

The Conflict Over the China-backed Asian Investment Bank

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The decision by major European powers to join the \$50 billion China-backed Asian Infrastructure Investment Bank (AIIB) is a significant blow to the United States. It is a clear sign that, amidst deepening global stagnation, the economic mechanisms through which the US has exerted its hegemony are breaking down as other imperialist powers assert their independent interests.



The initial blow came last Thursday when the British government of Prime Minister David Cameron announced that it would become a founding member of the bank. An unnamed White House official responded by denouncing “a trend towards constant accommodation” with China that was “not the best way to engage a rising power.”

The US opposition to Britain’s action was underscored by a comment in the Financial Times which noted that in the lexicon of diplomatic rebukes “accommodation” is only one step below “appeasement.”

US opposition proved to be no deterrent, however, as Germany, France and Italy followed the British decision with announcements that they were also seeking to become founding members of the bank.

Other countries in the Asia-Pacific region, including Australia and South Korea, which refused to sign up after intense US opposition last year, are also actively reconsidering their position. Last October, the Australian government reversed a previous decision to back the bank, following an intervention by US President Barack Obama, Secretary of State John Kerry and Treasury Secretary Jack Lew. Australia is reportedly now on the verge of announcing its participation.

In remarks to Congress, Lew said Washington’s main concern over the bank, which is seen as a rival to the US-dominated World Bank and the Asia Development Bank led by its ally Japan, is driven by concern over whether it would “adhere to the high standards that the international financial institutions have developed,” protect the rights of workers and the environment and “deal with corruption issues appropriately.”

Coming from a representative of the US financial establishment—Lew has held a leading post in Citigroup—the expression of concern over corruption is especially hypocritical. A 2011 US Senate report found that leading US banks and investment houses engaged in what amounted to criminal activity, which played a major role in precipitating the 2008 global financial crisis. The same applies to professed concerns over the environment and workers’ rights.

The real motivation for US opposition is that the China-backed AIIB will weaken US economic dominance of the Asia-Pacific region and undermine its drive to ensure continued military supremacy within the framework of the “pivot to Asia.” It opposed Australian participation on the grounds that infrastructure projects financed by the bank—including ports, airports and railways—could play a role in enhancing China’s military and strategic position.

The European powers have clearly concluded that they see no reason why they should sacrifice valuable economic opportunities in order to fall in line behind American strategic objectives, when the US is unable or unwilling to provide anything in return.

The divergence between the US and the European powers was summed up in a comment by Richard Ottaway, the chairman of the British House of Commons Foreign Affairs Committee. The conflict over the bank reflected the fact that Britain and Europe viewed China differently from the US, he said. “The US sees China in a strategic way—as a maritime power in the Pacific. The Europeans see China in commercial terms.”

With the British economy ever more dependent on the speculative and parasitic activities of its major banks and finance houses, participation in the AIIB is seen as another opportunity for the City of London to profit from enhancing the global role of the Chinese currency, the renminbi, as its economic and financial power increases.

The economic motives of other European powers, while having a different emphasis from the British, are no less powerful. They were spelled out by German Finance Minister Wolfgang Schäuble at a joint press conference with Chinese Vice Premier Ma Kai on Tuesday in Berlin. “We want to make a contribution to the positive development of the Asian economy, in which German companies are actively taking part,” he said.

The significance of the conflict becomes apparent when it is placed within the framework of US strategic objectives over the past 25 years. American imperialism viewed the collapse of the Soviet Union in 1991 as the opportunity to proceed with its drive for global domination—the fashioning of a “new world order” as George H.W. Bush put it during his presidency.

This new order was to be characterized by the global domination of American capitalism. In 1992, the Pentagon laid out its strategic objectives in the post-Soviet world, declaring that the aim of American policy was to prevent any power or group of powers from assuming hegemony in any significant region of the world.

This strategy was the basis of US policies during the Asian financial crisis of 1997-98. When the Japanese government brought forward a proposal for a \$100 billion fund to help bail out countries caught up in the turmoil, it was vetoed by the US, which insisted that the Washington-based International Monetary Fund had to direct “economic restructuring” across the region. Faced with a head-on conflict with the US, Japan backed down.

The determination of the American ruling class to maintain its position as global hegemon has run into conflict with the decades-long decline in the global position of American capitalism. In response, the corporate and financial elite has resorted with ever greater recklessness to the use of military force.

The explosive economic expansion of China over the period since the Asian crisis has raised again the question: Who will dominate Asia?

Seven decades ago, when the US put in place the foundations of the post-World War II order, establishing both the IMF and the World Bank, it was the undisputed economic hegemon of global capitalism. That is no longer the case, and the European imperialist powers in particular are once again asserting their interests. As the global economic crisis deepens, the conflicts among the imperialist powers will only intensify.

While it is impossible to make specific predictions, the general tendency of development is clear. The US has suffered what the New York Times described as a “stinging rebuff from some of its closest allies.” How will it respond? Not through economic concessions, because it no longer has the wherewithal and capability to make them, but through increased political and military provocations.

At the same time, the other major powers will be forced to the conclusion that in pursuit of their economic objectives they need to enhance their military capacities. The conflict over the AIIB is symptomatic of major geo-economic shifts that will have explosive political and military consequences.

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