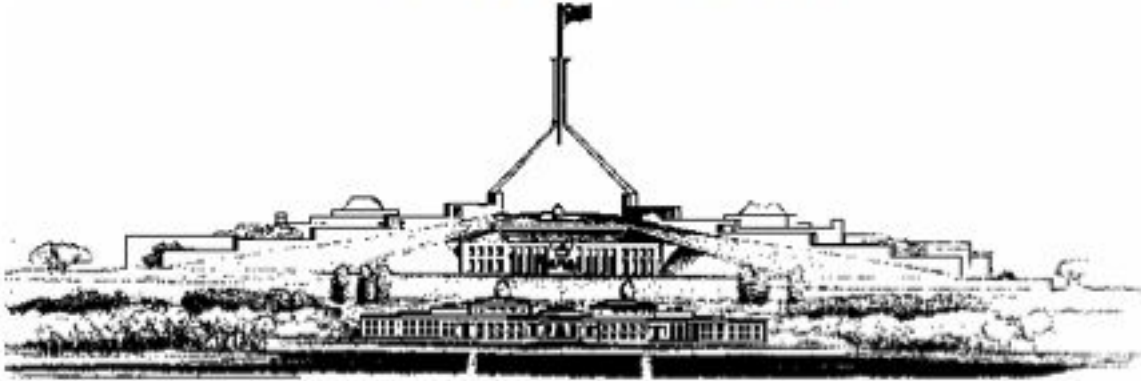




COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



**HOUSE OF REPRESENTATIVES**

**BILLS**

**Asian Infrastructure Investment Bank Bill 2015**

**Second Reading**

**SPEECH**

**Wednesday, 19 August 2015**

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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## SPEECH

**Date** Wednesday, 19 August 2015  
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**Questioner**  
**Speaker** Leigh, Andrew, MP

**Source** House  
**Proof** No  
**Responder**  
**Question No.**

**Dr LEIGH** (Fraser) (18:27): As the previous speaker, the member for Riverina, noted, Labor will be supporting the Asian Infrastructure Investment Bank Bill 2015. On 29 June 2015, the government signed the Asian Infrastructure Investment Bank's articles of agreement in Beijing. That put us alongside 56 other founding-member countries. Fifty countries have formally signed the bank's charter. At the time of that signing ceremony, seven more were waiting for domestic approval before signing. The Asian Infrastructure Investment Bank will launch with capital of \$100 billion, three-quarters of which will come from Asia.

Nobody doubts the need for investment in infrastructure in the Asian region. A study by the Asian Development Bank in 2009 estimated that Asia's infrastructure needs amounted to \$8 trillion between 2010 and 2020, of which 68 per cent would be for new capacity. Fifty-one per cent of the spending would be for electricity, 29 per cent for roads and 13 per cent for telecommunications. The terrific growth that the Asian region has seen, with the movement of hundreds of millions of people from poverty into the middle class, is one of the great developments of my lifetime and has brought with it a demand for high-speed railways, quality broadband, good roads, ports and airports. All of these things will potentially be funded through the Asian Infrastructure Investment Bank. China will have a voting share of 26 per cent, contributing around \$30 billion of the bank's launch capital of \$100 billion. Australia is making an initial contribution of \$930 million, but I understand that the anticipated contribution is US\$3.7 billion, making us the sixth largest shareholder, behind India, Russia, China, Germany and South Korea.

The Asian Infrastructure Investment Bank has been opposed by the United States from the outset. The political dimension is worth exploring in considering the need for the bank. As *The Economist* magazine noted in an article on 21 March: there are three reasons why the United States should have been more receptive to the Asian Infrastructure Investment Bank. The first is the need for infrastructure, to which I have already referred. The second is that those countries who have concerns about Chinese lending standards should join the bank and improve it from the inside. Third is the suggestion that existing institutions ought to be reformed has been made impossible by the fact that the United States congress has stymied the very modest reforms of the IMF.

I spoke on the IMF reforms when they came before the House a number of years ago and was struck at that time by the degree of bipartisan commitment to the IMF reforms. I noted the irony that bipartisan support was going to IMF reforms which would see Australia increase our contribution and decrease our voting share. We voted for the IMF reforms, however, because they recognised the shifts in the global weight of China, in particular. But while the G20 in 2010 agreed to reform IMF quotas to transfer six per cent of voting power to emerging market economies, those reforms need the approval of all countries. The United States is the only country which is failing to support these reforms, despite support from the Obama administration. In that context, it is reasonable to understand that the Asian region's investment needs might well be met by the Asian Infrastructure Investment Bank.

