

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

First Delegated Legislation Committee

DRAFT ASIAN INFRASTRUCTURE INVESTMENT BANK (IMMUNITIES AND PRIVILEGES) ORDER 2015

Monday 2 November 2015

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IN GENERAL COMMITTEES

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The Committee consisted of the following Members:

Chair: MIKE GAPES

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|-----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| † Allan, Lucy (<i>Telford</i>) (Con) | † Kerevan, George (<i>East Lothian</i>) (SNP) |
| † Allen, Mr Graham (<i>Nottingham North</i>) (Lab) | † Lee, Dr Phillip (<i>Bracknell</i>) (Con) |
| † Blackwood, Nicola (<i>Oxford West and Abingdon</i>) (Con) | † Mitchell, Mr Andrew (<i>Sutton Coldfield</i>) (Con) |
| † Clwyd, Ann (<i>Cynon Valley</i>) (Lab) | Reynolds, Emma (<i>Wolverhampton North East</i>) (Lab) |
| † Cummins, Judith (<i>Bradford South</i>) (Lab) | † Solloway, Amanda (<i>Derby North</i>) (Con) |
| † Duddridge, James (<i>Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs</i>) | † Thomas, Mr Gareth (<i>Harrow West</i>) (Lab/Co-op) |
| † Graham, Richard (<i>Gloucester</i>) (Con) | † Tracey, Craig (<i>North Warwickshire</i>) (Con) |
| † Heaton-Jones, Peter (<i>North Devon</i>) (Con) | † West, Catherine (<i>Hornsey and Wood Green</i>) (Lab) |
| † Hollingbery, George (<i>Lord Commissioner of Her Majesty's Treasury</i>) | Wilson, Sammy (<i>East Antrim</i>) (DUP) |
| | Glenn McKee, <i>Committee Clerk</i> |
| | † attended the Committee |

The following also attended (Standing Order No. 118(2)):

Pincher, Christopher (*Tamworth*) (Con)

First Delegated Legislation Committee

Monday 2 November 2015

[MIKE GAPES *in the Chair*]

Draft Asian Infrastructure Investment Bank (Immunities and Privileges) Order 2015

4.30 pm

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (James Duddridge): I beg to move,

That the Committee has considered the draft Asian Infrastructure Investment Bank (Immunities and Privileges) Order 2015.

It is a pleasure to serve under your chairmanship, Mr Gapes. The order was laid before the House on 12 October 2015. It gives authority for immunities, privileges, reliefs and exemptions to the new international organisation—the Asian Infrastructure Investment Bank—under the International Organisations Act 1968. Before I go into the detail of the order, I will set out some context with a few words about the bank and its links with the Government's prosperity objectives.

The fast-growing markets of the emerging economies are becoming increasingly important to global trade, to British businesses generally, and to our values in the United Kingdom. The United Kingdom must, therefore, continue to play a significant role in developing the markets, as well as the global economy. Equally, we must expand into areas where we are economically under-represented. China is at the heart of some of that activity. The recent state visit by the Chinese President demonstrated the scale of the opportunities that lie in deeper co-operation between our two nations, and a key component of opportunity and growth in Asia is, and will continue to be, infrastructure. Satisfying that need is vital not only for driving growth but for increasing living standards across the region. It will benefit the whole global economy, creating new jobs, including for British business.

The UK has expertise in areas ranging from green investment, infrastructure and engineering to accountancy, finance and project management. Key to enabling effective support for infrastructure development in the region is ensuring that the Asian Infrastructure Investment Bank is well established as a high-quality and functioning international organisation, and that is why the UK has taken on such a strong role in supporting it. Our announcement in March of our desire to become a founding member was the first of any major western country. Germany, France and many others have now followed.

Richard Graham (Gloucester) (Con): Does my hon. Friend agree that our early decision to become a member of the bank shows that our commitment to contributing to the economic development of more than 50 countries across Asia is strong? Does he also agree that that can only be good for British business in Asia, supports engagement with China, allows us to share our considerable experience across the region and is widely supported by business here?

