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Why Britain Joining China-Led Bank Is a Sign of American Decline

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SINGAPORE -- Some events are epochal. The decision by Great Britain to [join](#) the Asian Infrastructure Investment Bank was one such event. It may have heralded the end of the American century and the arrival of the Asian century.

A clue to the epochal significance of this event came from a senior U.S. government official interviewed by the *Financial Times*. His sharp [words](#) were very telling: "We are wary about a trend toward constant accommodation of China, which is not the best way to engage a rising power." No ally has been as faithful to the U.S. as the British. Only they would follow the United States into the Iraqi quagmire -- and that was only 12 years ago.

Today, that same ally has decided that history has turned a corner. The U.S. can no longer dominate world history. A new power has also arrived. The British, like most other middle powers, have decided to hedge their bets and work with China as well as the U.S. But this is also a matter of survival. If London does not serve the financial and economic interests of a rising China, it could become sidelined in the 21st century. Hence, the British have no choice but to work with China.

The petulant White House reaction was predictable. Sadly, it was also unwise. Any objective and calm assessment of the Chinese decision to launch the AIIB would show that this is a bank whose time has come. The Asian Development Bank has [estimated](#) that Asia needs to spend at least \$8 trillion in infrastructure investment. The American-dominated World Bank and related institutions cannot possibly fulfill this demand. China's decision to use its reserves to boost Asian infrastructure investment was clearly [welcomed](#) in Asia. Given its spectacular success with developing world-class infrastructure in record time, China has a lot of expertise in this area. Asia needs this.

Until the British joined the AIIB, America had been publicly denying that it was [discouraging](#) countries from joining the new bank, even though it was well known that America was doing so. Australia and South Korea [held back](#) from joining the AIIB because of direct calls from Washington. Now that the British have joined, there is no reason for them to hold back any longer. America should wisely accept their decision.

Publicly, America [said](#) that it could not support the AIIB because it could only support an institution with high standards of governance. If America truly wants these high standards of governance, it should welcome the British decision to join. The British can and should lobby for the position of vice president of corporate governance at AIIB. If high British standards of the rule of law and corporate governance are embedded in the AIIB, the bank could provide a role model of a new kind of international institution.

Sadly, the American-dominated World Bank cannot serve as a model for the AIIB. It is now well known that the World Bank has served as an instrument of American foreign policy. Joe Stiglitz has [documented](#) how the World Bank punished Ethiopia at the request of private American banks, which had lost revenue on loans to Ethiopia. If the U.S. wants high standards of governance in the AIIB, it should serve as a role model and agree to relinquish control of the World Bank. It should also allow true meritocratic governance, instead of insisting that only an American can run the World Bank.

At the end of the day, this new competition between America and China to produce better multilateral institutions will be good for the world. This will be a race to the top in corporate governance, and not a race to the bottom. It does not matter whether America wins or China wins. Either way, we will see an improvement in the standards of managing institutions of global governance. In the process, the Asian people will be better off. And the Asian century will arrive faster.