

AS EUROPEANS JOIN AIIB

China Asks Washington 'What Are You Waiting for?'

by Nancy Spannaus

March 21—The global shift toward a new world economic order based on building physical economy, not financial bubbles, made stunning progress last week, as, first Great Britain, and then five other European nations applied to become founding members of the China-initiated Asian Infrastructure Investment Bank (AIIB). As of this writing, 34 nations have applied to be part of the institution, which the Chinese have declared will be capitalized at the level of \$100 billion and dedicated to funding major infrastructure projects in Asia and elsewhere. The deadline to become a founding member is March 31.

These dramatic steps were taken in the context of the LaRouche movement's global mobilization around a petition calling for the trans-Atlantic countries to join the BRICS-AIIB process, and in the face of sabotage by the Obama Administration.

Combined with the new institutions being set up by the BRICS nations, the AIIB promises to be a significant source of long-term, low-interest credit for nations which have been essentially blackballed by the IMF and the World Bank. From the time he proposed it in the Fall of 2013, Chinese President Xi Jinping emphasized the non-exclusive nature of the bank, and sought participants outside, as well as inside Asia.

At the March 26-27 annual Boao Forum for Asia, Xi is, according to Xinhua, expected to set out "a detailed list of major infrastructure projects concerning railways, roads, energy, information technology and indus-

trial parks to be started in the coming years. The number of these big infrastructure projects could reach hundreds and will spread across Kazakhstan, Kyrgyzstan, Tajikistan, Pakistan and China's other neighboring countries." China's western province "Xinjiang, located in the center of Asia, is the gateway to the Silk Road, and it will play an integral role in China-Europe exchanges."

In the wake of the wave of European applications to join, China's official news agency Xinhua went right to the point: Under the headline, "So, Washington, What Are You Waiting for?" its March 18 dispatch began: "Welcome Germany! Welcome France! Welcome Italy! Despite a petulant and cynical Washington, the three leading European powers decided to join the AIIB headquartered in Beijing on Tuesday."

Xinhua wrote that this sends a "clear signal to the whole world, and particularly to the United States, which is trying to forge an anti-AIIB front within its allies," noting that the euro countries which are joining demonstrate an "international community bound together by interdependence, win-win cooperation, rather than self-concerned fulfillment," while the U.S. stance of "holding sour grapes over the AIIB makes America look isolated and hypocritical."

Development the Focus

From the outset, the Chinese government has insisted that the intent of the AIIB is to collaborate with



Chinese President Xi Jinping (second from left, front) with representatives of the 21 Asian countries who joined the AIIB, in Beijing Oct. 24, 2014. Xi has extended his offer for membership to all nations; so far, the U.S. is opting out.

the development banks of the international financial institutions, not to replace them. After all, wrote Xinhua March 20, “according to statistics, by 2020 around \$8 trillion of investment will be needed in the fast-growing Asia-Pacific region to improve its infrastructure. However, it is obvious that the World Bank and the Asian Development Bank (ADB) could not comfortably cover the shortfall.”

The presidents of both the World Bank and the Asia Development Bank have cautiously welcomed the new institution, while many top figures in the world of finance—of which U.S. Treasury Secretary Jack Lew is exemplary—have denigrated the idea as a sign of pique from China for not being given more say at the IMF and World Bank, and for allegedly lacking the high standards of the existing institutions.

As many Third World countries could attest, those “high standards” have had one major result: no credit for infrastructure. That lack of credit is a killer.

The AIIB is oriented first and foremost to providing credit for infrastructure. In *Asia First* newsletter, March 19, China’s Vice Minister for Finance Shi Yaobin clarified that the AIIB will not be a challenge to the World Bank, nor to the Asian Development Bank, because the AIIB will focus on infrastructure renovation, and not on poverty reduction.

On the March 19 CCTV program “Dialogue,” guest

Victor Gao Zhikai also explained that the “original focus of the World Bank was poverty alleviation,” whereas the AIIB is dedicated to connectivity and infrastructure, which will raise living standards. As Lyndon LaRouche has always emphasized, any idea of eliminating poverty without raising the scientific platform of the economy, through infrastructure, is a fraud—and World Bank programs have shown as much.

The European Shift

Up until March 12, 27 nations had signed on as founding members of the AIIB, including powerhouse India, U.S. ally the Philippines, and many other South and Central Asian countries. Then a major shift occurred: Great Britain announced that it was applying to join.

Media reports agree that “close ally” Great Britain gave Washington no pre-notice of its decision, which all realize went explicitly against Washington’s wishes. A very uncool Obama Administration spokesman immediately told the *Financial Times* that the decision was made with “virtually no consultation with the US. We are wary about a trend toward constant accommodation of China, which is not the best way to engage a rising power.”