James Duddridge: I could not agree more. Before coming to this place, my hon. Friend established a great tradition of working in that area, and he continues to leverage his expertise as a member of all-party parliamentary groups. I urge him to continue to do that, through his involvement with the fledgling development bank.

The order is part of the UK's ratification process, and provides the privileges and immunities that will enable the bank to function as an international organisation in this country. It is part of the requirements laid out in the articles of agreement signed by the UK Treasury's Commercial Secretary in June and is in line with the requirements of other international organisations of which we are a member.

Mr Gareth Thomas (Harrow West) (Lab/Co-op): I apologise for the discourtesy of missing the Minister's opening remarks. He mentioned other multilateral development banks. How does he see the new bank operating with the Asian Development Bank? One would think, instinctively, that there was some overlap or, if not, that there would be some sort of memorandum of understanding between the two. Does the Minister envisage that?

James Duddridge: I certainly envisage their working closely together, but equally closely with other international development banks, such as the European Bank for Reconstruction and Development, the African Development Bank and, to a lesser degree, the World Bank, which has a slightly different context and structure in relation to the order. There are plenty of development opportunities in the region and beyond, and I encourage all development banks and all Development Ministers across the world to work together. That is where the greatest rewards are, rather than in operating solely individually. Fundamentally, it is about operating collectively.

Mr Thomas: The Minister is aware that Mr Jin Liqun was appointed as the secretary-general of the multilateral interim secretariat of the new bank. Was Britain consulted on the appointment? Is it a genuinely interim one and, if so, will Britain be involved in the interviews for the permanent head of the bank?

James Duddridge: I cannot speak for the appointment process as part of the draft order. I am just setting out the basis on which those people will be employed. However, I am more than happy to look at the matter, if it is exercising the hon. Gentleman—as it appears to be doing. In relation to the draft order, I have made the comments that I wish to make and I therefore commend it to the Committee.

4.35 pm

Catherine West (Hornsey and Wood Green) (Lab): It is an honour to serve on the Committee under your chairmanship, Mr Gapes. I thank you for the opportunity to speak.

I welcome the strengthening of relations between China and the UK and see some merit in swiftly setting up this investment organisation. We agree that the UK's commitment to the AIIB is a positive step to strengthen multilateral relations globally and to open investment

opportunities for the UK. That said, I hope that the Government will take into account some of the opinions expressed in Committee to ensure that the UK's commitment to the bank is based on a sound economic case that takes full account of social and environmental concerns and, importantly, delivers a fair and good deal for UK taxpayers and the local populations affected by the bank's investment schemes.

I do not doubt the spirit in which the AIIB was set up, but I echo the concerns of my hon. Friend the Member for Feltham and Heston (Seema Malhotra) that there must be an assurance such that, when funds are invested in infrastructure schemes, those projects serve the interests of the populations affected by them. That is particularly important for projects in areas with high prevalence of poverty. The Labour party has a proud history of commitment to international development. I hope that the Minister will confirm that the UK's investment in the bank represents a genuine commitment to international development, and is not simply a down payment for membership of a club.

The next issue is on the need for a multilateral response to climate change and environmental protection. It is welcome that clear efforts have been made to ensure environmental and social standards and the sustainability of the bank's operation through the launch of a consultation process and the dossier subsequently produced, entitled "Environmental and Social Framework", but concerns have been expressed that that policy-making process has occurred rapidly and narrowly. Rayyan Hassan, director of the non-governmental organisation Forum, based in Manila, commented that the bank's environmental protection consultation wanted

"the entire world to comment on AIIB's \$100 billion safeguards. And they want to finalize it by December." Historically, that is a short consultation period.

