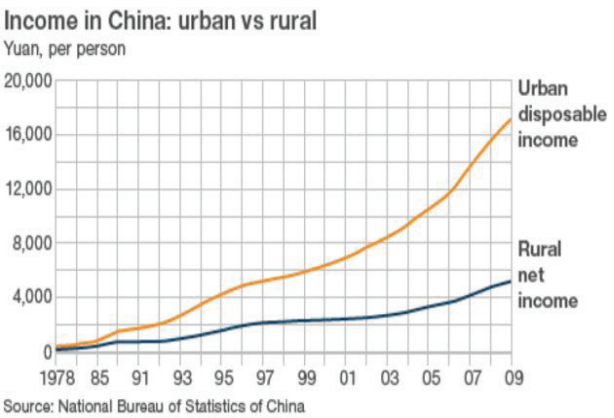

Figure 5: Disposable wealth in urban and rural China. Graph from the BBC.

Balancing urban and rural interests is far from trivial. For example, it would be unrealistic to guarantee equal welfare provisions to the migrant population before ensuring that supply-side infrastructure such as housing and hospitals are in place. While some cities adopted radical reforms allowing migrants' children free access to primary education, the policy led to farmers' migration to cities to give their children a better education due to disparate educational standards between urban and rural areas.[26] The resulting migration imposed a significant burden on urban facilities and governments, and, as a result, these radical policies were eventually dropped.

Despite significant progress in poverty alleviation, the results have been uneven across China's various regions. Regional disparities have been exacerbated since the mid-1980s during China's period of high economic growth, when the relative regional disparity coefficient, indicative of wealth disparities among the regions of China, increased from 28.8 in 1985 to 33.6 in 1992. As such, there are vast differences in the needs of the rural poor who live in remote mountainous regions and the urban poor in rich coastal provinces that demand nuanced local solutions rather than sweeping reforms aimed at poverty reduction.

Provinces with the highest relative incidence of poverty as a percentage of the total population in the area are Gansu (34.2%), Qinghai (23.7%), Inner Mongolia (23.5%), Shaanxi (20.3%), Yunnan (19%) and Ningxia (18.9%)[27]. In contrast, the incidence of poverty in the coastal provinces of Guangdong and Fujian is only 0.9% and 1.8% respectively (UNDP, 2009). High poverty rates are also closely affiliated with poor results on other dimensions, such as literacy rates and life expectancy. For example, the inner western provinces have the highest percentage of people not expected to survive to age 40 (9.7%) compared to 8.8% in the eastern coastal provinces. Western provinces also had the highest adult illiteracy rate (22%), in contrast to 13% in the coastal provinces. Overall, the human poverty index in the western provinces in 1990 was 44 versus 24 in the central provinces and 18 in coastal ones.[28] As delegates consider how to allocate infrastructural resources in China, they must consider this balance between urban and rural populations. While expanding access and opportunities to rural populations is obviously critical, urban populations face their own growing challenges and must be addressed as well.

Ethnic and Gender Disparities

China is incredibly diverse, with 56 ethnic nationalities that comprise 8% of the total population. [29]Given that most of China's ethnic minorities reside in rural mountainous areas in the northwest and southwest, it comes as no surprise that there is also a particularly high incidence of poverty amongst these ethnic minorities. In the resource-constrained rural areas, most of these minorities are net consumers of grains and other subsistence foods. However, unlike other rural peasants, ethnic minorities face even greater challenges due to severe discrimination.

For example, the incidence of poverty in minority areas is 21.3% compared to the national average of 13.9%, and, of the 592 officially designated poor counties, 259 (or 44%) were located in minority areas. Ethnic disparities reveal themselves not merely across broad geographic regions, but even at the micro level within a single province. For example, in Yunnan, 51 of the 73 poor counties were composed of primarily autonomous minority groups. Similarly, the World Bank estimates that 82% of minority people were living on yearly incomes below 120 yuan a year, compared to a mere 8.4% of the Han (China's dominant ethnic group).[30]

China's economic boom has disproportionately benefitted men, as women continue to be economically and socially vulnerable. In rural China, female workers earn about a fifth less than their male counterparts. [31] Similarly, in urban areas, women receive only 74% of retirement income as compared to men, and only 56% of income in private enterprises as compared to men.[32] These alarming trends are similarly reflected in other dimensions of human capabilities, with an increase in relative deprivation of women without access to primary education and healthcare. For example, girls accounted for about 70% of the population of children aged 7 – 11 not enrolled in primary schools[33]. Females' lack of access to affordable healthcare and health insurance also contribute to persistently high rates of infant mortality and maternity complications in China's poorer regions. Indeed, out of the 300 counties surveyed by the Ministry of Public Health, up to 60% of births in poor areas were unattended, with maternal mortality averaging 202 deaths per 100,000 births.

