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The International Monetary Fund and the World Bank:

From Institutional Anchors of Liberalism to Geopolitical Rivalry?

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The international Monetary Fund [IMF] and the International Bank for Reconstruction and Development [World Bank] are not only amongst the world's most powerful international organisations in their own right, but they represent the most visible institutional "anchors" of the liberal post-Second World War order. Thus, whilst some other institutional features of that period have seen their importance drastically reduced or simply wane into oblivion, the IMF and World Bank have continued to reflect power configurations and promote worldviews in accordance with a liberal Western-dominated world order.

This may be about to change because the IMF and the World Bank are primarily economic institutions and, thereby, bound eventually to reflect global economic realities; and from an economic perspective, these realities have for quite some time indicated a world that increasingly moves in a multipolar direction. Moreover, during the last decade, the turn to economic multipolarity has followed in the wake of increased Great Power rivalry between the United States and China, upheavals of the political landscape in a number of countries, including in advanced Western economies, and a reversal or resistance to globalisation. This constitutes an international environment in which global institutions anchored in a post-Second World War mind-set that depends on leadership and collaboration amongst advanced liberal-minded economies will not necessarily thrive and may have to change to remain relevant.[1]

The IMF and the World Bank have undoubtedly occupied an important role in global economic affairs since the United States and its allies established them in 1944 by providing

both much-needed loans and technical assistance. Much analysis about them exists, and there is no shortage of technical information concerning their financing, lending, and impact. What is more difficult to find is a concise introduction that treats them as what they really are: political institutions that form an integral part of modern-day economic diplomacy and statecraft. Because the IMF and World Bank are not only political in their very nature, but also vast and complex international bureaucracies performing a wide range of different tasks, it is unhelpful to see them as unitary actors totally under the control of majority shareholders. A better approach entails highlighting their internal processes and politics, and how they relate to changes in their external environments.

In 1944, a conference convened at Bretton Woods in the United States by the emerging victorious Powers in the Second World War. It was here that the IMF and the World Bank were born in the hope that they would provide the foundation for a peaceful and prosperous international future. The objective was to devise a stable global economic system to avert calamities such as the Great Depression and its lingering effects, which had culminated in the Second World War. The IMF was to provide a stable international monetary system that could promote trade whilst, initially, the World Bank was to aid Western Europe reconstruction after the Second World War, mainly by channelling American money to European development. It was only after the rebuilding of Western Europe went much swifter than expected and the process of decolonisation started that the World Bank turned its attention to development and development finance as known today.

What is important to note is that the IMF and the World Bank also represented a form of international co-operation that the world had not experienced before 1945. This entailed a significant transformation from the League of Nations and United Nations models in which all member-states formally have an equal voice and vote. The joint-stock model of private capitalist corporations, in which members are shareholders whose voting powers vary with

their relative economic might, inspired the structure of both the IMF and World Bank. In other words, each member-state's share of the votes reflects the combined amount of capital that it contributes and guarantees. All member-states are organised in country constituencies, headed by an executive director who controls the combined votes of his or her constituency and serves on the institution's Board of Directors. The size and composition of the country constituency may vary, but the principle of organisation is similar.[2]

With the formation of the World Bank, the capital construction of all multilateral financial institutions was established. However, whilst the organisational principle was the joint-stock model of private corporations, in the World Bank and similar institutions public and not private sources provided capital subscriptions. In the World Bank, the initial capitalisation of US$10 billion consisted of 20 percent in paid capital and 80 percent in guaranteed capital. This distinction is crucial. Each member-state subscription divides into two parts. The larger one is the so-called "guaranteed capital". Member-states do not actually pay this amount but guarantees a certain sum of money. Therefore, the credit rating of the World Bank and the IMF finds its basis on the amount of capital guaranteed by the richest member-states. This provides these institutions with the best possible credit rating – for example, the triple A rating – making it possible either for the World Bank to lend money on international capital markets and re-lend it to poorer member-states or, in the case of the IMF, member-states in need of short-term loans to stabilise their finances and financial sectors.

