Title: Business as Usual: The Continuity of U.S. Leadership in the Global Economic Order from 2004-2019

Abstract: Signals of declining U.S. leadership and a shrinking desire to sustain the liberal world order appear frequently. Questions of whether this marks the end of the liberal world order, or whether it is a blip, abound. Despite recent actions, the Trump “withdrawal doctrine” has not spread to the entire global economic order, and has mostly been limited to trade and not economic development. In this paper, we analyze project-level data for 22,223 items in multilateral development banks coded and published by U.S. Treasury from 2004 to early 2019 and find remarkable continuity in U.S. behavior across the presidential terms of Bush, Obama, and Trump. This is an important boundary of the “withdrawal doctrine”. We argue that standard operating procedures (SOPs) within the U.S. foreign policy bureaucracy make U.S. withdrawal from the global economic development regime less likely, and the modern bureaucratic structure of multilateral banks makes U.S. withdrawal more costly compared to other regimes or international organizations. In the second part of the paper, we evaluate the extent to which the development regime relies on U.S. leadership in the first place. We argue that the resilience and flexibility of the development regime has enhanced its ability to absorb changes in global leadership, and it has already adapted and changed to meet the varied demands of states in today’s world system.

Keywords: United States, global economic order, multilateral development banks, standard operating procedures

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1 Introduction

Recent instances of U.S. withdrawal from the liberal world order have raised questions about its stability and dependence on the U.S. What will happen next? Will it collapse? Will China fill the power vacuum left by the U.S.? Will it become even more fragmented or complex as it is increasingly challenged by alternate arrangements? Why and how does it even matter? More than two full years in, Trump’s “withdrawal doctrine” has led to U.S. withdrawal from the 2015 Paris Agreement, the Global Compact on Migration, the Human Rights Council (HRC), United Nations Educational, Scientific and Cultural Organization (UNESCO), the Trans-pacific Partnership (TPP) after 7 years and 7 formal rounds of negotiations, and more. Weiss, Forsythe, and Coate (2019) describe this record as a series of “confusing tactics with mixed messages”, noting that while the U.S. has made minor changes to security institutions, it has broken with “more marginal UN organizations” and rejects “voluntary multilateral undertakings”. Yet spite of this behavior and its reluctance to continue leading and/or cooperating at the global level in key issue areas of climate change, migration and refugees, human rights, and cultural heritage, the U.S. recently agreed to expand capital in the International Bank for Reconstruction and Development (IBRD) by $13 billion, nominated David Malpass for the new World Bank president, adhering to the norm of Bank and International Monetary Fund (IMF) selection firmly in place since WWII, negotiated the U.S.-Mexico-Canada Agreement (USMCA) to replace the abandoned North American Free Trade Agreement (NAFTA), and pursued bilateral negotiations with notable trade partners of Japan and the E.U. Is the “withdrawal doctrine” being applied differently in the issue area of economics, and specifically economic development? The behavior of the U.S. in the multilateral development banks (MDBs) provides a good case to determine if that’s the case. Building on the research on American voting patterns in MDBs (Braaten 2014, Strand and Zappile 2015), we analyze U.S. positions on 22,223 individual development projects in MDBs from 2004 – February 2019 to empirically test if, and to what degree, Trump’s foreign policy doctrine has extended to multilateral development assistance. We observe remarkable continuity in U.S. in voting patterns across the presidencies of George W. Bush, Barack Obama, and Donald Trump, revealing that American leadership and behavior within major international financial institutions (IFIs), specifically multilateral development banks (MDBs), has been largely unaffected by the Trump’s “withdrawal doctrine”.

To explain this finding, we argue that standard operating procedures (SOPs) are essentially safeguards for shifts in ideology, foreign policy approaches, and/or leadership changes within

1 Haas 2017.
2 “On the Possibility to Withdraw from the Paris Agreement: A Short Overview” 2018.
3 Weiss, Forsythe, and Coate 2019, 505.
4 “World Bank shareholders back $13 billion capital increase” 2018.
5 Analyses of the two texts note distinct differences in dairy and vehicles, while many provisions like the one for dispute settlement remain the same. Bown 2018. Countryman 2018.

6 Bilateral trade agreements have long been identified by Trump as more preferable to multilateral arrangements, though the U.S. and other countries have long pursued complex trade policies that include bilateral, minilateral, and multilateral arrangements, as documented by Bhagwati and the extensive literature on the effects of this “spaghetti bowl” mix of trade policy. Thus, we note continued bilateral negotiations as a feature, not an anomaly, of long-term U.S. foreign policy in trade. The renegotiation of NAFTA signals this. The difference with Trump’s approach to trade, we think, is that is emphasizes a proportionally higher mix of bilateral and minilateral over multilateral, however the U.S. had not yet signed TTP and has remained committed to all other multilateral trade deals (i.e., the WTO, AGOA, etc).
member states for this set of international organizations (IOs). Furthermore, the modern bureaucratic structure of the MDBs make them well-positioned for member states to continue with business as usual regardless of who is in charge at home. We also consider that leadership disputes within the global economic order may not be as pronounced, as other states may not want to deal with U.S. recalcitrance in this area. Evidence of this is observed through the lack of real alternatives to Trump’s nomination of David Malpass for World Bank President, in contrast to the competitive pool of nominations and strong support among practitioners, researchers, civil society, and some policymakers for the non-US alternatives to Dr. Jim Yon Kim, Barack Obama’s nominee in 2012.