Infrastructural investment must be carried out in a way that recognizes the challenges faced by women and ethnic minorities in China. The AIIB should implement standards and objectives that aim to ensure that infrastructure is built in a non-prejudicial way, elevating members of socially marginalized populations.

Policy Debates and Potential Solutions

Points of Contention

Financing Welfare

In China, poverty alleviation is mainly financed in four ways – fiscal funds, industry funds, credit funds, and social funds. Domestic financial resources have increasingly played a central role in poverty reduction, despite international financial assistance forming the bulk of funding in prior decades. Domestic financing for poverty alleviation is usually directed towards substantially expanding overall capacity building for the poor through sector-specific investments in production (e.g. infrastructure) and the provision of public services (e.g. education), whereas international financing has been directed towards innovating welfare services. Domestic financial resources tend to be provided by a range of stakeholders, most prominently the government, followed by businesses, financial institutions, and civil society.

Figure 6: Domestic and international resources have been used to finance large transportation infrastructure projects in China

Prior to the 1978 reforms, financing was mainly conducted through emergency relief plans and a top-down administrative system of civil affairs following the imperial tradition. This assistance-based approach meant that poverty alleviation funds were mostly disbursed in a haphazard fashion, with a greater emphasis on social rather than economic returns. This approach was appropriate for China's planned economy in helping the socialist state meet the needs of the poor. However, under the development-oriented approach, the focus of financing shifted from indirectly aiding the regional economy to directly aiding people in poverty-stricken localities. In 1984, the government issued the Notice on Assisting the Poverty-stricken Areas to Eradicate Poverty as Quickly as Possible[34], in line with its new development-oriented poverty alleviation principle. According to this principle, the government's anti-poverty strategy sought to combine economic growth with poverty alleviation. It aimed to lift poor populations out of poverty through regional economic development plans as a more sustainable means of poverty alleviation. This model also paid particular attention to the use of poverty alleviation funds, and most of the funds were released in the form of loans with substantially discounted interest. This was especially beneficial for poor farmers who were often unable to gather enough collateral to access funding, and lacked access to alternative loans due to their long repayment periods. This helped mostly destitute farmers to scale up agriculture production and break out of a vicious poverty cycle. The economy consequently grew by leaps and bounds, and most of the employment opportunities created through these funds largely benefitted "non-vulnerable groups."

Today, the transition from a dispersed and relief-oriented poverty reduction method to a more centralized and growth-oriented method has allowed funding to be applied in a greater variety of ways, such as infrastructure investment (constructing farmland, expanding highways), growing market-oriented industries and subsidiary industries, and organizing training in

highly advanced agro-technology to assist poor farmers in improving their resources.

China's development-oriented poverty reduction strategy has also helped expand financing channels. Apart from fiscal funding, China has also started to source funds from banks, enterprises, civil society and other economic groups, and various kinds of foreign aid have also been incorporated on top of domestic aid. With the utilization of more funding channels, the scale of poverty alleviation investment has similarly increased substantially. The focus of poverty reduction has been enlarged, with attention now being paid to investments in factors such as human capital and health, which are all crucial ingredients for sustainable development. The AIIB is positioned to take a place at the center of this trend. With its global connections and narrow focus on infrastructure development, it can play a key role in contributing to China's mission to eradicate poverty, provide universal access to high quality healthcare, and facilitate the expansion of housing opportunities.

Defining and Measuring Poverty

Defining and measuring poverty itself is problematic, but essential to targeting interventions such as infrastructural expansion. Traditional estimates of poverty have followed the World Bank's international poverty threshold, which defines a poor person as one who lives on less than US $1.25 a day.[35] However, poverty measures have always been a source of controversy, as there is no consensus about the conceptual and methodological approaches used to construct these lines.

