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Offering jobs vital to open new markets

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How can the "One Belt and One Road" program benefit the economies along its path? Of course, capital and technologies matter. But sustainable prosperity cannot be created without sufficient employment alongside it.

The "One Belt and One Road" program is characterized by its reciprocity, but this cannot be managed purely through investments. Above all, the creation of mutual benefits depends on how many jobs the program can produce for its participants.

Unemployment is one of the toughest challenges for the global economy. It is one of the culprits for unrest and turmoil in many politically unstable nations, especially when too many young people are jobless.

China's rise has offered enormous dividends to the international community. China, as a "world factory" in the global value chain, has produced innumerable cost-effective goods, which have dramatically improved the life of people from the middle class to those who live at the bottom of society.

When people in Rio de Janeiro's slums start to use China-made rice cookers, and women in the remote rural areas in Bangladesh can purchase Huawei-made mobile phones, China's growth dividend is benefiting them.

According to UN statistics, in 1990, almost half of the population in developing regions lived on less than $1.25 a day (adjusted for inflation). This rate dropped to 22 percent by 2010, reducing the number of people living in extreme poverty by 700 million.

There are a large number of people living in developing countries jumping out of abject poverty. When they buy their first TV set, mobile phone, washing machine or computer, these are mostly made in China.

However, if their jobs are in danger because China is dumping its products in the local markets, they will probably be unhappy instead of having a favorable impression toward China's entry. In the early 2000s, the influx of China-made products dealt a heavy blow to European and US markets.

China's attempt to connect its neighborhood through the "One Belt and One Road" program faces the same test.

Some countries are worried that this interconnection will facilitate Chinese products' entry into their markets, which will have a huge impact on the local job market.

Now, some Chinese neighbors are suffering from grave pressures of unemployment. The unemployment rate in Afghanistan is 35 percent, while in Nepal it is 40 percent, and 50 percent in Turkmenistan.

Besides, countries like Thailand, Myanmar, Vietnam and India are also racking their brains about how they can move the huge numbers of people who only have temporary jobs or live in rural areas into the manufacturing industry. Take Vietnam, where the government has to take care of over 1 million young people hunting for work every year.

For employment issues of neighboring countries to be given more consideration while China is carrying forward the "One Belt and One Road" initiative, industries which can create generous job opportunities should be given priority in terms of implementation. In this way, China will have bigger odds to promote the program smoothly.

The "One Belt and One Road" scheme is not a panacea for Chinese neighbors to address their unemployment problems once and for all. With the impetus of the program, these countries need to create a sustainably self-reliant job market. Just as the old adage says, give a man a fish and you feed him for a day; teach a man to fish and you feed him for a lifetime.

Through a few UN projects, China has gathered some experiences in supporting neighboring countries to improve their employment training. These efforts have already achieved some good results. China should design similar projects in its "One Belt and One Road" program.

Chinese authorities should realize that the success of a program is not always in a positive correlation with its investments. Sometimes, a small project which can provide down-to-earth job opportunities will get more acclaims than a massive project worth billions of dollars.