In the second part of this paper, we turn to the question of if, and to what extent, does continued U.S. leadership in the issue area of economic development matter today? Here, we draw from recent literature on regime complexes, contested multilateralism, and empirical evidence for the limited power of U.S. statecraft through regional development banks. We argue that the dominance of the U.S. in the development regime complex has already waned, as the regime has innovated and expanded, effectively becoming more resilient and flexible to shifts in global power and demands from developing states over time. As the regime has evolved to a greater number of complex and overlapping set of complimentary and, sometimes, competing IOs, the relative importance of U.S. leadership has declined, while simultaneously remaining preserved in the status quo institution of the World Bank. This is evident in the number of new MDBs that are 100% (or close) borrower led, in contrast to the regional banks that are U.S.-sponsored. This paradox has afforded the regime a high degree of flexibility to adapt to changing demands in economic development. In short, the development regime has already adapted to a post-American dominant world order while providing some assurance of a soft landing for everyone including the U.S. We build on Humphrey’s work to identify empirical evidence supporting our argument, namely that the proportion of development financing and assets from MDBs that include the U.S. as a member is far less than in the past. We also draw from literature on smaller MDBs, observing a clear trend of innovation and differentiation in development financing (e.g., the Pacific Islands Development Bank (PIDb) provides mortgage lending) to better align regional financing with borrower demands. This reflects a more marketing-based view on recent innovations in the development regime complex.

2 Patterns of U.S. Voting in MDBs from 2004-2019

To test whether there are changes in U.S. foreign policy in economic development under Trump, we use U.S. Treasury data for 22,223 individual projects in MDBs dated between 2004 - February 28, 2019 and present descriptive and inferential statistics for multiple dimensions of the U.S. position. Table 1 and Figure 1 present the overall trend of U.S. votes annually through December 31, 2018, demonstrating continuity in U.S. positions for MDBs projects over time. We

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9 Morse and Keohane 2014.
12 Strand and Park 2015.
13 Zappile 2015.
note that in 2017 and 2018, there was slightly higher than average rate of abstentions with 10% and 8.94% respectively, compared to an 8.48% average for all included projects. All data are from the U.S. Treasury.

Table 1. U.S. Votes in MDBs 2004-2018

<table>
<thead>
<tr>
<th>Year</th>
<th>Raw Vote Count</th>
<th>Percentage of Total Votes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>Abstain</td>
</tr>
<tr>
<td>2004</td>
<td>53</td>
<td>113</td>
</tr>
<tr>
<td>2005</td>
<td>59</td>
<td>110</td>
</tr>
<tr>
<td>2006</td>
<td>66</td>
<td>110</td>
</tr>
<tr>
<td>2007</td>
<td>71</td>
<td>142</td>
</tr>
<tr>
<td>2008</td>
<td>44</td>
<td>98</td>
</tr>
<tr>
<td>2009</td>
<td>18</td>
<td>97</td>
</tr>
<tr>
<td>2010</td>
<td>24</td>
<td>128</td>
</tr>
<tr>
<td>2011</td>
<td>42</td>
<td>124</td>
</tr>
<tr>
<td>2012</td>
<td>51</td>
<td>120</td>
</tr>
<tr>
<td>2013</td>
<td>39</td>
<td>130</td>
</tr>
<tr>
<td>2014</td>
<td>37</td>
<td>154</td>
</tr>
<tr>
<td>2015</td>
<td>43</td>
<td>121</td>
</tr>
<tr>
<td>2016</td>
<td>17</td>
<td>142</td>
</tr>
<tr>
<td>2017</td>
<td>37</td>
<td>154</td>
</tr>
<tr>
<td>2018</td>
<td>35</td>
<td>131</td>
</tr>
<tr>
<td>Total</td>
<td>636</td>
<td>1874</td>
</tr>
</tbody>
</table>

Source: Authors’ own calculations.

Figure 1. U.S. Votes in MDBs 2004-2018

Source: Authors’ own calculations.
We present the same data below in Table 2 and Figure 2 across U.S. presidents, including more recent project-level data through February 28, 2019. Note that the overall rate of support of 84.64 percent for MDB projects under Trump is slightly lower than the overall support rates for Bush at 87.93 percent and Obama at 86.98 percent. The use of abstentions and “no” votes are similar for Trump and Obama, while we see the use of n/a or “none” introduced under Obama.

Table 2. U.S. Positions for Individual MDB Projects by President, 2004-2019

<table>
<thead>
<tr>
<th>US Position</th>
<th>Bush</th>
<th>Obama</th>
<th>Trump</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support (Yes)</td>
<td>87.93%</td>
<td>86.98%</td>
<td>84.63%</td>
<td>86.96%</td>
</tr>
<tr>
<td>No</td>
<td>4.08%</td>
<td>2.26%</td>
<td>2.47%</td>
<td>2.88%</td>
</tr>
<tr>
<td>Abstain</td>
<td>7.99%</td>
<td>8.56%</td>
<td>9.25%</td>
<td>8.47%</td>
</tr>
<tr>
<td>n/a</td>
<td>0.00%</td>
<td>2.08%</td>
<td>3.42%</td>
<td>1.59%</td>
</tr>
<tr>
<td>None</td>
<td>0.00%</td>
<td>0.12%</td>
<td>0.23%</td>
<td>0.09%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Authors’ own calculations.

