

Australia confirms it will join China's Asian Infrastructure Investment Bank

Abbott government's statement raises existing concerns about governance and transparency, reflecting divergent views within cabinet on the merits of joining

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Saturday 28 March 2015 21.51 GMT

The Abbott government has elected to begin the process of joining the China-led Asian Infrastructure Investment Bank - but is still telegraphing concerns about the structure of the organisation.

China launched the \$100bn proposal last year and more than 20 countries have announced their intention to be founding members.

There have been different views within the cabinet about whether Australia should join the institution. The United States has been distinctly cool on the proposal which, given its resources and membership, could ultimately rival other global financial institutions, like the World Bank.

When Britain joined the AIIB in mid March, the White House issued a rare public rebuke, declaring its hope and expectation that the UK would use its influence to ensure that high standards of governance are upheld. The US sees the AIIB as a vehicle for China to exert influence in the region.

The spectrum of cabinet views have prompted Australia to appear first supportive, then cool, then, over the past fortnight, supportive once again.

Last week the prime minister Tony Abbott told reporters he was in discussions with the United States and with Japan about Australia joining the AIIB.

The statement issued by the prime minister, Tony Abbott, the foreign minister, Julie Bishop, and the treasurer, Joe Hockey, early on Sunday, was still hedged.

Australia would sign a memorandum of understanding on the AIIB "which would allow Australia to participate as a prospective founding member in negotiations to set up the bank."

"The government has discussed the AIIB extensively with China and other key partners inside and outside the region," the joint 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," it said.

"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."