Australia gets on board the AIIB – but with caveats

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Prime Minister Tony Abbott announced on Sunday that Australia would be signing a Memorandum of Understanding on the Asian Infrastructure Investment Bank (AIIB), which would enable Australia to participate as a prospective founding member.

The Prime Minister's statement said:

> Good progress has been made on the Bank's design, governance and transparency over the past few months, but we still have issues that we will address through ongoing consultations.
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> Key matters to be resolved before Australia considers joining the AIIB include the Bank's Board of Directors having authority over key investment decisions, and that no one country control the bank.

Labor's Tanya Plibersek criticised the government for the delay, saying that Australia should have signed on months ago. On the Lowy Interpreter today, Susan Harris-Rimmer writes on why Australia may have taken so long to ink an MoU, and what message China should take from the dilly-dallying. We've previously had several posts outlining reasons why Australia should join, giving a Chinese perspective on the bank and arguing that there was no need for Australia to hurry the decision.

When discussing the issue last week before the announcement, Treasurer Joe Hockey laid out five 'best practice principles' that Australia would seek from the AIIB: open membership, high levels of transparency, no restrictions on procurement, high lending standards and merit-based recruitment.

He was also curiously quick to reassure the Australian people that this bank wouldn't be about alleviating poverty.

"And of course it is important to note that this is not another new development bank," he said. "It is not about poverty alleviation, it is an infrastructure bank.''

The level of control China would exert over the bank came into focus again last week, when Beijing reiterated that its headquarters would be in Beijing. This would leave Indonesia, which has been vying for a chance to host the organisation and take on a major role, disappointed. One would imagine that Australia would prefer Jakarta-based headquarters, for proximity, transparency and leverage. Jakarta is also lobbying for the vice president position on the bank's board.

Australia's decision means that at the time of writing, there are now 30 prospective founding members of the bank, and 14 countries applying for founding member status (if you need a visual, *Quartz* has a map). The US, Japan and Canada are notable exceptions, and expressions of interest for joining will close on 31 March. Hockey says he expects the US to sign on, even though it allegedly tried to discourage others, but it might "just take a bit of time".