

South Korea joins Chinese-led investment bank

Ben McGrath
31 March 2015

South Korea announced on Thursday that it would join China's Asian Infrastructure Investment Bank (AIIB), making it the latest United States ally to do so in recent weeks. The debate over joining the AIIB is an indication of the divisions within the South Korean ruling class over whether to move closer to China or strengthen its traditional ties to the United States.

Major economic considerations were at the center of Seoul's decision to become a founding member of the AIIB, along with more than 40 other countries. On Saturday, Australia, Russia and the Netherlands also announced they would join the Chinese-led bank, with today the deadline to sign up as a founding member. The other major US ally in northeast Asia, Japan, has still not decided to join. China's Finance Ministry released a short statement saying: "The Chinese side welcomed South Korea's decision."

Demand in the Asian infrastructure market, according to the Asian Development Bank, will be \$730 billion annually over the next several years. Seoul's deputy minister of international affairs at the Finance Ministry, Choi Hui-nam said on Friday: "Once the AIIB starts its operations, Asia's largest infrastructure market will be opened up to us. Korean companies with ample experience in the construction, transportation and information communications sectors are expected to win business opportunities."

South Korea is now seeking to secure a stake, and voting rights, in the AIIB equivalent to its economic size. The bank's basic guidelines allocate these stakes based on a country's gross domestic product (GDP). Excluding China, South Korea currently ranks third in GDP among the Asian nations that have indicated their intentions to join, behind India and Australia.

Stakes are also to be divided differently between regional and non-regional countries. Seoul hopes that

factors such as gross national income, foreign reserves size and trade volume, may play favorably for South Korea.

A Finance Ministry official, speaking to Yonhap News Agency last week, stated: "Joining the organization is just the start, with the real challenge coming when the country has to secure voting rights that directly impact its role in the bank."

South Korea's decision to join the AIIB was opposed by the United States, fearing that Seoul would be drawn closer to China. In fact, Seoul only signed up after the UK announced its move to join the bank on March 12, followed by other European powers. Before that, Washington exerted a great deal of pressure on South Korea, Japan and Australia not to become AIIB members.

Washington was clearly perturbed by South Korea's move. US State Department spokesman Jeff Rathke said on Thursday: "I am not going to react or comment on their (South Korea's) decision. I would say in general we've seen a number of countries make decisions to join the bank. That is their decision."

He continued: "We certainly hope that as we stress the importance of international standards and transparency, that there will also be voices for those same values." In other words, US allies like South Korea will now be expected to act in Washington's interests within the AIIB.

For Washington to speak of transparency and the "high standards" of international financial institutions, and of protecting workers' rights and the environment—its given reasons for opposing the AIIB—is a transparent fraud. The US has long ruthlessly exploited its grip over institutions such as the International Monetary Fund and World Bank, the Obama administration has spearheaded the slashing of

American workers' wages and conditions. In reality, the US is concerned that the AIIB may cut across its interests in Asia, while expanding China's influence.

To offset Washington's concerns, the South Korean political establishment is debating whether to allow the United States to station a Thermal High Altitude Area Defense (THAAD) ballistic missile system in South Korea. Until now, Seoul has struck a position on the THAAD known as "strategic ambiguity"—neither supporting the system nor rejecting it.

Beijing is rightly concerned that the missile system would be used to target China in the event of a war between it and the US. Were Washington to stage a first strike on China, the THAAD would be used to knock out any possible counter attack. With 28,500 US troops stationed in South Korea, the country would quickly be drawn into such a conflict.

The THAAD system is falsely billed as a defense measure against a potential attack by North Korea. Ruling Saenuri Party chairman Kim Mu-seong caused a stir last week when he called North Korea a nuclear power while speaking to university students in Busan, South Korea's second largest city. This went against both the policy of the US and the South not to recognize the North as such.

Kim made the comments in support of bringing a THAAD battery to South Korea, changing his past position of not issuing a statement on the matter. Since this month's attack by a lone assailant on the US ambassador to Seoul, Mark Lippert, the Saenuri Party has thrown its weight behind the missile system and whipped up an anti-North Korean atmosphere.

President Park Geun-hye's government is attempting to treat joining the AIIB and the THAAD system as two separate and distinct issues, but it is quite clear that there is a tradeoff between the two. Saenuri Party floor leader Yu Seung-min stated bluntly on March 9 that bringing the THAAD system to the South was an issue of choosing between the US and China.

On the other hand, the main opposition New Politics Alliance for Democracy (NPAD) has spoken out against the THAAD, concerned that it could damage the economic relationship between China and the South Korean companies that the NPAD represents.

Until South Korea makes a decision on the missile system, the US will continue to exert pressure on the issue. US Joint Chiefs of Staff Chairman Martin

Dempsey was in Seoul last week on a three-day trip, meeting with his South Korean counterpart Admiral Choi Yun-hui and Defense Minister Han Min-gu.

No talks on the THAAD were publicly announced, but the Pentagon stated in February that the two sides were holding "constant discussions" on the matter. US Secretary of Defense Ashton Carter is also planning a trip to Seoul in early April. In response to its diplomatic, strategic and economic setback on the AIIB, Washington is stepping up its drive to encircle China militarily.



To contact the WSWWS and the
Socialist Equality Party visit:

wsws.org/contact