

Australia to join China-led bank despite US opposition

Jamie Smyth in Sydney [Author alerts](#)

BEIJING, CHINA - OCTOBER 24: Representatives attend a meeting at the signing ceremony for the Asian Infrastructure Investment Bank at the Great Hall of the People on October 24, 2014 in Beijing, China. Twenty-one countries including China, India, Pakistan and Singapore had been expected to sign the agreement today establishing the \$57 billion bank. A number of other Asian nations including South Korea, Indonesia and Australia declined to sign on for the time being reportedly under lobbying by the U.S. government. (Photo by Takaki Yajima-Pool/Getty Images) © Getty

Australia plans to join the Asian Infrastructure Investment Bank, it said on Sunday, reversing a previous decision to stay out of the China-led institution. But it has placed conditions on its future membership of the bank in an attempt to mollify concerns expressed by its main military ally, the US.

“The government is today announcing it intends to sign a memorandum of understanding on the Asian Infrastructure Investment Bank, which would allow Australia to participate — as a prospective founding member — in negotiations to set up the bank,” the prime minister’s office stated.

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The decision followed moves this month by the UK, France, Germany, Italy and South Korea to join the AIIB. US officials have privately urged allies to stay out of the new bank, at least until Beijing addresses concerns about governance standards. Some in Washington view China's launch of the AIIB as an effort to undermine the influence of the US-based World Bank.

On Saturday, Russia's first deputy prime minister, Igor Shuvalov, said his country plans to join the AIIB. Denmark, Brazil and the Netherlands will also participate, China's finance ministry said at the weekend.

Canberra said good progress has been made on the AIIB's design, governance and transparency over the past few months but that it still had "issues" that would be addressed through consultations.

"Key matters to be resolved include the bank's board of directors having authority over key investment decisions, and that no one country [should] control the bank," said the government.

Hugh White, professor of strategic studies at Australian National University, said the government's shift was significant and it was now very likely Australia would become a full member.

"This marks a very sobering moment for Australia as until now we have subcontracted to the US our policy in relation to how to respond to China's rise," he said. "This gives real for pause for thought in how Australia positions itself for the future."

Canberra initially decided not to join the AIIB after a cabinet debate exposed tensions between economic ministries keen to sign up and the more sceptical foreign ministry. But the decision by the UK to break ranks with the US and signal its intent earlier this month to join the bank prompted a rethink within government.

The issue is politically fraught for Australia. Canberra must balance its rapidly growing economic relationship with China — its biggest trading partner — against its military alliance and close friendship with the US. The opposition Labor party has advocated joining the bank in recent weeks, as have business groups.

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Joe Hockey, the Australian treasurer, denied Canberra had delivered a diplomatic rebuff to the US. "From time to time we might disagree, but ultimately I think the United States will join the Asian Infrastructure Investment Bank. It will just take a bit of time," he told Sky television.

Canberra has been a leading advocate, including during its 2014 presidency of the G20, of increased investment in infrastructure to drive growth in the Asia Pacific region — one of the main goals of the AIIB.

“Working with other key multilateral institutions such as the World Bank and the Asian Development Bank, the AIIB has the potential to play a valuable role in addressing infrastructure needs and boosting economic growth in the region with potential benefits for Australia,” the government said.

Last week Seoul dropped its opposition to joining the AIIB, noting the move could open new doors for South Korean companies with experience in construction, telecommunications and transport.

Japan is not expected to join the AIIB in the near future. But as the new institution’s momentum gathered pace last week, Japan’s finance minister Taro Aso said his country “could consider entering talks” on the bank if governance problems were addressed — remarks that were immediately played down by other officials.