

US anger at Britain joining Chinese-led investment bank AIIB

US statement says of UK membership that it is ‘worried about a trend of constant accommodation’ of China, in a rare public breach in the special relationship



George Osborne on a 2013 trade visit to China. The chancellor has been a keen backer of closer economic ties. Photograph: Rex Features

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The White House has issued a pointed statement declaring it hopes and expects the UK will use its influence to ensure that high standards of governance are upheld in a new Chinese-led investment bank that Britain is to join.

In a rare public breach in the special relationship, the White House signalled its unease at Britain's decision to become a founder member of the Asian Infrastructure Investment Bank (AIIB) by raising concerns about whether the new body would meet the standards of the World Bank.

The \$50bn (£33.5bn) bank, which is designed to provide infrastructure funds to the Asia-Pacific region, is viewed with great suspicion by Washington officials, who see it as a rival to the World Bank. They believe Beijing will use the bank to extend its soft power in the region.

The White House statement reads: “This is the UK’s sovereign decision. We hope and expect that the UK will use its voice to push for adoption of high standards.”

George Osborne - who has discussed the decision to become a founder member of the investment bank with his US counterpart, Jack Lew - has been the driving force behind developing closer economic ties between Britain and China. The chancellor has led the way in encouraging Chinese investment in the next generation of civil nuclear power plants in the UK and he ensured that the City of London would become the base for the first clearing house for the yuan outside Asia.

The US administration made clear in no uncertain terms its displeasure about Osborne’s decision to join the AIIB. A US official told the Financial Times: “We are wary about a trend toward constant accommodation of China, which is not the best way to engage a rising power.”

Britain was unsurprised by the decision of the US administration to air its concerns in public after the formal announcement that the UK would join the new investment bank. Sources said, in addition to the talks about British plans between the chancellor and the US treasury secretary, British and US officials have been in regular contact ahead of the announcement. UK officials say that, by joining the bank as a founding member, Britain will be able to shape the new institution.

In its statement to the Guardian, the White House national security council said: “Our position on the AIIB remains clear and consistent. The United States and many major global economies all agree there is a pressing need to enhance infrastructure investment around the world. We believe any new multilateral institution should incorporate the high standards of the World Bank and the regional development banks.

“Based on many discussions, we have concerns about whether the AIIB will meet these high standards, particularly related to governance, and environmental and social safeguards ... The international community has a stake in seeing the AIIB complement the existing architecture, and to work effectively alongside the World Bank and Asian Development Bank.”

Human rights groups and others have complained that the UK has become too willing to placate China - particularly in light of its muted comments over the tight restrictions set out for voting rights in Hong Kong - but Thursday’s remarks seem to be focused on the bank.

“I think the US has had its questions about the UK posture towards China on other issues and I suppose this announcement probably triggered renewed concern in Washington about overall British politics vis-à-vis China. But [we] don’t normally arbitrate these things in public and I’m a little unsure as to why the US has chosen to pick a fight with the UK on this bank at this time, because I thought it had somewhat softened its posture on the bank. It’s a bit surprising to me,” said Matthew Goodman, senior adviser for Asian economics at the Center for Strategic and International Studies.

Goodman said the US had legitimate questions about the AIIB when it was first announced last summer, such as the governance of the institution, its lending standards and procurement rules.

“Notwithstanding that, I think they should have been more willing to engage in discussion with China and others about the institution. There’s a big infrastructure gap in Asia, existing institutions are not filling it and China has the wherewithal to contribute on the right terms.”

Some surmised that the US was responsible when Australia backed away from signing up to the widespread speculation a deal was on the cards.

“The US did reach out to Australia, Koreans and others to consult about questions and concerns, and that’s been interpreted as leaning on allies not to join the bank,” said Goodman.

As the world’s second largest economy, China has grown increasingly frustrated that it does not have more influence at the IMF and World Bank, and sees little prospect of more say regarding the Japanese-backed Asia Development Bank.