Figure 2. U.S. Positions for Individual MDB Projects by President, 2004-2019

2.2.1 The Pelosi Amendment and Environmental Assessment (EA)
We use the same data to analyze changes in the use of specific reason codes for a “yes” or “no” vote for 22,223 individual projects from 2004, when the U.S. Treasury was first required to report data on U.S. positions, through February 28, 2019. We focus our inquiry on The Pelosi amendment, established by The International Development and Finance Act of 1989\(^\text{14}\), delineating guidelines for U.S. Treasury on U.S. positions for individual MDB loans. Section 1308 inserted additional requirements regarding environmental assessment (EA) in MDBs. An internal 1998 CRS Report on the effectiveness of the 1989 Pelosi amendment in legislation on U.S. positions for loans in MDBs\(^\text{15}\), issued in a 2009 Wikileaks release, revealed the mechanism(s) by which this amendment had made an impact.

Our dummy variable for the Pelosi amendment includes all projects for which code 9 was invoked and/or any project that cites the Pelosi amendment in the comments section, whether it

\(^{15}\) Wikileaks 2009.
was appropriately coded or not. This allows us to show the projects that the U.S. did not support due to Pelosi requirements, and also projects that were reviewed for Pelosi requirements and deemed acceptable. Figure 3 is not filtered by U.S. position and includes all individual MDBs projects with U.S. positions of support, abstain, or no that invoke the Pelosi Amendment, whereas Figure 4 shows the breakdown of U.S. positions for the projects by yes, no, and abstain votes. Figure 4 shows a slight increase in the frequency of no votes that invoke the Pelosi requirements in 2017 and 2018, however we note the same pattern appearing in both 2011 and 2015. Overall, the frequency of invoking the Pelosi requirements has increased over time, demonstrating continuity, instead of interruption, under the Trump administration.

Figure 3. Citations of the Pelosi Amendment

![Figure 3. Citations of the Pelosi Amendment](source: Authors' own calculations.)

Figure 4. Count for Citations of the Pelosi Amendment, 2004-2018

![Figure 4. Count for Citations of the Pelosi Amendment, 2004-2018](source: Authors’ own calculations.)

As we expected, the Trump administration continues to cite Pelosi amendment and other codes to explain a “no” vote for individual projects. However, the rates of invoking the amendment present a clearer picture of its use and Table 3 shows an increase in the citation by Trump, as compared to Presidents George Bush and Barack Obama.
Table 3. Frequency of Citations of the Pelosi Amendment by President, 2004-2019

<table>
<thead>
<tr>
<th>President</th>
<th>Did not cite Pelosi</th>
<th>Cited Pelosi</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>George W. Bush</td>
<td>99.11%</td>
<td>0.89%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Barack Obama</td>
<td>96.06%</td>
<td>3.94%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Donald Trump</td>
<td>95.68%</td>
<td>4.32%</td>
<td>100.00%</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>97.00%</strong></td>
<td><strong>3.00%</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

Source: Authors’ own calculations.

To ensure the increased use of the Pelosi amendment is substantially different under Trump, we ran several statistical checks for individual projects (n = 22,223) across the Bush, Obama, and Trump presidencies. The results presented below in Table 4 reveal a statistically significant positive difference in the citation of the Pelosi amendment by President Trump with a Kruskal-Wallis test and several basic regression models (i.e., logistic, probit, and logit).

Table 4. Statistical Tests for Invoking Pelosi Amendment Across Presidencies, 2004-2019

<table>
<thead>
<tr>
<th></th>
<th>Kruskal-Wallis Results</th>
<th>Logit Results</th>
<th>Probit Results</th>
<th>Linear Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-squared (prob)</td>
<td>14.411 (0.0007)</td>
<td>132.37 (0.000)</td>
<td>138.98 (0.000)</td>
<td>135.32 (0.000)</td>
</tr>
<tr>
<td>F (prob)</td>
<td></td>
<td></td>
<td></td>
<td>135.32 (0.000)</td>
</tr>
<tr>
<td>Coefficient (prob)</td>
<td>0.6848 (0.000)</td>
<td>0.3106 (0.000)</td>
<td>0.0203 (0.000)</td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>0.0221</td>
<td>0.0233</td>
<td>0.0061</td>
<td></td>
</tr>
</tbody>
</table>

Source: Authors’ own calculations.

2.2.2 Terrorism

We see a similar pattern for the reason code related to terrorism, established by the Antiterrorism and Effective Death Penalty Act of 1996, Section 327 on “Opposition to assistance by international financial institutions to terrorist states” (P.L. 104-132, Sec. 327). This legislation provides SOPs for Treasury and State for individual MDB projects related to terrorism, as delineated by this and other legislation. Table 5 below presents the rates at which the code for anti-terrorism (code 10) was cited in 22,223 individual projects from 2004 through February 28, 2019.
Table 5. Frequency of Citations of the Anti-Terrorism Amendment by President, 2004-2019

<table>
<thead>
<tr>
<th>President</th>
<th>Did not cite Terrorism Code</th>
<th>Cited Terrorism Code</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>George W. Bush</td>
<td>32.39%</td>
<td>0.05%</td>
<td>32.44%</td>
</tr>
<tr>
<td>Barack Obama</td>
<td>53.56%</td>
<td>0.16%</td>
<td>53.72%</td>
</tr>
<tr>
<td>Donald Trump</td>
<td>13.79%</td>
<td>0.05%</td>
<td>13.84%</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>99.74%</strong></td>
<td><strong>0.26%</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

Source: Authors’ own calculations.