Given the lack of oversight, transparency has become a recurring theme with such large investment organisations. Has the Minister raised the issue directly with the AIIB secretariat? If so, will the Committee have the opportunity to scrutinise any representations made? Given that the UK has committed £2 billion to the AIIB, I hope that the Minister shares my view that it is vital for his Department to ensure that it is delivering a good deal for public-funded projects, especially given the Government agenda of austerity.

As a newly launched organisation, it is important for the bank to be able to integrate into existing global economic and political structures, working in collaboration with global stakeholders. The point made by my hon. Friend the Member for Harrow West was that we must not collaborate only with the World Bank, the IMF, the EU, ASEAN, the UN and so on. Will the Minister explain the exact mechanisms for how we, as a member of the investment bank, will operate in parallel to those organisations? How will he assure us that operations will be co-ordinated with and complementary to those existing organisations, rather than duplicative?

4.39 pm

George Kerevan (East Lothian) (SNP): There is much merit in the project, as others have said, and in the UK having an early involvement in it. In order for the project to fulfil its potential, however, we have to recognise some conflicts of interest, or at least potential ones.

The Minister, in his reply to the hon. Member for Harrow West, was not clear enough about his or the Government's response to that.

The Asian Development Bank, which has been in existence since the 1960s and of which we are a significant member, is funded or capitalised largely from Japan and, in its heyday, was seen mainly as a vehicle for Japan to invest across wider Asia in a positive way. However, it is at least conceivable that in setting up the new Asian Infrastructure Investment Bank the Chinese Government are setting up a rival to the Asian Development Bank, which might get the new bank caught up in the manifest tensions between the Governments of China and Japan in recent years. There is room for more than one bank and China investing some \$50 billion to capitalise the project is positive, but it must not become a political football. We need assurances from the Minister that the British Government will use their good offices, even behind the scenes, to ensure that that happens.

The Chinese Government's explanation for why they are setting up the new bank ties very much to President Xi's project of a new silk road to strengthen the infrastructure and transport links between Asia and Europe. That is an excellent idea, but those links must not simply end in Germany; they must also reach the UK. What strategy or vision do the Government have to ensure that the bank plays its part in extending the new silk road to the UK?

I do not make my final point tongue in cheek, but the Minister perhaps ought to have words with the Treasury, because it is of course trying to sell off our own Green Investment Bank on the ground that capitalising it will limit the Government's ability to reduce the deficit. In the same breath as selling a successful green bank which has achieved infrastructure investment in the UK in just the areas we have been discussing, however, the Treasury is providing virtually the same kind of money to be the British contribution to the AIIB. My constituents might find such priorities a little odd—we are closing down the green bank, which has its headquarters in Edinburgh, on cost and deficit grounds, but we can find the money to invest in an infrastructure bank in Asia. Possibly we can do both—that would be my preference—but I want the Minister to reassure me that the Treasury will not come back next week and decide to pull out of the AIIB on cost grounds.

4.43 pm

Mr Graham Allen (Nottingham North) (Lab): It is a pleasure to serve under your chairmanship, Mr Gapes, as always.

I am delighted to see colleagues with vast experience of international development in Committee—my right hon. Friend the Member for Cynon Valley, my hon. Friend the Member for Harrow West and the right hon. Member for Sutton Coldfield, who was a distinguished Secretary of State. I hope that they will take the chance to talk about the important question of immunities and privileges as far as it extends to the broader remit of what China is trying to achieve in its foreign policy goals, which we appear to be swallowing, sometimes without taking too much time to see what it is that we are swallowing.

