

Sound policies require maturity

Behind the headlines by Bunn Nagara



When major international policies are based on short-sighted self-interests and emotive impulses, problems are never far away.

THE first thing about an integrated system is that any issue in any part of it tends to impact on its other parts.

The international economic system is integrated on a global scale and is becoming more so by the day. So are the international diplomatic and strategic settings, with trade-offs and blowbacks aplenty.

When Ukraine wavered between the West and Russia, Washington and Brussels as well as Moscow sat up and took serious notice. Inducements and pressure were applied on Kiev until the pro-Western Euromaidan protests forced a showdown.

Angry mobs targeted the ethnic Russian community in Ukraine, with some of the groups affiliated to the subsequent pro-Western government. Ethnic Russians agitated against the new Kiev, particularly in Crimea and eastern Ukraine where they formed a majority.

Crimea, already an autonomous republic with its own local government, seceded from Ukraine and opted in a referendum to join the Russian Federation. Western sanctions against Russia followed, amid allegations of Moscow's "annexation" and "invasion" of Crimea.

Meanwhile, vehement Western critics of Russia condemned Moscow for flouting international law. This criticism is often made, but not mention of which international law in particular.

Western governments argue that Russia had violated Article 2, Paragraph 4 of the UN Charter requiring member nations to "refrain from the threat or use of force against the territorial integrity or political independence of any state."

Moscow denies any force was involved in Crimea's decision to join Russia. It argues that the West's denial of the Crimean people's will violates Article 1, Paragraph 2 of the UN Charter on developing "friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples."

What is the actual legal position on this? Some of Europe's leading minds on international law concur that while Crimea might have violated Ukraine's national law by seceding, there really is no definite position on the situation in international law.

Then sanctions were increasingly piled on Russia. But Russia in the 21st century is no longer the Soviet Union of the last century, so sanctions applied unilaterally also have their costs to their sponsors.

Russia has become a growing market for European goods. European countries, including Ukraine, had become dependent on Russian oil and gas.



Holding court: Chinese President Xi Jinping's (centre, right) meeting with members of the Asian Infrastructure Investment Bank (AIIB) in the Great Hall of the People in Beijing. Some have argued that anxieties about China's dominance of the new bank would be dispelled with more founding members. EPA

Thus while sanctions have only limited bite in their intended direction, they also bite back since trade and its curtailment cut both ways. Additionally, European sanctions against Russia have led to Russian counter-sanctions against Europe.

Even Europe's most advanced economy, Germany, has had to incur some losses. All of this is happening when the European economy is already doing poorly, contrary to official forecasts, with growing poverty in more than half a dozen countries this year.

Such worries are never confined to a particular region or continent. Europe's worsening economy may well drag down the rest of the world with it.

Until recently, the stereotyped Western view of China was largely limited to a predatory upstart country preying opportunistically on the natural resources of Africa and Latin America.

Lately some reports in the West and Japan point to another area of their strategic concern: the growing partnership, if not outright alliance, between Russia and China.

Japan has its differences with Russia over disputed claims to the Kuril islands, and with China over a host of yet-unresolved issues since Imperial Japan's aggression. Japan is also a US ally, which further magnifies its distance from China.

Some US ideologists had earlier tried to offset the prospect of a Sino-Russian double act by alluding to sharp differences between Moscow and Beijing. But since bilateral relations actually improved substantially since the dissolution of the Soviet Union, that pretence failed to stick.

If the same broad category of countries led by the US were to prod both Russia and China at the same time, little wonder that Moscow and Beijing would find common cause. Russia and China are neighbours and leading lights in several new and important transnational enterprises.

They are the two biggest co-founders of the Shanghai Cooperation Organisation (SCO), which began as the Shanghai Five in 1996. Russia has also founded the Eurasian Economic Union while leading and developing it in its corner of the globe.

Since last month, Moscow and Beijing are also in talks to develop jointly the Russian Far East. This would involve substantial infrastructure projects over the long term.

China and Russia are also the biggest members of the Brics (Brazil, Russia, India, China, South Africa) group of emerging economies. In July they launched the New Development Bank (NDB), described as a counterweight to the World Bank, with news coverage of it eclipsed only by the tragic downing of Flight MH17.

China last year proposed a new multilateral lending institution, the Asian Infrastructure Investment Bank (AIIB), and launched it two days ago. This bank is said by critics to “challenge” the Asian Development Bank (ADB).

The US outwardly said nothing negative about the AIIB but quietly tried to pressure several countries to reject it. Japan did as it was told, while South Korea, Indonesia and Australia had been invited but also stayed away.

Europe dominates the International Monetary Fund, the US dominates the World Bank, and Japan – under US tutelage – dominates the Asian Development Bank. Just as the US opposed the idea of an Asian Monetary Fund before, it now opposes the AIIB and wants others to do the same.

However, South Korea and Australia were reportedly in two minds about joining the bank until they finally caved in to US pressure. India was reported in the US business press earlier this year as shunning the bank as well, but joined 20 other countries to sign up on Friday.

Singapore also signed up, arguing that any anxieties about China’s dominance of the new bank would be dispelled with more founding members. Fewer members would only concentrate more decision-making with a large economy like China, giving Beijing more clout.

Opposition to the AIIB goes against common sense and the US’s own rhetoric, unless its self-seeking global dominance in financial institutions overrides all other priorities. As in other such ventures, membership has its privileges.

The US has long lectured an emergent new China to contribute more to global responsibilities. But when Beijing does so in convening international support for badly needed infrastructure development funds for Asia, the US moves to curtail it.

Asia’s infrastructure needs are vast. More funds available to more developing countries can only help development and promote more trade and investment, and the interests of all countries with it.

The IMF, World Bank and ADB have often failed in their respective missions and must surely realise that their resources are inadequate. If their first priority is really to assist countries develop, they would welcome the AIIB and the NDB.

Washington hardliners reject them at all costs, as can be expected. But industry realists and others who acknowledge China’s growing influence welcome them in hopes of more opportunities for development.

In time, as these new institutions grow, members will benefit while those that choose to stay out are left behind. The difference is that between real-world pragmatists and emotional ideologists.

Europeans witnessing this spectacle must feel they know this sensation well.

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