2.2.3 Human Rights
Building on existing research on the use of human rights codes in U.S. positions on individual projects (Braaten 2014), we observe some continuity and some slight changes across different administration’s use of types of human rights codes. Figure 5 presents the count for invoking general human rights codes, while Figure 6 shows higher counts of invoking issue-specific human rights codes under Bush (2004-2008), lower counts under Obama (2009-2016), and a slight increase for one year under Trump (2018). Figure 7 shows a trend towards fewer country-specific codes in 2017 and 2018, however not as low as 2006-2008 under President Bush.

Figure 5. Citations of General Human Rights Codes, 2004-2018

![Figure 5](source)

Source: Authors’ own calculations.

Figure 6. Citations of Issue-Specific Human Rights Codes, 2004-2018

![Figure 6](source)

Source: Authors’ own calculations.
2.2.4 Military Budget Transparency
The trend in Figure 7 shows a similar pattern over time in the citation of the code for military transparency (codes 35 and 36) to reject individual MDB projects.

2.2.5 Economic Transparency
Figure 8 shows no discernable pattern in the frequency of use of the general economic code (code 1) for individual MDB projects.
3 The Continuity of U.S. Policy in the MDBs and SOPs

U.S. foreign policy has established procedures around this issue area, specifically the role of the U.S. in MDBs, to the degree that its behavior in multilateral development assistance is more likely to reflect continuity, rather than disruption, with changes in leadership. There are multiple standard operating procedures (SOPs) that drive U.S. foreign policy in this area and we already have historical evidence suggesting this is the case with U.S. votes in MDBs in recent years.16

Institutional procedures (SOP) matter and limit the effect of American opposition and indifference in MDBs, we argue. The presence of formal bureaucratic procedures and other features at the Bank (and IMF) make it distinct from other IOs, where governance includes the use of complex formulas for weighted voting and voting groups, organizational policies and procedures, and other features of modern bureaucracies. Notable here is the use of SOPs in the foreign policy practice of the U.S., where the procedures for U.S. behavior within the MDBs is clearly established through both legislation and policies and rules within the U.S. bureaucracy (i.e., Treasury). The process within the Banks for reviewing individual projects lends itself well to the development and implementation of SOPs within member states, and we see that potential come to fruition within the U.S. Of course, not all member states have the capacity to form or follow SOPs that guide their behavior within these IOs.

Overall, within the U.S. there is a mixed historic record of American foreign policy regarding development that is based on partisan and other lines, and the Trump withdrawal doctrine is not the first time that the American Congress or other stakeholders have pushed against multilateralism in this area and previous Republican congresspeople across several presidents have considered reducing U.S. participation in the World Bank, IMF, or World Trade Organization (WTO). Notably, no previous Congress or Executive followed through with reducing American influence in these IOs. While we don’t empirically test for this, we suspect that the low degree of salience of development among the American electorate further impacts the calculation of short-term political gains from reducing U.S. leadership and financial

16 Strand and Zappile 2015.
contributions, potentially reducing any payoffs from withdrawal in this area. Evidence from polls suggest that this issue area is not much of a concern for Americans. This may also reduce the incentive for a given leader to appeal to Congress or attempt to use Executive Orders to change longstanding SOPs for U.S. foreign policy in MDBs, when their agenda includes more salient issues. Withdrawal and other deviations from U.S. leadership in the MDBs are also more costly than in other regimes and IOs.

Withdrawal from the MDBs would result in an immediate loss of power that would be difficult to get back with the next administration. Formal rules and procedures delineated in the charters and other documents of these IOs entrench state power in very specific ways (e.g., weighted voting, voting rules, voting groups), making it easier to go with the status quo and more costly to leave. Changes in leadership within the MDBs can be durable, long lasting, and potentially more costly for the hegemon than any short-term political gains enjoyed from a reduction in leadership. Thus, we are less likely observe reduction in American power in well-developed, complex bureaucracies that enjoy both authoritative and constitutive power\textsuperscript{17} and in which the formal and informal power and influence of individual states is entrenched in their governance structures. Basically, the SOPs that guide U.S. foreign policy in MDBs this regime protect the U.S. from these costs. Evidence for this boundary of the U.S. withdrawal doctrine comes from the pattern of the U.S. leaving “soft” regimes, in which there are few to no standard operating procedures and/or complex bureaucratic rules; thus, American power is not entrenched in the regime to the same degree. Admittedly, this assumes there is a rational cost-benefit analysis by policymakers within the U.S. on this point, as Haas suggests\textsuperscript{18}. We also consider that leadership disputes within the global economic order may not be more pronounced, as other states may not want to deal with U.S. recalcitrance. Evidence of this is observed through the lack of real alternatives to Trump’s nomination of David Malpass for World Bank President, in contrast to the competitive pool of nominations and strong support among practitioners, researchers, civil society, and some policymakers for the non-US alternatives to Dr. Jim Yon Kim, Barack Obama’s nominee.

4 How Much Does U.S. Leadership Matter in Economic Development, Anyway?

The question that immediately comes up in evaluating the limits of the Trump withdrawal doctrine and the effect of SOPs that govern the behavior of the US within the MDBs, is whether it matters for global governance in this issue area. In short, if the U.S. decided to pull back from the global economic order and specifically the development regime, would it matter? How much would it matter? We don’t think that the development regime is dependent on U.S. hegemony to the same degree it was immediately after WW-II, primarily because it has already adapted to challenges from internal and external sources, demonstrating durability and resilience, and become more flexibility as it expanded and innovated.