Immunities and privileges are important in that regard. I do not want us to become the Chancellor's version of an eastern powerhouse. We will be putting about £2 billion

[Mr Graham Allen]

into the bank. Will there be a return domestically, in the countries that will benefit from the projects, and in our own UK economy? Will we get representation? Will the immunities and privileges in the draft statutory instrument be sufficient to safeguard the British interest? That is my anxiety about the helter-skelter speed at which some things are being done politically—though we all wish the Chancellor well, because we all wish Britain well when we enter such engagements—and at the parliamentary level. You know better than anyone, Mr Gapes, that such things need proper, careful, steady scrutiny. We ought sometimes perhaps to take a leaf out of the Chinese book. If things took several years to come to fruition, we would be able to understand them in much more depth. Many people, even in the House, are totally unaware of what the bank will do and how it will fit with existing institutions. If we asked the man and the woman in the street about the Asian Infrastructure Investment Bank, they would not have a clue what we were talking about, yet we are going to cast £2 billion into that bank.

One of the good things, and one reason why I am interested in hearing the former Secretary of State's comments, is that the institution is still a moveable feast. We have seen a number of changes, even in the past six months, in the Chinese position, in respect of, for example, the representation and stakeholding, and what the functions of such an investment bank might be. I wonder whether the former Secretary of State in his private moments, or perhaps even in a public moment today, might ask about the impact of the bank, and of Chinese economic and foreign policy, on our overall strategy for international development and for helping people in difficulties—abroad, of course, but also in our own country. I will not stray into nuclear power or the demise of the steel industry because you would rightly call me to order, Mr Gapes.

The other people who have raised warning flags are our good allies across the water, in the United States. They have asked a number of questions and we have consequently seen movement on the Chinese side. The Chinese have not said, "No, we're not going to listen. It's this or nothing else." In such a negotiation, it is wise to play it long and keep a number of other things on the table. We have to develop international institutions, particularly with our friends and partners in China and India, but we need to ensure, rather like the Prime Minister is trying to do in Brussels, that the shopping list is not a closed one but one that can benefit from interaction and negotiation.

Over several months, the United States has, in an unusual way, flagged up rather clearly—in terms of our international friendship—some of its anxieties about our being a little too eager to chase after the Chinese dragon and accommodate its demands rather than to hold out and strike a tougher dealer. It is not good enough to say, "We're going to let China come in. We're going to trade with China." We need to be clear about what that means. It has implications for the immunities and privileges we are talking about. For example, are the privileges and immunities granted to staff members of the World Bank identical to those granted by the order? Are we duplicating the facilities of the World Bank and many other international institutions? Was the establishment of the institution an attempt to create

a counterpart to the World Bank? Perhaps we have seen that one off for the moment, but I do not get the sense that the Government are particularly clear about what they wish to do in that regard.

Regarding the immunities granted to people who will serve the institution, we also need to be clear that they do not give *carte blanche* to operate exploitative relationships, particularly with people who endure difficult working conditions. There is a lobby today about the Trade Union Bill. There may well be places where there are no trade unions and where workers are exploited, and we need to ensure that the people who run the institution take that into account. Who are those people? Are they representative? Will they give infrastructure resource to other countries to help them to develop with one hand, while encouraging practices that we would all condemn with the other hand? The people at the top of the organisation need to be aware of and clear about the need to develop these institutions on a much fairer basis.

Mr Thomas: My hon. Friend makes an important point, not least because the history of Chinese infrastructure aid to many developing countries, important as it has undoubtedly been, has often involved Chinese labourers effectively being imported into the country where the infrastructure is being built as a *quid pro quo* for the investment. Surely we need to ensure that that cannot be achieved as part of the investment we are potentially committing to this bank.

Mr Allen: That is why this particular statutory instrument is very important. The shareholders, stakeholders and staff of this institution who are going to enjoy the immunities and privileges being granted to them by this statutory instrument need to be on full alert that this is not an attempt to just co-operate and to maximise the exploitation of the people working in various parts of Asia covered by the institution.

Richard Graham: Does the hon. Gentleman agree that the concerns he and the hon. Member for Harrow West have raised actually form part of the rationale as to why the United Kingdom should be involved? This is effectively a membership club, and the more members there are in the club who are like ourselves, France or Germany, the more likely we are to be able to exercise influence in how this infrastructure is invested to the benefit of the countries and the populations of those countries.

