

Even for a government that has recently made an artform of policy backflips, the Abbott government's belated, but seemingly inevitable decision to join China's proposed Asian Infrastructure Investment Bank (AIIB) represents a manoeuvre of Olympian proportions.

While most of the attention has understandably been on the very public divisions within cabinet and between Australia and the US, there is arguably a more enduring lesson to be learnt about influence and institutional development.

One of the reasons that the Americans have been so concerned about the AIIB is that they – rightly – fear that it will dilute their own influence and that of extant regional institutions, such as the Asian Development Bank (ADB). Japan has been the principal actor in the ADB, but Japan is also a close – some would say highly dependent – ally of the US, and therefore poses less of a threat to America's regional influence.

China is a very different proposition. While Japan may not have been any greater admirer of the Washington consensus than China is, Japan could generally be relied upon to at least look as if it did. China has no such inhibitions or filial loyalties.

Although China's own developmental model has yet to be definitively articulated by its ruling elite, we have a pretty good idea what it looks like in practice. China's hands-on approach to investment in Africa provides an insight into what large-scale infrastructure investment might look like closer to home.

Two points are important to consider in this regard. First, that China is going its own way and actually following a Japanese-style tradition of neo-mercantilism is more surprising than it might seem – at least as far as many observers in the West are concerned. True, China is adopting a well-established East Asian, state-led template, but many thought things would turn out rather differently.

The great hope and expectation among many Western governments was that simply by participating in the international institutions the US had helped establish and subsequently dominated, Chinese policymakers would be “socialised” into appropriate behaviour. In short,

Chinese elites would become more like “us”.

While there is no doubt that this has undoubtedly happened to some extent – China is an increasingly effective player in many international institutions – the question is how much its elites have taken on the norms, ideas and goals of their counterparts in places like the US and Australia. Do they still have a very different idea about how institutions should operate and how they might be utilised to pursue national rather than collective goals?

This leads to a second consideration. Is China attempting to use the AIIB to quite literally cement its place at the centre of regional production networks that give material expression to its growing regional importance and influence? The reality is that China is already central to the so-called “factory Asia” of trans-regional production structures that have been established across north and southeast Asia.

As The Economist recently [pointed out](#) :

China produces about 80% of the world’s air-conditioners, 70% of its mobile phones and 60% of its shoes. The white heat of China’s ascent has forged supply chains that reach deep into South-East Asia. This “Factory Asia” now makes almost half the world’s goods.

China’s planned investment in badly needed regional transportation infrastructure will entrench its economic dominance and importance. There are few countries in East Asia that don’t have China as their number one trade partner. China-centric transportation links and the reconstitution of the old Silk Road will only reinforce this economic leverage and make disagreeing with China increasingly difficult and costly.

Are the US and Australia right to be concerned about the geopolitical consequences of all this? Possibly so. But what, exactly, does an alternative strategy look like? And what would its consequences actually be? The US – much less Australia – can’t stop China playing a prominent role in the region of which it is a part. It would be counter-productive to try to do so.

One of the reasons that China is trying to set up its own institutions and agreements is because it is either locked out of some – like the proposed Trans-Pacific Partnership – or underrepresented given its weight in the international economy. The US's continuing veto power in the IMF is perhaps the most glaring example of the latter possibility.

Barring some – not inconceivable – economic crisis, the region will have to get used to becoming ever more dependent on China's growing economic power. This is not necessarily bad news. It's not China's fault that we squandered the windfall provided by the resource boom.

Even more pointedly, for regional countries desperate for infrastructure investment China potentially offers vital assistance without the ideological, reformist baggage associated with the Washington consensus.

It could prove an irresistible combination and one that may help to enhance China's influence in the region at the expense of America's – despite continuing concerns about China's geopolitical ambitions. How times change.

*Mark Beeson does not work for, consult to, own shares in or receive funding from any company or organisation that would benefit from this article, and has no relevant affiliations.*

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