When the proposal was announced, on 24 October 2014, the Prime Minister said:

What we are not prepared to do is to sign onto something which is just an arm of one country's foreign policy.

That stood in contrast with Labor's initial response to the Asian Infrastructure Investment Bank. The opposition leader, Bill Shorten, said on 23 November 2014:

We understand that if China wants to build multilateral trade institutions and financial institutions, Labor says in principle; this is a good thing. We had this crazy situation where the Abbott Government treated the Asian investment bank, the infrastructure investment bank, as a security issue and all the reports showed they got their National Security Committee to reject the Asian Infrastructure Investment Bank.

It took until the 29 March 2015 before the coalition finally announced that Australia would sign the MOU for the Asian Infrastructure Investment Bank. In so doing, we found ourselves playing catch-up. Australia joined

the Asian Infrastructure Investment Bank behind South Korea, behind India and behind Singapore. But we also committed to the Asian Infrastructure Investment Bank after New Zealand, after Germany, after France, after Italy and after Britain. Indeed, it was probably only the British government signing onto the Asian Infrastructure Investment Bank that led Australia to be embarrassed into signing.

The issue was raised in the coalition party room, reportedly. Phil Coorey, in an article in the *Australian Financial Review* in November 2014, noted that the Prime Minister had been taken to task over his early statements suggesting that joining the Asian Infrastructure Investment Bank would be a mistake. The split within the government was reportedly between the Treasurer and the trade minister, who favoured joining, and the Prime Minister and the foreign minister, who were holding out against joining.

As the *Lowy Interpreter* article by Philippa Brant noted:

It is revealing that the second debate was conducted in cabinet's NSC, where strategic rather than financial arguments became paramount. Ms Bishop provided scenarios of how China could convert financial power via investment loans into direct military advantage in vulnerable nations close to Australia.

That perspective reflects zero sum thinking. It reflects a sense that the Asian Infrastructure Investment Bank proposal was something which would force us to loosen our ties with the Asian Development Bank and with the World Bank. That is not the case. Singapore, very much in a strategic position similar to Australia, recognised that we did not need to see this as zero sum game. As Philippa Brant noted at the end of her article:

By seeing the AIIB as purely 'an instrument of China's national interest' (and therefore not in our national interest) Australia has lost a valuable opportunity to participate alongside other Asian nations and influence the direction China's financial engagement. And the strong overtures from US representatives feeds the Chinese perception that Australia doesn't make independent foreign policy decisions, making it harder to convince China that we're not just America's 'lapdog' when it comes to China's role in the region.

Geoff Raby, writing in the *Financial Review* on 12 April 2015, said:

By delaying for so long before joining the infrastructure bank, Australian forfeited much of the advantage of membership, while perplexing China and still annoying the US.

He points out that we joined at the tail end of a queue of Europeans, behind Luxembourg and just ahead of Norway—neither of them prominent actors in Asia Pacific affairs. Geoff Raby points out this is not simply a coalition-Labor difference. He notes that, in the past, Australia, under a Labor government, was central to securing the Cambodian peace agreement and that under the Howard government Australia created the regional process on people-smuggling and stood firm against US based IMF conditionality for financial rescue packages for Indonesia and Thailand, following the 1997 Asian financial crisis. Those independent foreign policy stances ultimately served Australia well. Geoff Raby describes fears that the AIIB will be an instrument of China's domination in the region as those that:

... verge on the hysterical.

He argues that Australia ought to return:

... to our past traditions of regional active diplomacy ...

And that:

... using our policy creativity will enhance our security.

The decision that has been made by the government is ultimately the right one. As Churchill once said of the United States, 'She can always be relied on to do the right thing once she has exhausted all the other alternatives.' I am not sure that we can say that the Abbott government can always be relied on to do the right thing, but in this case it certainly did attempt to exhaust all the other alternatives before signing on. Had the government recognised that this was an economic issue, rather than using zero sum national security considerations, we would have had a more powerful role in influencing the shape of the Asian Infrastructure Investment Bank.

The bank's governance arrangements will now see a board of governors, with each of the 57 founding members having a seat on the board. The board will meet at least once a year. It will have a board of directors, nine of which will be members from Asia and three of which can come from outside the region. Members have been asked to form constituencies to elect those directors.

I do hope that Australia is able to play a significant leadership role on the board of directors, because infrastructure investment within the Asia-Pacific region is vital not only in helping to alleviate poverty and improve income growth in the region but also because of the benefits that it brings for trade and national security. A growing, prosperous Asia-Pacific is in the globe's interests and it is in Australia's national interests. I commend the bill to the House and simply wish that the government had acted with more alacrity on this important issue.