



## **As allies pivot to Beijing's Asia bank, it is time for US to seek partnership with China**

**Dr Christina Lin**

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### **Abstract**

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US allies defying Washington's warning to join China's new Asia bank signals a loss of confidence in US leadership on the global stage. As America is navigating ways to retain its leadership position in a world where it no longer enjoys absolute dominance, cooperating with allies and partnering with China may turn out to be a constructive way for Obama to "lead from behind."

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### **About the Author of this Issue**

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## Analysis

In his congratulatory call to Prime Minister Netanyahu on 19 March, President Obama left the impression that US would abandon Israel at the UN and reassess its Israel policy. However, looking around the world, it seems US is the one that is increasingly abandoned and isolated. In a week when much of the world's attention was turned to Israel's election, another story was unfolding that signaled the waning of US power on the global stage and the rise of China.

### Loss of confidence in US leadership

Defying Washington's warnings, allies from Europe, Middle East and Asia broke ranks with the US and rushed to join China's new Asian Infrastructure Investment Bank (AIIB) that could rival US-led World Bank.

Britain was the first to sign up a week ago, and the Obama administration sharply rebuked London for the decision with "virtually no consultation with the US" and its "constant accommodation" of China, according to the *Financial Times*. Germany, France and Italy quickly followed, bringing current members to 27 while Switzerland, Luxembourg, South Korea and Australia are in the waiting room.



Source: Xinhua

Analysts say Europe's support for a China-led international bank is a sign that confidence is waning in Obama's leadership on the global stage.

"This says as much about the loss of US influence in international political and economic affairs as it does about the growing clout of China", said Nicholas Spiro, managing director at the consultancy Spiro Sovereign Strategy in London. "The Europeans have been losing faith in US leadership for some time now and their willingness to become founding members of the AIIB is partly a reflection of this." In the Middle East, Qatar, Saudi Arabia, Kuwait and Oman have also signed up, with Jordan as the newest member to join as a founding member before the 31 March deadline.

Other analysts call US pressuring allies to boycott the bank a "diplomatic disaster." David Sedney, senior fellow at the Atlantic Council and former senior State Department official, criticized that there was a "strain in U.S. political thinking that says if we are not in the lead role, we should not be part of it –but I think that has been a mistake."



### **Obama should not force allies to choose between China and US**

An Asian diplomat whose country is a founding member said, "The truth is no one in the region wants to choose between the United States and China." But Obama administration's hostility to the bank, he said, made countries choose in China's favor.

Washington is also sponsoring the Trans-Pacific Partnership (TPP), a free trade pact with Asian countries that excludes China. However, US allies are hesitant to join a US-led grouping that excludes the world's second largest economy with the largest foreign exchange reserves of \$4 trillion. In contrast, the AIIC is open to all interested parties, and China even extended an invitation to the US.

As Shannon Tiezzi recently wrote in *The Diplomat*, Washington needs a better response to China-led initiatives than attempting to lead a boycott, especially when allies see benefits in participation. Indeed in the Mideast, Israel and the Arab Gulf states already see great benefits in upgrading ties with China and are currently negotiating Free Trade Agreements. Sino-Israel trade in 2014 alone reached close to \$4 billion.

Having surpassed the US in 2013 as the world's largest trading state and predicted to be the largest economy in 2015, it is unrealistic for Washington to pressure allies to contain the Middle Kingdom. As a European scholar at Belgium's Egmont Institute observed, "China is too big to avoid, deny, and difficult to embrace," so it is important to partner with China where interests overlap.

### **US should partner with China where possible**

After the recent diplomatic debacle, partnering with China may be sound advice for the Obama administration. In fact, for years US has urged China to be a "responsible stakeholder" and in a *New York Times* interview last August, President Obama called China a "free rider" for not taking more international obligations. Now, when China moves in that direction, Obama sought to boycott it – unsuccessfully.

Former World Bank president Robert Zoellick who in 2005 coined the term "responsible stakeholder," criticized the Obama administration's approach as "mistaken both on policy and on execution." Noting the World Bank regularly works with outside financial actors including Islamic and Arab funds, regional banks and private sector players, Zoellick stated, "If I had been at the World Bank, I would have tried to embrace the AIIB as a partner."

Thus as China is increasingly a regional stakeholder and upgrading ties with Israel and other countries in the Middle East, partnering with China may be an important option as Obama is "reassessing" US Israel policy. As US is navigating ways to retain its leadership position in a world where it no longer enjoys absolute dominance, cooperating with allies and partnering with China may turn out to be a constructive way for Obama to "lead from behind."

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**Remarks:** Opinions expressed in this contribution are those of the author.