

China "Is Not Another US", Does Not Seek "Yuan Hegemony"

Regular readers are by now well versed on the recent developments surrounding the launch of the China-led Asian Infrastructure Investment Bank, but for anyone needing a refresher, here is what it's all about:

...the China-led development bank essentially marks an epochal shift away from traditionally US-dominated multinational institutions like the IMF and the ADB. Meanwhile, it also represents an implicit attempt by the Chinese to usher in a kind of sino-Monroe Doctrine and solidify their regional — and, to a certain extent their international — ambitions. In a desperate attempt to undermine the effort and preserve what's left of US hegemony, Washington aggressively lobbied its allies last year to refrain from supporting the effort. Then the UK decided to join calling the bank an “unrivaled opportunity.” That effectively opened the floodgates and in short order, a bevy of Western nations and close US allies suddenly reversed course and indicated they were likely to support the new institution.

Over the past week or two, the mainstream media have picked up on this narrative and repeated it ad nauseum, making clear to anyone who's picked up a newspaper in the last 14 days that the Bretton Woods era and US dollar hegemony are now squarely confined to the annals of history. While we think it's certainly important for everyone to wake up to the fact that a tectonic shift is taking place among the world's multinational institutions, we suspect that for China, the cat may have gotten a little too far out of the bag. You don't, for instance, want to risk alienating the Western nations who have just recently thrown their support behind the venture by reinforcing the idea that the whole endeavor is nothing more than a \$100 billion Chinese foreign policy instrument (especially when it is). To this end, The Global Times (a paper run by the state-controlled People's Daily) is out with a story which purportedly describes China's benign intentions and altruistic aspirations from the AIIB.

From The Global Times:

The establishment of the Asian Infrastructure Investment Bank (AIIB) has been depicted by a few overseas media outlets as if China is building its own version of the Bretton Woods system.

The bank is not yet in operation, and it will take time for people to come to grips with its purpose. However, overblown hype from foreign media claiming that China is seeking financial hegemony could create preconceived notions for people who are not familiar with it...

Some foreign observers claim that the AIIB is the beginning of the Chinese yuan's hegemony. What they are actually trying to imply is that "China is another US."

This kind of statement is nonsensical, which uses historical experience to fool

readers. It is divorced from the truth and shows no common sense and doesn't stand up to any scrutiny.

Through the Bretton Woods system, the US was able to wield supreme influence over its allies which had been severely battered during the war. China today is in a totally different position.

Founding the AIIB is only a China-led initiative. Over 30 countries from Europe and Asia have so far applied to join, some of which even have territorial disputes or political divergences with China. They are not courting Beijing, or pushing yuan hegemony. What they are pursuing is the win-win principle of cooperation.

The AIIB will not confront the WB or IMF, nor will it turn the current international monetary order upside down. The spirit of the AIIB is diversity and justice.

International relationships are entering an era of democracy that means pursuing hegemony is a wrong path whether one is an existing power or a rising power.

China always maintains a low profile when it comes to showing the strength of our nation. Moreover, the Chinese media resists the hype over describing China as "number one" or a "superpower"...

The Bretton Woods system is a product of the old days. The new global trends created the AIIB and there is no room to look back to the old days of one currency's hegemony.

So to summarize, China is not seeking to establish yuan hegemony and doesn't seek to upset the existing balance of power in the world and in fact, doesn't even like to be called "number one." While some of this may be true, one needs to consider the source here as this certainly appears to be an attempt on China's part to make all of the bank's new Western recruits comfortable with their decision to join in the face of Washington's "you'll be sorry" rhetoric.

Of course actions, as they say, speak louder than words, and on that note, we'll leave you with the following from Bloomberg:

China plans to push for yuan to take prominence in loans under the Asian Infrastructure Investment Bank and the Silk Road Fund, people familiar with the matter said.

China may encourage \$100b AIIB and \$40b Silk Road Fund to issue loans directly in yuan or set up yuan-denominated funds under the two institutions, according to the people, who ask not to be identified because deliberations are private.

People's Bank of China didn't immediately respond to faxed request for comment.

De-dollarization is complete.