Hegemonic stability theory (HST) offers an account of what the consequences of just such an outcome would be. According to Richard Saull, ‘HST is an attempt to explain the historical specificity of the postwar liberal international economic order through a focus on the benign

\textsuperscript{17} Barnett and Finnemore 2004.
\textsuperscript{18} Haas 2018.
consequences of an uneven distribution of material power in the international system.” Saull notes that, broadly speaking, there are three strands of HST: realist, neoliberal, and liberal institutionalist. The realist variant of HST goes back to the work of both Gilpin in 1981 and previously, Kindleberger in 1974. The latter’s view stems from his classic study of the great depression where he argued that “the 1929 depression was so wide, so deep, and so long because the international economic system was rendered unstable by British inability and U.S. unwillingness to assume responsibility for stabilizing it.” More generally, the realist variant of HST argues that international order requires leadership, specifically in times of crisis and preferably from a single powerful state, and if that leadership is compromised or withdrawn then the order it leads will suffer. The neoliberal variant of HST is best explicated by Keohane (1984) who argues that while a hegemonic state may be beneficial in creating and maintaining international economic order it is not a necessary or sufficient condition for such an order.

The liberal institutionalist strand of HST has been originated, explicated, and advocated for primarily in the work of John Ikenberry. This approach acknowledges the importance of a hegemonic state in creating the order, but like the neoliberal strain it also acknowledges that a hegemonic state is not required for the maintenance and continuation of the order. Where it departs from the neoliberal strain is in arguing that the current order has taken on a quasi-constitutional character, where member states will continue to seek the continuation of the order not simply because the institutions of the order create those incentives but also because the current order has created inter-subjective understandings among the members states (and political elites in those states) that this arrangement is in their best interest. According to Ikenberry, the current international order is open, progressive, and rules based which makes it “easy to join and hard to overturn.” He also argues that what many see as the two main threats to the current liberal international order – a rising China and a declining (or withdrawing) America are not threatening enough to collapse the system. With regards to China (and other rising powers), he notes that China is not confronting the system head on because it wants what the liberal international order (LIO) provides namely an open global economic system with rules. As for U.S. decline or withdrawal, Ikenberry argues that whether this happens or not it is not fatal to the liberal international order because American hegemony and the LIO are related but also distinct entities.

4.1 The U.S. and China
Our observations of the U.S. and China in the MDBs fit with Ikenberry’s explanation. In the MDBs, the United States has a record of not supporting the funding of development projects in China. For instance, from 2004 to 2011 the U.S. only supported 40.4 percent of projects for China in the World Bank. To put this in perspective, during the same time period the U.S. supported nearly 88 percent of projects for Russia and nearly 96 percent of projects for Brazil. Some of the concerns by the United States over contested projects in China focus on the transparency of environmental assessments and lingering concerns that China is no longer a developing economy and therefore should not qualify for development lending. Thus, American power in the development regime affords the Trump administration an additional foreign policy

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21 Ikenberry 2011, pg.
22 Strand and Trevathan 2016, 136.
tool that does not exist in other regimes where the U.S. has withdrawn. Also worth noting is that two voting groups currently led by Belgium and Spain, have also been historically more powerful than China23. In the IDA, IFC, and MIGA, China was in the 6th position of countries with their own directors on the board, however most voting groups have more power than China in these Bank organs. Thus, if the U.S. were to give up its voting rights it is not a foregone conclusion that China would fill that gap. Changes in weighted voting over time suggest a slower shift towards multipolarity. Finally, one of the new development banks is led by China, the AIIB. If the AIIB is a glimpse of what a Chinese-led global economic order might mean, it’s not much different as the AIIB looks like and talks like the World Bank, supporting Ikenberry’s claims about the ambitions of China.24

Realist HST states that order requires a hegemonic state but as the body of Ikenberry’s (2018) scholarship claims, the current order is much is not dependent on one powerful state; its current quasi-constitutional manifestation makes it deeper and broader than just the outgrowth of support from a hegemonic state. If Ikenberry is correct and the liberal international order is more flexible and dynamic than realist or neoliberal HST theory offers then how does this flexibility and durability manifest in the specific institutions of the LIO, namely the international economic institutions?

5 The Evolution of the Economic Development Regime

The formal bureaucratic procedures and norms in the World Bank, considered the ‘status quo’ dominant IO in the development regime, make it easy for states to continue operating as they always have, even as new institutions are being formed. The power and autonomy of the Bank has been well-established in the literature and the World Bank has already proven itself somewhat adaptable as it adjusted to its failure to respond to crises in the 1980s, the end of the Cold War, and more recently the increasing power of rising states. Despite American influence, both formal and informal, the Bank has also given rise to new ways of lending that no longer reflects the neoliberal approach to development assistance. At a minimum, this demonstrates both a desire and capacity to respond to shifting global agendas for development within this status quo organization. The high degree of autonomy and authority of the Bank25 are primary features that contribute to this flexibility, also referred to as resilience and “grittiness”26, enabling it to withstand shifts in power and wavering leadership by the U.S. (should that occur). In our own research on U.S. voting in development banks, we find that since 2004 projects or items not formally supported by the U.S. have been routinely approved and the preferences of the U.S. are routinely ignored by other states, signaling a failure of the U.S. to use its informal influence to prevent a project from advancing to a final vote, long thought to be the stage in which American influence has been considered most powerful.27