China has been very successful in reducing extreme deprivation. In the early 1980s, 94% of China's rural population and 44.5% of its urban population lived on less than US$1.25 a day (United Nations University, 2010). By 2005, the percentage of people in poverty had fallen to 26% in rural areas, and to just 1.7% in urban areas. This represents a fall of 627 million people, from 835 million in 1981 to 207.7 million in 2005. Remarkably, the fall in the number of China's poor exceeds the number still living in poverty in sub-Saharan Africa (about 388 million people) and Latin America (47.6 million people).[36]

However, China has not been exempt from controversy in the way it measures poverty, despite the fact that the country has lifted the poverty line on several occasions since the late 1970s (when it embarked on market-based reforms). China's official poverty lines have been derived based on a bundle of items dominated by food grains that have not been updated adequately to reflect changes in consumption patterns nor adjusted to take into account inflationary trends in both food and non-food items.[37] The result was one of the lowest rural poverty lines in the developing world. Further, in the implementation of income thresholds as exclusion criteria for welfare services, there is a difference between individual and family-based poverty lines. In particular, eligibility for welfare is often based on per capita household income, but such an approach is gender-blind and assumes a fair distribution of food within a household, even as scholars have found that gender and cultural biases led to unequal distribution of resources within a household. [38]Further, differences in household size have obvious implications on living standards. Even though some of these policies adjust for household income on a per capita basis, the equivalence scales may not be satisfactory given the varying composition in terms of numbers of elderly, working adults, and children. Capturing the implications of chronic disability for needs is particularly difficult. Work-related expenses such as transport and childcare may also affect the net income available to support living standards.

Poverty is not just an economic calculation, but a multidimensional one. Poverty is a lived experience, a complex mix of social, cultural, and political dimensions that extends beyond mechanistic and utilitarian calculations. The choice of poverty definition and measurement is hence as much a normative calculation as

a technical one. Crucially, these approaches (participatory, monetary, capabilities etc.) can be taken in tandem, and there is arguably a case to be made for integrating various approaches to suit China's needs and context. For instance, a participatory approach can be combined with a social inclusion approach, where PPAs are used to identify the measures of social inclusion that the community's participants deem relevant in the first place.[39] The crux of this proposal is to present an array of non-absolute poverty line approaches, and most importantly non-monetary approaches, as a complement – rather than substitute – to existing ad hoc ways of defining poverty. Integrating various non-monetary approaches to monetary ones help policy makers tease out the causal processes underlying poverty, and frames the policy response. As Tomlinson, Walker, and Williams (2008) put it, "while it is widely appreciated that poverty is an inherently multi-dimensional concept, this multi-dimensionality has been lost, weakened or distorted when poverty is measured" (p. 600). Deprivation indicators allow us to see, for example, where absence of basic necessities, poor housing, bad local environment, social isolation, and bad health are found together.[40] However, this is not to say that income-based approaches have no role. Indeed, the broader dimensions of non-monetary approaches could be integrated with structural clarity of monetary approaches for a more comprehensive definition. For example, income thresholds for specific welfare policies could be raised to a level where an individual is deemed to have the capacity to participate fully in society.

Hukou

Discussion of China's welfare policies is not complete without mentioning the Hukou, a crucial document needed to access most of China's welfare schemes. Indeed, a local Hukou is needed to access various urban commodities including housing, education, poor relief, healthcare insurance, and various other types of public services.[41] However, the large rise in rural-urban migration since the market reforms of 1978 means that most of the rural immigrants lack an urban Hukou, forcing migrant workers to settle for low-paid temporary jobs in urban areas without so much as a safety net.[42] Worse, local-level municipalities and their employers are similarly hesitant or simply unwilling to provide public services and access to welfare provisions to these migrant workers. Migrant workers without a Hukou are considered the floating population of China.

In recent years however, the central government, more aware of the problem, has attempted reforms in order to address issues faced by migrant workers. Prior to these reforms, migrant workers without a Hukou lacked formal access to urban housing. [43]Most of them sought accommodations in the workplace, in slums, or in illegal constructions in the outskirts of city areas. In the 1990s, 'blue print Hukou' was created and issued to migrant workers, and workers could use these temporary documents to purchase local housing[44]. However, this blue print Hukou still did not grant them the full sweep of rights they were theoretically entitled to as citizens of China. Further, while the blue print Hukou entitled migrant workers to purchase housing at market prices, they were not allowed to purchase subsidized housing through schemes like Economic Comfortable Housing. Migrants thus had to purchase housing at much higher prices than their local counterparts. Yet, ironically, these migrant workers tended to be precisely those who most needed the subsidies given their lack of secure employment and the low-skilled nature of their jobs.[45] Delegates should consider how the AIIB might contribute to improving conditions of life for these workers.

