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## UK move to join China-led bank a surprise even to Beijing

Jamil Anderlini in Beijing [Author alerts](#) ▾



Signing ceremony for the AIIB at the Great Hall of the People in Beijing last October

The announcement by George Osborne, UK chancellor, on March 12 that Britain would join China's answer to the World Bank — a move in defiance of US pressure and advice from its own diplomats — was not just a surprise to allies in Europe and Washington. It also caught Beijing unawares.

The UK Treasury had told Chinese officials it would not announce its application to join until March 17. But once other European countries got wind of Britain's plan to join the nascent Asian Infrastructure Investment Bank (AIIB), the ensuing scramble to follow suit convinced London to move the announcement forward five days.

In the end, Luxembourg beat Britain by one day, signing up on March 11 but asking China to keep it secret for two weeks in case its application to join the bank was unsuccessful. Switzerland joined on March 13 and France, Germany and Italy signed up together on March 16. Austria joined a week later.

The decision by several US allies to sign up to an institution Washington had effectively said

was off-limits is one of the most powerful symbols to date of the eastward shift of global power. The rush by European countries to join the AIIB also showed how much more sophisticated China's diplomacy has become as it seeks to match its economic muscle with greater influence abroad.

As late as January, when New Zealand became the first "western" country to join the bank, the members of the G7 in effect agreed to not join the AIIB unless they could reach a consensus.

However, that was impossible — Japan had not been seriously invited and the US was against any of its allies signing up to what it sees as a challenge to the existing multilateral world order.

As such, the UK's decision to break ranks was heavily criticised by the US. It also rankled in Berlin and Paris, where it was taken as an example of the UK's willingness to forego long-term strategic thinking and solidarity with close allies in the pursuit of short-term commercial advantage.

"The UK, Germany and other European countries are falling over themselves to prostrate before China in order to win Rmb business and the Chinese are delighted," said Eswar Prasad, former head of the International Monetary Fund's China division. "Apart from gaining favour with China it is not immediately obvious what the UK interest is in joining this bank."

One reason for the rush to join was a deadline imposed by the Chinese of mid-March if countries wanted to be included in a high-level meeting of prospective AIIB members that will be held in Almaty, Kazakhstan, this weekend.

In a campaign that has surprised even the Chinese with its success, Jin Liqun, the man in charge of shepherding the bank into existence, has spent the past few months shuttling between different countries trying to convince them to join the bank.

An urbane and sophisticated former vice-minister of finance and one-time official at the Asian Development Bank, Mr Jin speaks perfect English and passable French and is the consummate "barbarian handler", in the words of several people who have dealt with him.

According to these people, Mr Jin is an Anglophile who likes to quote Shakespeare to the English, tell the French how enamoured he is of their culture and charm the Germans by telling them they are his favourites because of their honesty.

His ability to play the members of the EU off against each other is legendary in Beijing.

Several people involved in negotiations over the AIIB say Britain joined the bank despite

opposition from the Foreign Office in a decision taken by Prime Minister David Cameron on the advice of the Chancellor George Osborne.

The Chinese told us that this game between Luxembourg and the UK amused them no end

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As Mr Osborne prepared to unveil the decision, Chinese officials informed the UK Treasury that an unidentified “small European country” would be joining before them, a move that apparently prompted Mr Osborne to bring his announcement forward.

“The Chinese told us that this game between Luxembourg and the UK amused them no end,” said one person involved in negotiations to join the AIIB. “Other countries like France and Germany were not amused at all.”

Germany, France and Italy, which all announced they would join the bank on Monday March 16, appear to have found out about Britain’s intentions from their Chinese counterparts, rather than from the UK government.

An official from the French Treasury did not arrive in Beijing to discuss the details of France joining the bank until the same Monday morning that the joint announcement was made by the three countries, according to a person familiar with the matter.

The jostling to join AIIB has happened despite the fact that even Mr Jin and his colleagues are not clear on the details of the bank, which is expected to be established by June and ratified by most countries by the end of the year.

What is clear is Beijing’s intention to play the various European countries off against each other for the foreseeable future.

For one thing, of the 15-20 board seats China envisages for the bank, only three will be set aside for “non-regional” (ie non-Asian) member states, leaving the seven European countries to squabble over who gets to sit on the board.

The next big fight will be over which country gets to host the AIIB’s regional European office, of which there is likely to be only one.

Whether it ends up in Frankfurt, London, Luxembourg or elsewhere will no doubt also be the result of fierce manoeuvring among the contenders.

When asked about the rationale behind Britain’s decision to break ranks, several British diplomats and officials have responded identically: “What did we have to lose by joining?”

The response from one person involved in negotiations around AIIB accession: “What did

they have to lose? Only credibility with their allies, respect from the Chinese and bargaining power when it comes to negotiations on anything in the future.”

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