24 See Stephen and Skidmore 2019 for more on China, the AIIB, and LIO
26 Gray 2018.
27 Strand and Zappile 2015.
We assert that the reluctance of the U.S. to lead does not, and would not, threaten the stability of this regime, and instead is more likely to be a catalyst for greater flexibility. After all, the development regime has already demonstrated flexibility as it successfully adapted to changes in global power and shifts in demands from both developed developing states, suggesting that the hegemony of the U.S. is not central to its durability, even if the U.S. did withdraw. A lack of U.S. leadership, coupled with a lack of cohesion in the EU and among rising powers (e.g., BRICS), may create opportunities for contestation by states who have long expressed the need for different approaches to development finance, supporting the assertion by Ikenberry that the order does not need a hegemon to survive, but in fact the development regime might thrive. This is the notion that any change that provides greater flexibility for development is likely to make it more resilient to shifts in global leadership and better adapt to other external or internal shocks. The primary feature of this transformation has been the proliferation of new MDBs, many of which exclude the U.S. as a member and offer financing that is tailored to the particular needs of a region. The retreat of the US, if it did occur, is unlikely to have much impact on the stability of the overall development regime, and in fact might hasten it flexibility in areas that are important for the continued support by rising powers (i.e., governance and issue flexibility). Though we would also expect that with the decline in the formal power of the U.S., there would also be a decline in the informal power enjoyed by the U.S. in the World Bank.

4.1 Theoretical Framework for Change in Economic Development

Newer frameworks explore change in the LIO, providing useful insights for how the LIO has changed in specific issue areas like development. Questions of how, when, and why international institutions change has been a topic of interest since the study of international organizations began. The debate breaks down along typical theoretical lines with realists suggesting that institutions change at the behest of and to serve strong states, while neoliberal Institutionalists argue that international institutions are rationally designed by states to solve problems and changes to institutions are driven by member states to continue to facilitate these problem solving tasks. Unlike realists however, neoliberal institutionalists do not view international institutions as epiphenomenon of great powers which collapse or change at the behest of such powers but rather view international institutions as sticky and a more permanent part of international relations. The constructivist view is that international organizations can be both subjects and actors of norm socialization. This approach views international organizations as actors in their own right which change according to bureaucratic logics often away from ways that member states originally designed them for or particularly want in the present state. For example, mission creep in the World bank and IMF expanded the authority of those institutions.

4.1.2 Contested Multilateralism and Regime Complexes

To add more nuance to these broader theoretical views on how international institutions change, whether through their own initiative or at the behest of member states, a more recent literature has emerged on contested multilateralism and regime complexes. Contested multilateralism helps explain the evolution in the international system that has occurred over the last few decades, and is “characterized by competing coalitions and shifting institutional arrangements,

28 Stone 2011.
informal as well as formal.” They argue that contested multilateralism takes two forms. First is *regime shifting* which is observed through the creation of alternate IOs that meet the definition of “alternative multilateral forum(s) with a more favorable mandate and decision rules” with founding states seeking to “use this new forum to challenge standards in the original institution or reduce the authority of that institution”\(^{33}\). Second, is *competitive regime creation* which occurs through the creation of “a new institution” or “new informal form of multilateral cooperation to challenge the existing institutional status quo”\(^{34}\). While there is some evidence of attempts at regime shifting and competitive regime creation in development occurring, perhaps the creation of the BRICS bank, this concept is not adequate to fully explain the evolution and changes in development.

Instead, we find insights from the literature on *regime complexity* to be particularly relevant for the global economic order, specifically for the development regime. *Regime complexity* offers another way of examining the changing nature of regimes in environment affairs\(^{35}\), cyber activities\(^{36}\), trade\(^{37}\), finance\(^{38}\), and many other issue areas. Raustiala and Victor define a regime complex as “an array of partially overlapping and non-hierarchical institutions governing a particular issue area.”\(^{39}\) Henning defines regime complexes as “a set of international institutions that operate in a common issue area and the (formal and informal) mechanisms that coordinate them and introduces control, or power, to regime complexity by emphasizing that “powerful states screen both the trials and the results, and they filter the results not simply through the criteria of substantive effectiveness but also their ability to exercise control”, using the IMF and finance to demonstrate the role of control in the increased complexity of that regime\(^{40}\).

Alter and Raustiala review the literature on regime complexity and conclude that it is positive for facilitating international cooperation because it allows for experimentation and actors to pursue unique policies\(^{41}\). On the downside, however, regime complexes can be exploited and dominated by powerful states who have the resources to exploit and manipulate that complexity in their favor. It does so, argues Alter and Meunier, in one of five ways: 1) fragmentation, whereby the multiple institutions and jurisdictions converging on an issue area create different option and policies for states to pursue therefore creating ambiguity on what the ultimate rules are; 2) *chessboard politics*” which means states will pursue “cross-institutional politics” including forum shopping, regime shifting and strategic inconsistency; 3) because of the magnitude of institutions and rules that are operating actors will have a limited ability to comprehend the entirety of all the policies and rules that are available and will hence act with bounded rationality utilizing expert judgments and heuristics to operate in such an environment; 4) small group dynamics that are more common in regime complexes since groups of actors tend to focus on certain aspects of the regime because the entirety is difficult to comprehend; 5) because of the complexity, policy