Mr Allen: The hon. Gentleman makes a wise point. There is always a balance between engagement and, in a sense, pushing away from countries in an attempt to penalise them for particular practices. We have all been through this in so many different fields with so many different nations, but here we have the chance for a lever. I am arguing, and my hon. Friend the Member for Harrow West argued very clearly, that we need to use those levers. We can still do that now because, as we have seen, China has retreated from its position of having a majority shareholding in this institution. It said at one point that no other non-Asian nations should be involved in this.

There is still flex and there is still time to manoeuvre. If we are too aggressive in our amorous approaches to China, they could take us for granted. They need a

negotiating partner with a harder edge to move some of the broader ideas that we all share across the House on international development. We should not waste this opportunity by rushing too hastily to a conclusion. The hon. Member for Gloucester makes an excellent point: this could set a precedent for how we negotiate other things internationally. I do not want to go too far—

The Chair: No, please don't.

Mr Allen: In terms of the immunities and privileges we are talking about, those sorts of idea could be associated with things such as the international regulation of banks themselves, so that we have a global response and reaction. This could be a start in terms of ensuring that workers' rights are respected. You will call me to order for mentioning this, Mr Gapes, but perhaps even the Robin Hood tax that many people have spoken about—

The Chair: Order. Will the hon. Gentleman get back to the subject at hand?

Mr Allen: So with your guidance and advice, Mr Gapes, I would like the Minister to respond to the question of whether there is still time and flexibility—as we have proven in the past six months—to negotiate slightly more firmly than we have apparently done in the past three or four weeks. We are being asked to deliver virtually anything and sign a blank cheque, which, I think, would be bad for our country. Above all, it would send a bad signal to those around the globe who look to Britain to stand up for workers' rights and oppose gross exploitation of the sort that we have sometimes seen in Chinese businesses. The negotiations give us the opportunity to take the moral and ethical high ground, which we have not fully taken advantage of.

4.55 pm

Mr Thomas: The people of Harrow West have always been interested in multilateral development banks, and they will certainly be interested in this new addition to the family. I want to pick up where my hon. Friend the Member for Nottingham North left off. One recognises the global Realpolitik that has clearly influenced the Prime Minister's enthusiasm for contributing to this new bank, but one hopes that the Minister and his colleagues in the Department for International Development will, as my hon. Friend suggested, start to ask much tougher questions than those that the Minister suggested in the part of his opening remarks that I was able to hear are being asked.

Multilateral development banks have always been a cosy club. The Americans always get to pick the head of the World Bank; the Europeans always get to pick the head of the European Bank for Reconstruction and Development; and it is usually a Japanese national who gets chosen to be the head of the Asian Development Bank. There is therefore a sense that this new multilateral development bank is on the horizon partly because the Chinese want their own bank that they can control. That suspicion is fed by the appointment of Mr Jin Liqun, who seems to be the de facto chief executive of the new bank. I look to the Minister to give a fuller answer on whether he is there for a short or a long period, whether there will be interviews and whether Britain will be on the interview panel.

There is usually a series of vice-presidents to handle particular parts of a multilateral development bank's portfolio. It would be good to hear a bit more about the structure of the proposed bank. Will there be a series of vice-presidents? Which countries does the Minister expect will provide the heads of the bank? Is this perhaps an opportunity for another Member from Nottingham to take up a position in the international development world? Is there a chance for Britain to hold one of the vice-presidencies of the new bank, given our significant contribution?

On staffing, given the scale of the spending that this multilateral development bank will presumably be able to make—very large sums of money will be committed to very large infrastructure projects—what will be the governance arrangements for those projects? Will Britain have a dedicated official and a team to support them, as we do at the World Bank and the Asian Development Bank, who will be able to go through the fine print of each proposed investment and pick through whether the environmental and social safeguards that the bank eventually signs up to are met in full?