Areas of Opportunity

Big Data

The rise of big data has proven to be a significant potential game changer in Chinese infrastructural investment. The growth of big data is in line with the government's push towards the development

of big data in China, with China's first big data engineering laboratory launched in Guizhou in June 2017 to help improve government administrative efficiency. As Zhou Xing, an official at the Guizhou poverty relief office said, "big data really helps make poverty-relief more precise and efficient" (Zhou, 2017). Since Guizhou adopted big data for poverty relief in 2015 after the development of a cloud-computing platform, big data has helped officials track and manage the financial status of over 6 million welfare recipients across 9,000 villages.[46] Apart from helping to address issues of transparency and democratizing access to information, big data has also streamlined the process of welfare application and disbursement has transactions have become digitalized, thereby making the process much more efficient and convenient. Centralizing information in an electronic system further helps officials access this information for research or policy purposes, and enables a supervisory team to conduct random checks to prevent corruption.

The aggregation of data related to social welfare in China could be combined with other data sources—healthcare data, environmental data, and economic data, for instance—to target infrastructural spending. To maximize its impact on the sustainable development of the Chinese economy and address the issues outlined above, the AIIB should use quantitative methods to determine where its interventions are most needed and how they can best be carried out. Delegates should consider including an emphasis on data collection and data-driven project targeting in their eventual resolution.

Strengthening International Cooperation

The AIIB is an inherently international organization, and should apply its international connections and resources to Chinese infrastructural development. Including international groups as stakeholders and investors in infrastructural projects within China would increase resource availability and potentially introduce expertise from around the world. Though it must work closely with the Chinese government to facilitate infrastructural expansion within China, the AIIB can potentially be a resource connecting China's internal efforts to develop infrastructure to the broader international community. The AIIB could even facilitate the creation of public-private partnerships with companies inside and outside of China, bringing private sector resources to China's many ongoing infrastructural development projects.

Of course, the AIIB must be careful not to impinge on China's sovereignty and control over its economy as it carries out its programs. Delegates should think carefully about what sorts of initiatives the Chinese government would be amenable to, and structure its investments around the interests of the country and its people.

Clean Energy Technology

The AIIB has placed a strong emphasis on promoting clean energy as an alternative to the highly polluting and carbon dioxide intensive fossil fuels primarily used around the world today. China's reliance on cheap coal fueled its initial industrial expansion, but—in the eyes of the AIIB and, increasingly, the Chinese government—the time has come to move away from dirty energy sources. Pollution, global warming, and the promise of clean energy intersect with all of the issues targeted by this committee. Building the technology and infrastructure to facilitate the adoption of clean energy technology creates jobs,

Figure 7: An AIIB-funded renewable energy project in India

and the availability of low-cost renewable energy technologies such as solar panels allows the grid to partially decentralize—while the vast majority of China's people have access to electricity, those who exist off the grid could generate their own power using low-cost solar panels. As discussed above, the adoption of clean energy technology also has implications for healthcare in China. Pollution of air and water is responsible for many deaths and illnesses in China every year, so moving away from highly polluting energy sources is an easy way to lighten the load on China's healthcare system and improve the country's health across the board.

The AIIB is currently implementing a large-scale clean energy investment project in the outskirts of Beijing. Recognizing the destructiveness of coal-fueled power generation—the dominant form of energy generation in the targeted area—the project aims to reduce China's annual consumption of coal by approximately 650,000 tons by providing roughly 216,751 rural households with natural gas connections. If the project goes according to plan, these residents will be able to heat and power their homes using much cleaner natural gas rather than highly polluting coal. This "Beijing Air Quality Improvement and Coal Replacement Project" is an excellent representation of the promise offered by clean energy technology, and should serve as a model to delegates curious about how AIIB programs are structured and executed.[47]

Questions A Resolution Must Answer

A helpful way to structure committee debate and overall resolution writing is to consider the following questions:

- What sorts of new infrastructural projects will increase economic opportunity for the people of China? How can this infrastructure be built in a way that benefits the entirety of society (both urban and rural residents, for example) rather than limited parts of society?
- How does the effectiveness of healthcare systems intersect with infrastructure and infrastructural investment? How can the AIIB use projects across a wide range of infrastructure types—energy, transportation, etc.—to improve access to healthcare for all of China? How will residents of rural communities be served under such a plan?
- Is housing infrastructure? How should the AIIB address China's challenges regarding housing access and availability?
- How have previous infrastructural projects in China succeeded or failed? What can be learned from the history of such projects and applied to future initiatives of the AIIB?
- How should the AIIB envision its relationship with the Chinese government? Will it operate on a largely government level or individual level? What, for example, is the appropriate role of other NGOs (both domestic and international) as well as wider civil society?