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32 Morse and Keohane 2014, 386.
33 Morse and Keohane 2014, 409.
34 Ibid.
36 Nye 2014.
37 Morin, Pauwelyn, and Hollway 2017.
38 Henning 2019.
39 2004, 279.
41 2019.
processes can be fraught with unintentional reverberations creating unexpected consequences that states must react to and attempt to mollify if negative.\textsuperscript{42}

\textbf{4.2 Flexibility in the Development Regime}
The flexibility of the development regime also stems from the allocation of power and decision making within the organization that has the potential to adapt to shifts in global power distribution, identified as \textit{governance flexibility}.\textsuperscript{43} We suggest that the degree to which governance flexibility is bounded, may afford the development regime enough flexibility to adapt to shifts in world power while simultaneously making it more costly for the U.S. to withdraw. Governance flexibility, however, has its limits.\textsuperscript{44} It is difficult, for example, to argue for governance flexibility beyond a certain threshold for the IBRD when the U.S. consistently holds voting power greater than 15%, limiting the available space for redistribution of power to account for rising powers like China\textsuperscript{45}. Kellerman also notes that while development is an “issue area with multiple centers of authority”, voting rules in the IBRD and IMF create a situation where the “requirements to change institutional rules and practices” are not unanimous, but do not allow for a plurality.\textsuperscript{46} For example, the most recent round of World Bank governance reforms did not result in a major shift in power away from the United States to rising powers such as China and India.\textsuperscript{47}

Another example of limited governance flexibility in the development regime can be seen in the Inter-American Development Bank (IDB). The voice of member states is highly structured in the IDB’s weighted voting system and the ability of China and other rising powers to obtain a larger voting share is limited. This is due to the fact the IDB’s rules mandate the United States hold at least 30 percent of all votes, Canada hold at least 4 percent, and that regional members hold at least 50 percent. This leaves only 16 percent of the votes to be allocated to non-regional, donating countries such as China.\textsuperscript{48} It is not surprising, then, that since 2004 as China’s contributions and hence number of votes has increased in the IDB it has not seen a significant change in its share of votes. Despite these limits, this type of flexibility influences whether developing and rising states empower the World Bank and IMF, or go elsewhere.\textsuperscript{49}

Evidence suggests that while governance flexibility has been demonstrated to some extent, major IOs in development (i.e, the World Bank) have yet to fully adopt \textit{issue flexibility} in terms of aligning their priorities and agendas with non-wealthy states (Heldt and Mahrenbach 2018). Issue flexibility is identified as less important for continued buy-in from rising powers, defined as “support for prioritizing development-related issues in IO policies and programs”, “support for special treatment for developing countries”, and “calls for more attention to economic problems in developed states” (ibid).

\textsuperscript{42} Alter and Meunier 2009.
\textsuperscript{43} Heldt and Mahrenbach 2018.
\textsuperscript{44} Strand, Flores, and Trevathan 2016.
\textsuperscript{45} Ibid.
\textsuperscript{46} Kellerman 2019.
\textsuperscript{47} Strand and Retzl 2016. Vestergaard and Wade 2013.
\textsuperscript{48} Strand 2003.
\textsuperscript{49} Heldt and Mahrenbach 2018.
6 Flexibility and Innovation as a Source of Change

What explains the proliferation of MDBs over time? A lack of issue flexibility may be one factor, especially where we see states, many of them developing, creating smaller subregional development banks (SRDBs) or minilateral development banks (MnDBs) that increase the complexity of the regime, without competing with the World Bank or larger regional banks. Birdsall and Rojas-Suarez argue that smaller regional banks are in fact better poised to advance regionalism as a more effective tool for development financing, because of their restricted regional membership and localized expertise, in addition to the opportunity to learn from decades of experience from the World Bank and larger regional development banks (RDBs) operating in their geographical area. Regional and smaller banks with higher shares of borrower governance, for example, enjoy higher levels of representative legitimacy. At the same time, they suffer from poor ratings due to the instability of economies in member states.

Regime shifting doesn’t fully account for this pattern, as not all new MDBs provide “more favorable mandate and decision rules”. Furthermore, states are not necessarily using new MDBs to “challenge standards in the original institution or reduce the authority of that institution”. Kellerman notes that the new MDBs aren’t that different, thus states that are dissatisfied with the status quo MDBs create new institutions, yet recreate them in the image of the World Bank. Competitive regime creation, may explain some of the motivations behind the creation of the Asian Infrastructure Investment Bank (AIIB), or even BRICS itself, but not the proliferation of these smaller regional banks.

6.1 Differentiation in the Lending Practices of Smaller MDBs

Smaller development banks are not trying to, or cannot, be the World Bank, but they are addressing at least some “principal sources of dissatisfaction”. The increase of banks provides “new forms of finance bring real benefits to an architecture that has long been deemed insufficient”. While many of these institutions look like the Bank, many have filled in gaps in the supply of development assistance to suit the specific demands of its member states. This has made the development order much more flexible, as the Bank is no longer the only one in town. This also makes the development regime distinct from finance, where Henning identifies the need for greater control by powerful states as a primary driver for regime complexity. Therefore, the assertion that regime complexity is driven by a search for control by more powerful states may apply to the creation of some regional banks, namely the AIIB and NDB, but that does not capture the proliferation of many smaller, sub-regional, banks. Instead of supplanting larger IOs, many smaller institutions are borrower-led, exclusive of countries within

50 Zappile 2015.
51 Humphrey 2019.
52 Birdsall and Rojas-Suarez 2004.
54 Humphrey 2019.
55 Morse and Keohane 2014, 409.
56 Kellerman 2019.
57 Morse and Keohane 2014, 409.
58 Humphrey 2019.
59 Kring and Gallagher 2019.
60 Henning 2019.
the Global South, and provide differentiated services that are tailored to the region. This type of complexity enhances the flexibility of this regime to withstand shifts in global power. It also explains a source for the increased complexity of this regime, as smaller banks focus on the specific financing needs of its market; this is more likely to be possible in a 100% borrower led bank.