Will there be a process by which Britain and others can raise human rights concerns, if there are any, about particular infrastructure projects? I ask that in the context of Sri Lanka, a country that certainly needs significant multilateral investment—the Chinese have been showing considerable interest in providing that—but where significant human rights concerns remain, particularly in the north and the east. It would be a tragedy if British investment in the new bank was inadvertently to reinforce through infrastructure spending the denial of human rights to particular groups in Sri Lanka.

Mr Allen: I am not sure whether my hon. Friend was seeking to nominate me for some sort of position in the bank when he mentioned a Member for Nottingham who could keep an eye on things, but modesty would forbid me from accepting such a role. There is a Member of Parliament for Nottinghamshire—the right hon. Member for Sutton Coldfield—who is eminently qualified to defend the interests of working people, as he ably did when he was the Secretary of State for International Development. He is too modest to get to his feet and acknowledge that, but he is in the Committee. Perhaps the Minister might think carefully about how we safeguard people in that position, because we have seen recently—

The Chair: Order. This is an intervention, not a speech. I would be grateful if the hon. Gentleman brought his remarks to a close.

Mr Allen: We do not want to repeat what has happened with the Saudi Arabian republic looking after human rights and getting a soft job, when there are able people who can do that work on our behalf.

Mr Thomas: I am grateful for my hon. Friend pointing out to me that Sutton Coldfield is slightly further away from Nottingham than I had initially realised. Being from London, we are sometimes a bit hazy about the distances between constituencies north of Watford. Indeed, the right hon. Member for Sutton Coldfield might be an excellent potential vice-president if the Foreign Office was willing to fight for him to get such a post. Perhaps the

[Mr Gareth Thomas]

first thing would be to know whether Britain will have a chance of nominating one of the deputies or vice-presidents to that role.

As I was alluding to, some of the commentary about the new bank has pointed out that its byelaws require a 75% super-majority for major decisions. That will effectively give China a de facto veto on personnel and policy decisions. It would be helpful to know whether that commentary, which was issued at the end of June this year, is still accurate, or whether there have been changes to the byelaws. It would be a concern if we were simply to pump money into the organisation with the Chinese having a veto over all the big decisions, particularly if we had significant concerns about spending going forward.

The previous Labour Government were pushing for reform of the processes for appointing the heads of multilateral development banks. I do not know whether the right hon. Gentleman carried on that work, but it would be good to hear from him on that subject.

The Committee and the whole House are entitled to hear what reassurance the Minister can give us on this crucial matter. Sadly, there was often little opportunity in the House to debate the work of the multilateral development banks. All too often, debate took place only when major funding decisions were being announced. Can the Minister set out whether there will be a change in that regard? Given that it is a new institution, early scrutiny on the Floor of the House might be important.

Finally, the AIIB released draft environmental and social safeguards. A series of NGOs have expressed concern about those safeguards, and it would be useful to hear from the Minister whether Britain has taken any of them up and whether there have been any reforms of and improvements to the draft guidelines.

5.4 pm

Mr Andrew Mitchell (Sutton Coldfield) (Con): It is a pleasure to appear before you, Mr Gapes; I think that it is for the first time.

It is also, of course, a pleasure to welcome the Minister back to his place. While he has been away, I think a DFID Minister has been covering for him, and many of us would have expected this debate to have been conducted by a DFID Minister. It may well be that such is the synchronicity between the Foreign Office and DFID these days that he has been filling in for the Minister of State, Department for International Development, my right hon. Friend the Member for New Forest West (Mr Swayne), who I had expected to see here.

I will just make a couple of points, tempted and seduced as I have been by the hon. Member for Nottingham North, with whom I have sparred and indeed co-operated over the last 30 years, since we entered the House, although in my case I have broken service through an enforced sabbatical.