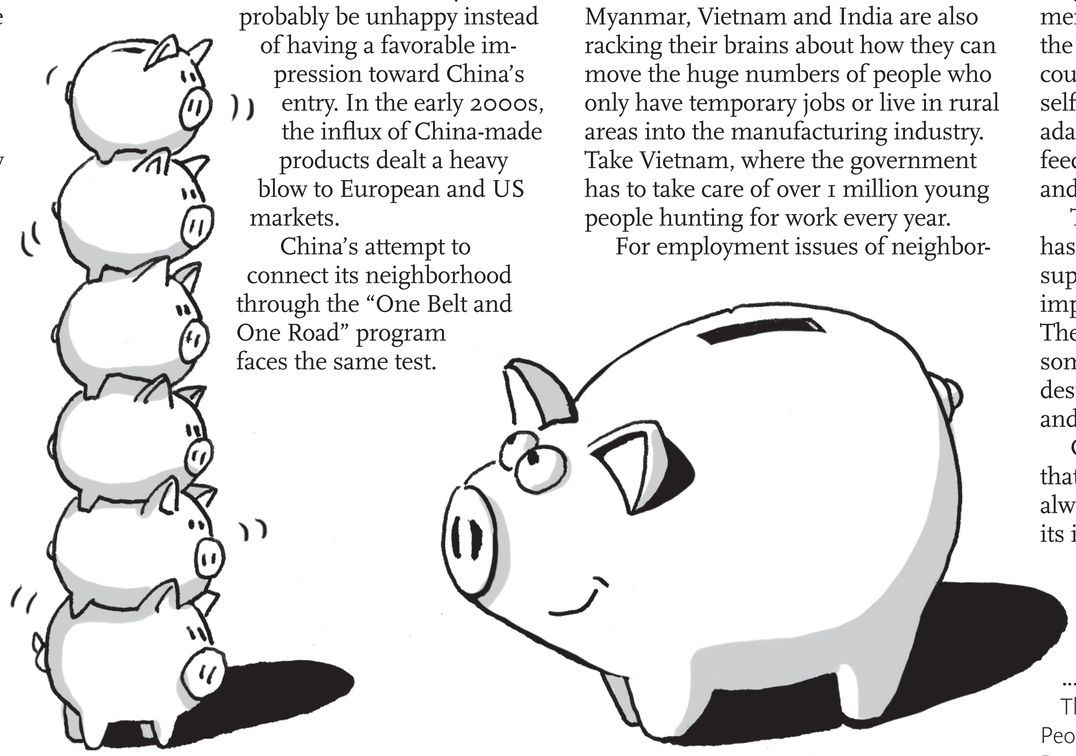

Illustration: Liu Rui/GT

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AIIB plays to China's powerful strengths as good institutional citizen

By Geoffrey Raby

The Asian Infrastructure Investment Bank (AIIB) is a bold idea whose time has come. It therefore should not have been a surprise to governments invited to join as founding members. More surprising, perhaps, is that it became such a controversial issue for some governments, including those, such as Australia, that have a strong track record in conceiving new institutional arrangements to underpin regional prosperity and security, such as APEC.

There are at least five reasons why the AIIB should not have been a surprise, even though its precise form and purpose may not have been anticipated.

The shift in global economic power to Asia over the past 20 years, led mainly by China, but accelerated since the global financial crisis, has made it inevitable that the region, and especially China, will be engaged in institution-building to reflect the new global economic realities.

China and other developing countries have sought unsuccessfully for many years to reform the post-WWII Bretton Woods' institutions, particularly the IMF. The AIIB, however, should not be seen as merely a response to these frustrations.

China has been engaged for a number of years with building new international institutions. The Shanghai Cooperation Organization founded in 2001 was the first of these. Although primarily a loosely conceived forum for exchanging views on security issues mainly in central Asia, it has developed form and structure over the years, including conducting joint military exercises.

China has been looking at ways to recycle its reserves beyond holding US treasuries or investing in resources for some time.

Having committed itself to fund 50 percent of the initial capital of some $100 billion, China has another option for managing part of its holdings of foreign exchange reserves.

China's own domestic infrastructure is now quite mature and so it is natural for it to seek to export that capacity. China has gone a long way toward standardizing major civil engineering works. It began with 600 megawatt coal-fired power stations, then it covered the country with six-lane toll freeways. More recently, it has done the same thing with the roll-out of high-speed passenger trains. More could be added to this list, including dams and bridges.

Few, if any, other countries have had the scale and policy coordination to do this for big civil engineering works. Standardization of civil engineering cuts the marginal cost of subsequent projects. China should be able to supply the infrastructure and associated equipment very competitively.

It is also not surprising that 57 countries have signed on as AIIB founding members. Some of these, such as the Australian government, have legitimately expressed concerns that the AIIB adopts high standards of governance and does not become an instrument for advancing only the interests of the bank's major shareholder. While only time will tell, it is clear that these concerns have registered.

Since the late 1970s when China began rejoining the system of international institutions, it has generally been a good citizen, seeking to advance its interests within the agreed framework of institutional rules.

That China has chosen through the AIIB to bind itself to a set of multilateral rules and disciplines should give some of the doubters comfort. After all, with its substantial financial resources, it could more effectively advance its interests through bilateral arrangements. Instead, it is seeking the legitimacy that comes from acting multilaterally. This is to be welcomed as well.

The AIIB will not supplant other multilateral institutions, though in some cases, notably the Asian Development Bank, it may provide needed competition in the funding of infrastructure. If it leads to the provision of more infrastructures in Asia, supplied competitively, it will make an important contribution to the region's further development.

For this to occur, those who are now involved in drafting rules and procedures, and in carefully articulating the fundamental principles on which they should be based, need to ensure that a broad and balanced consultative process is undertaken. It will be important for the decision-making rules to be inclusive but also to allow for action. Beginning with a fresh sheet of paper with all the experience of existing institutions on which to draw is an exciting but challenging prospect for the 21st century's newest institution.

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