Innovation, experimentation, and differentiation in development financing in these smaller MDBs can be observed through the different mandates, which are designed to meet unique, specific demands from their members. For example, several smaller banks provide ‘nontraditional’ forms of assistance that target specific regional needs – a void left by larger development institutions. The Pacific Islands Development Bank (PIDB) makes residential loans alongside more traditional commercial development loans.61

Differentiation in marketing and business, after all, requires substantial knowledge of how people use certain products or services. Ask any product designer or urban planner how they know what to design, or what kind of spaces to design, and (hopefully) they answer with something like “we study how people use the space” (e.g., a space utilization study) or “we observe how people use this product” or “we elicit feedback in a focus group or survey”. Basically, smaller regional banks are equipped to respond to the desire of developing states for issue flexibility simply because they are predominantly borrower owned and in theory have access to this kind of approach. The limited capacity for smaller banks to respond to all the needs for development financing and their increased risk explains why these are not necessarily competing or alternate regimes, though. It is this form of innovation and flexibility that does not align well with the concept of control62 in contested multilateralism. While many smaller banks have small portfolios as compared to larger institutions while others, such as the Development Bank of Latin America (CAF) have surpassed World Bank and RDB lending in the region as well as in particular sectors.63 Though, most smaller banks face obstacles such as low levels of capital; an over-reliance on capital subscriptions from member states for operations; access to technical expertise; obscurity within their region; and crowding out by larger development institutions.64 To be sure, many operate in partnership with larger regional banks and the World Bank, as is the case with the Caribbean Development Bank (CDB).

6.2 Membership Matters: Declining Relevance of the U.S. in MDBs
Membership in MDBs has also become more fragmented, as the U.S. is not a member of many of the newer development banks, nor are many rising powers. Table 6 extends Humphrey’s 2019 work, adding two new columns that show the share of total financing and assets for all of these banks. Note that the banks with the U.S. as a member account for 49.79% of total assets, yet only account for 34.8% of total financing. This means that a majority of financing comes from banks in which the U.S. is not a member.

61 Zappile 2015.
64 Zappile 2015.
Table 6. Share of Assets and Financing in MDBs

<table>
<thead>
<tr>
<th>MDB</th>
<th>US Membership</th>
<th>Share of total financing</th>
<th>Share of total assets</th>
</tr>
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<tr>
<td>Europe European Investment Bank (EIB)</td>
<td>No</td>
<td>47.84%</td>
<td>40.95%</td>
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<td>International Bank for Reconstruction and Development (IBRD)</td>
<td>Yes</td>
<td>10.99%</td>
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<td>Asian Development Bank (AsDB)</td>
<td>Yes</td>
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<td>4.86%</td>
<td>7.32%</td>
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<tr>
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<td>4.77%</td>
<td>3.95%</td>
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<td>2.83%</td>
<td>2.31%</td>
</tr>
<tr>
<td>Development Bank of Latin America (CAF)</td>
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<tr>
<td>Islamic Development Bank (IsDB)</td>
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<td>Central American Bank for Economic Integration (CABEI)</td>
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<td>Pacific Islands Regional Development Bank (PIRDB)</td>
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<td>0.00%</td>
</tr>
<tr>
<td>Asian Infrastructure Investment Bank (AIIB)</td>
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<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>New Development Bank (NDB)</td>
<td>No</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
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</table>

Source: Humphrey 2019, Appendix I (the italicized column is quoted directly from here). Data for assets are from Humphrey (2019), Appendix I, with the exception of the AIIB and NDB that are from their respective unaudited September 2018 financial statements. Financing and the share of assets and financing are from the authors’ original calculations.

While it is not appropriate to characterize this series of changes in the regime complex as strictly competitive regime creation, given the gross asymmetry in resources between the World Bank and most other development banks, it nonetheless resulted from dissatisfaction of key stakeholders with the Bank. This can result in the ability for countries to ‘forum shop’ to some degree, given the proliferation of regional and sub-regional development banks.

To be fair, the creation of banks such as the Asian Infrastructure Investment Bank (AIIB) and New Development Bank (NDB) reflect Henning’s point that regime complexity may also be about the desire for more control on behalf of powerful states (or rising states).

7 Conclusion

In this paper, we identify a mechanism that limits the Trump “withdrawal doctrine”, SOPs within Treasury, noting the U.S. has largely continued with business as usual within the MDBs by citing Pelosi and other restrictions as reason codes and comments that explain the U.S. position on individual MDB projects, nominating a new Bank president, and agreeing to recent capital subscription increases. We also note that the development regime has grown increasingly complex, demonstrating a flexibility and adaptability to shifts in global power while preserving enough rigidity through bureaucratic procedures to make it more costly the U.S. to withdraw. At the same time, the development regime may no longer rely on American hegemony as much as it has in the past, supporting Ikenberry’s assertion that the order may continue, and even thrive, without U.S. hegemony.
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