On the point made by the hon. Member for Harrow West, it is important to note that the appointment of Mr Jin Liqun, which many of us have welcomed, is an operating matter for the bank, and the role of Britain as a core and founder investor in the bank will be set out clearly in the shareholders' agreement, as it is with the other development banks, in which, as the hon. Gentleman

will know very well, Britain takes a leading part. That will be what determines whether or not Britain was consulted. However, the reasons why my right hon. Friend the Chancellor decided—rather bravely, I think—to be an early investor in the bank are absolutely the right ones, because this is clearly going to be a major feature on the development landscape. Britain has skills and advantages to bring to the table of what I hope will be one of the most successful of the international development banks.

It is no secret that in the developing world there was irritation when Jim Kim was appointed as head of the World Bank. That was not because there is anything wrong with Jim Kim—he is an excellent leader of the bank—but because it was not open to international meritorious competition. As has already been alluded to, it was part of the stitch-up that means that the Americans appoint the president of the World Bank and the Europeans appoint the president of the IMF. We need to move beyond that now. I cannot reveal the workings of Government over the appointment, but the hon. Member for Harrow West may be certain that there was considerable discussion about that appointment. There was an outstanding deputy head of the World Bank, Ngozi Okonjo-Iweala, who was a candidate, and we need to move beyond that old deal and ensure that the next head of the World Bank is appointed by a full, meritorious trawl of everyone who is available, so that that particular concern is removed.

The Minister is absolutely right to express Britain's strong support for this bank. It will be part of the architecture from which the poorest people in the world will increasingly benefit, as the work of all these development banks becomes more directly attuned to that core purpose. I very much hope that the Committee will welcome the decision by Britain to be part of this bank. It is part of Britain's leadership on international development, and it is most welcome on that account.

5.8 pm

Ann Clwyd (Cynon Valley) (Lab): It is a pleasure to speak under your chairmanship, Mr Gapes. Normally, we are on another Committee together, but I am very pleased to see you on this one.

I have one or two questions for the Minister. Paragraph 7.5 of the explanatory memorandum says:

“Her Majesty's Treasury has policy responsibility for the Bank.”

I would like him to explain what “policy responsibility” means.

Paragraph 7 of the explanatory memorandum says that

“the Bank will focus largely on investment in infrastructure sectors such as transport, energy and water across members of the bank from that region.”

I notice that one of the countries that have already signed the agreement—one of the 57 prospective founder members—is Myanmar. One thinks of the needs within Myanmar, particularly the needs of people such as the Rohingya, who are being persecuted in that country, and whether they will be considered when infrastructure investments are made in transport, energy and water. If policy responsibility means influencing decision making, as I assume it does, I would be interested to hear the Minister's plans.

5.10 pm

James Duddridge: First, in summarising the debate, I thank my hon. Friend the Member for Sutton Coldfield for his comments.

Mr Mitchell: Right hon.

James Duddridge: I am terribly sorry to have insulted my right hon. Friend so early in my speech. I apologise profusely. He suggested that I should be working closely with the Department for International Development, which I certainly am. Today I stand here as a Foreign Office Minister with responsibility for protocol. However, I would like to work much more closely across a number of subjects with my right hon. Friend the Member for Welwyn Hatfield (Grant Shapps), who kindly deputised for me when I was ill for much of the last year.

I will try to deal with all the points that have been raised in this debate in broad themes. I will touch on individual points, mentioning individual Members, as and when. A number of Members brought up social and environmental issues, and the UK has been involved in discussions on those subjects from an early stage. The UK has encouraged the bank, and members of the bank, to consult widely, and Her Majesty's Government have specifically had discussions with NGOs—those discussions will continue—on how the bank will operate and on the bank's standards on social and environmental issues. There have not been specific discussions on the projects that the right hon. Member for Cynon Valley mentioned, but there are wide-ranging discussions encompassing all the issues, including human rights.

