

MORE STRAWS ON US FINANCIAL HEGEMONIC CAMEL'S BACK

Over the weekend, Juan Cole laid out how, if nuke negotiations with Iran fail this week, Europe is likely to weaken or end its sanctions anyway.

Iran-Europe trade in 2005 was \$32 billion. Today it is \$9 billion. There isn't any fat in the latter figure, and it may well be about as low as Europe is willing to go. Tirone also points out that European trade with Iran has probably fallen as low as is possible, and that those who dream of further turning the screws on Tehran to bring it to its knees are full of mere bluster.

Arguably, Iran has simply substituted China, India and some other countries, less impressed by the US Department of Treasury than Europe, for the EU trade. Iranian trade with the global south and China has risen by 70%, Tirone says, to \$150 billion. Indeed, at those levels Iran did more than make a substitution. It pivoted to Asia with great success before the phrase occurred to President Obama.

China is so insouciant about US pressure to sanction Iran's trade that it recently announced a plan to expand Sino-Iranian trade alone to \$200 billion by 2025. (It was about \$52 billion in 2014). And Sino-Iranian trade was only \$39 bn. in 2013, so the rate of increase is startling.

Cole notes – and quotes a British diplomat strongly suggesting – that the US may lack credibility because of the stunts by people like Tom Cotton.

Meanwhile, Dan Drezner assigned blame to both an obstinate Congress and Obama for losing its allies to China's Asian Infrastructure Investment Bank (the first domino of which I noted here).

The Obama administration has been reduced to backbiting U.S. allies in the press – which, by the way, is a passive-aggressive habit that it really should stop. Newspapers articles, Economist leaders, and smart China analysts are all blasting the Obama administration on this issue. Indeed, most China-watchers advised the administration to join the AIIB six months ago on the logic that influencing it from within was a much smarter move than the course of action they actually pursued.

So, no contest, the executive branch screwed this up. But it would be selfish for the Obama administration to hog all of the credit on this policy failure. No, one of the main drivers behind China's push for the AIIB has been frustration that Beijing's clout at the IMF and World Bank has not matched its economic rise. The way to fix that has been quota reform to give China more power. As it turns out, the Obama administration **negotiated that very thing** five years ago. All that was needed was for the U.S. Congress to pass it. And as I wrote two years ago:

If Congress stalls this quota reform measure that the executive branches from both parties have negotiated, they will be weakening a U.S.-friendly international institution and inviting potential rivals to set up or bolster alternatives. Which, if you think about, is a really stupid way to run U.S. foreign

economic policy.

And hey, what do you know, Congress did that stalling thing.

These are just two straws on a still very big camel's back. But slowly, US financial hegemony is getting weighed down by our hubris.