Within the next days, France, Germany, and Italy all announced that they too would apply to be founding members. They put out a joint statement on the decision, which included the announcement that they would work to ensure the new institution “follows the best standards and practices in terms of governance, safeguards, debt and procurement policies.” The German announcement was made at a March 17 press conference held by German Finance Minister Wolfgang Schäuble with visiting Chinese Vice Premier Ma Kai.

Subsequently, Switzerland and Luxembourg also declared their intent to apply. And, according to Chinese press and press in their own nations, decisions by South Korea and Australia in favor are imminent. There has even been public discussion of taking that step in Japan, which has, with the U.S., been a leading critic of the Chinese initiative.

As Helga Zepp-LaRouche pointed out in her article

in the March 20 *EIR*, the attractiveness of the AIIB to the European nations lies in the fact that the current trans-Atlantic financial system is totally bankrupt, and can provide no credit for real economic investment. Thus, whether or not such nations as Great Britain intend to sabotage the bank from the inside, they are also responding to the fact that the new system being set up by the Chinese could provide a road to economic survival.

Nor should the contrast between the outlook of the AIIB, which these European nations are joining, and the European Union's murderous policy toward Greece, among others, be ignored. The overall economic policy issue—Hamiltonian credit vs. Schachtian economics and speculation—has not been resolved in the European nations such as Germany.

Obama Gets Slammed

The pile-on against the bungling, incompetent, and dangerous narcissist Barack Obama has been impressive. On March 20, the *New York Times* devoted a lead editorial ("U.S. Allies, Lured by China's Bank") to an on attack Obama for mishandling the issue, and having "no coherent plan" for dealing with the bank.

Other media made similar critiques, including by citing major figures in international finance, such as former World Bank head Robert Zoellick. Some examples:

- "Diplomatic Disaster: Obama Humiliated by Allies' Rush to Join China's New Bank." In the *Washington Times* March 18, David R. Sands writes that, "The battle of wills between Beijing and Washington over a China-sponsored development bank for Asia is turning into a rout, and the Obama Administration has found itself isolated and embarrassed...."

- "An Influential Voice [Zoellick] Slams U.S. Handling of New China-Led Infrastructure Bank." In a ChinaRealTime posting run by the *Wall Street Journal*, March 19, writer Ying Ma features the criticisms of Zoellick, U.S. Trade Representative and Deputy Secretary of State in the George W. Bush Administration.

Obama's approach is "mistaken both on policy and on execution." Zoellick means that the U.S. should have seen the AIIB as an "opportunity" to push on China, U.S. objections such as anti-corruption, and governance issues. "'If I had been at the World Bank, I would have tried to embrace the AIIB as a partner,' Zoellick said." On Obama's failure of "execution" of policy, author Ying Ma wrote that no alternative to

shunning the AIIB was proffered by the U.S. to nations. Zoellick said, "After the Obama administration pressured allies and partners not to join, it seemed to drop the ball...."

- "China Takes a Jab at U.S. as Europeans Back Asian Bank." In the *Washington Post* March 19, Simon Denyer reports on "the significant diplomatic setback for the United States," with "the European decision to break ranks with Washington," over the AIIB. Specific criticisms by three individuals are reported.

David Sedney, former State Department official: "The Administration has made a major mistake. Not just our refusal to take part in the bank, but the pressure on our allies not to take part, was very short-sighted.... And it is clearly going to go ahead whether we like it or not...."

Thomas Wright, at the Brookings Institution, wrote that the U.S. policy on the AIIB has been "confused and contradictory."

Paul Haenle, director of the Carnegie-Tsinghua Center in Beijing, said the Obama Administration has "played it very badly.... We are going to come out looking insecure and weak...."

The Chinese Offer

It was back in 1983 that LaRouche, then working intensively to pull together an international alliance of nations for global economic development, pointed to the Asia-Pacific region as the center of growth for the world in the coming century. The cornerstones of that plan were five major infrastructure projects—the Kra Canal, China's South-North Water Diversion Project (SNWDP), a second Panama Canal, the Mekong River Basin project, and water development in India.

In the three decades since, major powers in Eurasia have moved to reject the monetarist path, which has resulted in repeated financial crises and a devastated world economy, and take up the principles of physical economic growth which LaRouche and his movement have been fighting for. Chinese investors are actively involved in exploring or financing three of those projects, and a major portion of the SNWDP has been completed.

The question remains, where is the West, particularly the U.S.? As Xinhua wrote March 20: "It is high time for those who are still hovering outside the new-born international body to get on the boat, so that they could share their valuable experience and make joint contributions to Asia's economic growth and to the sustainable development of the world economy at large."