The hon. Member for Harrow West asked about the interim appointment. I confirm that Britain was consulted on that, and an election is expected for the full-time appointment. He probed me further on governance more generally, and I confirm that there will be 12 non-resident board members. How they will fit geographically, and the areas they will cover, are still being negotiated. Additionally, there will be a number of vice-presidents, but I remind him that a lot of these development banks have many members—in this case, there are already 57 members. However, Britain is well placed, given the Chancellor of the Exchequer's early entry.

The policy lead will be through Her Majesty's Treasury—this issue has been raised by a number of Members—and we will maintain a strong influence, but the exact positions both of the non-executive board and of the vice-presidents are still to be negotiated. However, I note that both in the time of the hon. Member for Harrow West and in current times we have strong experience of multilateral development, and we are well placed to assist the bank.

Mr Thomas: Is the Minister aware of any non-Chinese candidates for the permanent position heading the bank? Why does the Treasury have the policy lead? Given that DFID has responsibility for multilateral development banks, why has this particular bank been taken out of its control?

James Duddridge: The bank has not been taken out of anyone's control. The Chancellor has been close to this work, which is perhaps why it is a Treasury lead. I have not been involved, so I am not aware of specific

candidates in the longer term. As Minister with responsibility for protocol, I have looked at the governance issue in relation to immunities, privileges, reliefs and exemptions and what that might mean for different individuals.

The question of shareholding gives me an opportunity to address the super-majority. China will have the largest share capital, which translates to a voter shareholding of 26.1%, so the hon. Gentleman is right in his assertion that there is a blocking super-majority. However, the combined shareholding of non-regional members is higher than the Chinese holding, at 26.7%. In relation to the Asian Development Bank, I understand that there is an ongoing discussion about a memorandum of understanding between the two banks.

The hon. Member for East Lothian raised some concerns about the Japanese, and subsequently the hon. Member for Nottingham North raised similar issues about the US position in relation to this bank. The US was initially sceptical but it would be fair to say that its tone has softened over recent months, particularly after the recent Chinese state visit. The US acknowledged the contribution that this new bank could make. It is very much not a zero-sum arrangement. This will be a beneficial addition to the piece.

Richard Graham: The Minister makes a number of important points about the governance of the new AIIB. Is there an opportunity for this new bank to be headquartered in Hong Kong, which has the advantage of Chinese sovereignty and the strong rule of law that might give it the credentials needed to play an important part in infrastructure developments across Asia?

James Duddridge: The point of the order is to lay the foundations for the bank to operate across our jurisdiction in the UK, rather than to draw reference to where it might have other headquarters or regional headquarters.

Mr Thomas: With respect, the question of the hon. Member for Gloucester is perfectly reasonable. Where will the bank be headquartered? The Minister must know that. The Chancellor of the Exchequer must have agreed that as part of the agreement on our contribution.

James Duddridge: I cannot immediately confirm the location. However, if I am inspired later in my speech, I will clarify that point for the hon. Gentleman. Other hon. Members raised the issue of trade unions and the exploitation of workers. Specifically, labour rights have been and continue to be considered as part of the environmental and social standards that are being negotiated.

In relation to questions from the hon. Member for Nottingham North about the man in the street—clearly the people of west Harrow are better educated on multilaterals than those elsewhere—I gently suggest that perhaps the man on the street or the man on the Clapham omnibus would not know about the intricate workings of the European Bank for Reconstruction and Development or the African Development Bank, which are two similar institutions that do great work.

I said that I would return to the hon. Member for Harrow West on the location of the headquarters. Evidently, the location has already been decided to be Beijing.

[James Duddridge]

The hon. Member for Nottingham North asked about the speed at which we should move. We have moved quickly and we did that deliberately to co-ordinate with an opportunity. The Chancellor has been a visionary in that regard, which will be good for the region and for the UK.

Question put and agreed to.

Resolved,

That the Committee has considered the draft Asian Infrastructure Investment Bank (Immunities and Privileges) Order 2015.

5.19 pm

Committee rose.