Suggestions for Further Research

While this background guide is intended to orient delegates to the issues surrounding the potential roles of the AIIB in supporting poverty eradication, healthcare, and housing efforts in China, it is by no means exhaustive. The questions at play are as convoluted as they are vital. As such, it is highly recommended that delegates perform independent research to supplement the document at hand. The quality, scope, and depth of this research will likely determine delegate performance, so it should be undertaken fastidiously.

I would suggest that delegates focus on two primary concepts in their further research—the activities of the AIIB and the role of infrastructural investment in supporting economic development and the improvement of living conditions. To understand the AIIB, delegates are encouraged to take careful note of the bank's past and present projects and initiatives. This research should give a sense of how the AIIB tends to structure

its interventions, and will inform delegates' approach to the resolution writing process. Given that the AIIB just funded its first major project in China—the aforementioned "Beijing Air Quality Improvement and Coal Replacement Project"—in December of 2017, delegates should give particular attention to that project's objectives and format. Consider how it overlaps with the stated goals of this committee.

To understand the power of infrastructural investment more broadly, delegates should look to the history of China itself. As referenced frequently throughout this guide, China's government has undertaken a multitude of massive infrastructural advancement projects over the last half-century. These projects are largely responsible for the country's enormous economic success in recent years, and should be scrutinized by delegates seeking to learn more about the relationship between infrastructure and prosperity. Moreover, delegates should identify ways in which previous Chinese infrastructural projects have failed to meet their objectives—these failures can provide important insights into how future projects should be structured.

In addition to these research areas, delegates are encouraged to keep up with news surrounding the AIIB and to undertake general research into China's pressing social and economic challenges.

Guidelines for Position Papers

This conference requires delegates to adopt a country's perspective. This simulation is a key element of the "international" experience of Model United Nations since it requires you to examine problems, perspectives and policy solutions that you may not personally hold. To craft a position paper involves confronting your own personal biases and overcoming them to create a document outlining the position of the country you will be representing. Position papers are the focus of preparation before the conference, and we ask you to put effort into the research and writing of these papers.

Your position paper should be one page, single-spaced, twelve-point Times New Roman font (approximately 600 words). Your name, country name, school, committee, and topic area should be stated in the upper right hand corner. The paper should involve three paragraphs. These paragraphs cohere to form a logical procession, and each paragraph should build analytically on the last. The first paragraph should focus on a general background of the topic as it affects your country. What connection do you have to the topic? The second paragraph should discuss relevant policies. Generally speaking, policies may be understood as any attempt made by a country to secure their interests in regards to the topic. They are the mechanisms put in place to realize a specific goal, and are usually open to negotiation. Finally, the third paragraph should discuss potential solutions to key issues. Although this section provides some flexibility in representing your country's position, you must remain mindful of the interests and policies enumerated in the other sections of your position paper when advocating for specific solutions.

These guidelines are meant to focus your research in the places which will be most productive for debate. Understanding your position is important for creating a collective plan. I highly encourage you to conduct your investigations and learning with vigor and curiosity.

Closing Remarks

As the above case studies show, poverty is a multi-dimensional concept that is intricately tied to economic, social, political and cultural factors. Poverty can also be analyzed using a micro-macro-meso approach, moving from the individual agent, to his or her immediate community, wider society, the country, the region, to the broader world. These paradigms help us frame poverty in a broader lens, which in turn help generate

solutions that both recognize and address the complexities inherent within a single issue.

Absolute poverty has reduced across China, but the battle continues. As members of the AIIB it is now your responsibility to engineer targeted infrastructural projects capable of improving access to economic opportunity, healthcare, and housing across China. While your countries will all take different approaches to the process of designing such initiatives, the committee is united in its shared commitment to using infrastructure as a mechanism of positive social and economic transformation. As you review this guide and go on to complete other research, I encourage you to dream big. Think about the sorts of infrastructural projects that will be needed to make the future of China bright for everyone, then get down to business and push them closer to reality.

Endnotes

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