

UK MORE INTERESTED IN ASIAN INVESTMENT THAN ITS SPECIAL RELATIONSHIP

At Salon today, I did another post on how ridiculous it is that the US just sanctioned Venezuela. As part of it, I discuss again how China and Russia are setting up new financial tools to contest our financial hegemony.

Worse, at a time when America's dominant position in the world's financial system is newly contested, such a claim may not only intensify Latin American opposition to U.S. intrusions, but also ignite Russian and Chinese efforts to establish alternatives to U.S. default financial tools.

For years, the U.S. has used its dominant position in the global financial system to use sanctions to punish people it doesn't like – without much evidence those sanctions help to change the underlying behavior. The Venezuelan sanctions reflect a new degree of pettiness, given Venezuela's own fragility in the face of depressed oil prices. And because of a confluence of issues – including the obviously bogus rationalization for these sanctions – these sanctions may backfire on several levels, both in U.S. efforts to undermine Maduro's rule, but also in U.S. efforts to pretend its sanctions represent anything but an easy way to selectively enforce obedience to its demands.

Along those lines, the UK just ignored our concerns and joined the Chinese-financed Asian Infrastructure Investment Bank.

The UK is the first big Western economy to apply for membership of the Asian Infrastructure Investment Bank (AIIB).

The AIIB will fund Asian energy, transport and infrastructure projects.

However, the US has raised questions over the bank's commitment to international standards on governance.

In a statement, UK Chancellor George Osborne said the UK had "actively promoted closer political and economic engagement with the Asia-Pacific region" and that joining the AIIB at the founding stage would create "an unrivalled opportunity for the UK and Asia to invest and grow together".

The hope is that investment in the bank will give British companies an opportunity to invest in the world's fastest growing markets.

But the US sees the Chinese effort as a ploy to dilute US control of the banking system, and has persuaded regional allies such as Australia, South Korea and Japan to stay out of the bank.

In response to the move, US National Security Council spokesman Patrick Ventrell said: "We believe any new multilateral institution should incorporate the high standards of the World Bank and the regional development banks."

I actually think providing legitimacy for the bank will be good for Asian countries, as it will force US-backed institutions to be more responsive.

But at the same time, it will undercut whatever power the US continues to exercise through its financial hegemony.