These financial arrangements are only possible by the membership of the strongest economies in the world and, hence, constitutes the backbone of their power in these institutions. The IMF and World Bank could not function without their wealthy member-states, and this knowledge, shared by all the actors involved, implies that the Board of Directors rarely use votes. Quite simply, votes remain rare because the power relations on the Board are transparent, and the consequences of constantly working against them obvious to everybody concerned.[3]

This does not suggest that these institutions are free from political conflict and rivalry – they are not – only that if the real power configurations that they rest upon are to change, it must be through changes in ownership. It means that some members would have to increase their capital subscription to gain more votes, whilst others would have to accept a decline in the relative size of their votes. This has not happened very often and, to the extent that it has, most such changes has been mainly incremental. However, as fundamental transformations to global economic realities started to manifest as long-term trends, changes also started to take place in these institutions, as they could not shield themselves from the economic transformations that were taking place. Their credit rating and thereby ultimately their ability to perform core functions depend on the creditworthiness of their main subscribing member countries, and the first that started to implement some modest reforms in this regard was the IMF.

In November 2010, the IMF's Executive Board approved far-reaching reforms suggesting that the power structure that had prevailed since the birth at Bretton Woods in 1944 was coming towards its end. Speaking to the press immediately after the Board's decision, the IMF's managing director, Dominique Strauss-Kahn, hailed this process as a "historical reform", increasing the voice and representation of emerging markets and developing countries in the IMF.[4] What this meant in practice is that the so-called BRIC-countries – Brazil, Russia, India, and China – emerged amongst the IMF's top shareholders because of a shift of six percent of the total quota shares. Because 80 percent of this shift comes from advanced economies – the United States and Europe mainly – what this meant when reform took full effect in October 2012 was that there were two fewer seats for Europe on the IMF Executive Board and two more for emerging market economies. This reform in the IMF had significant consequences for the debates and conflicts about the power structure of other important multilateral financial institutions – the World Bank included – as it signalled the beginning of an end to the power configurations that had lasted in the global institutions since immediately

after the end of the Second World War. As such, what the November 2010 decision of the IMF Executive Board came to represent was the beginning of an unfinished process of reconfiguration of power relations in multilateral financial institutions more in line with current global economic realities.

The reasoning of the IMF is the same as the World Bank, but its establishment differs because it resulted from lengthy discussions of four alternative proposals – American, British, Canadian, and French – during the Second World War. Whilst the Canadian and French proposals eventually faded, the British and American ones remained as topics for discussion. Britain's Keynes Plan proposed an international clearing union that would create an international means of payment called "bancor". The rival American plan, named after Harry Dexter White from the United States Treasury, suggested a currency pool to which members would make specified contributions only, and from which countries could borrow to help themselves over short-term balance-of-payments deficits. In essence, the major difference between these two plans was that the Keynes Plan emphasised national autonomy, whilst the White Plan considered exchange-rate stability to be of primary importance. In the end, the thinking behind the White Plan constituted the IMF framework.

When the IMF began operations from its headquarters in Washington, DC in 1946, its primary task was to monitor and manage a system of stable exchange rates with the value of all currencies based on gold and the American dollar. To ensure the stability of this system, Washington guaranteed the value of dollar in gold at a set rate of $35 per ounce. The IMF's second major function was to provide countries with short-term financing from its vast reserves of foreign currencies and gold to help them overcome temporary balance-of-payments deficits and support their exchange-rate values. These reserves came from the contributions by IMF member-countries based on the size of their economies. Until the United States abandoned the gold standard in 1971 because of inflationary pressure and the cost of the war it was fighting

in Vietnam, these remained the two core functions of the IMF. It was the first major transformation in the post-1945 multilateral system, coming from President Richard Nixon forced to acknowledge economic realities and unilaterally abandon the gold standard. Thereafter, the IMF's main responsibility has been short-term loans for balance-of-payment deficits. Currently, 190 countries are members – the most recent new members being South-Sudan, Nauru, and Andorra – and, on joining, each contributes a certain amount of money called a quota subscription. These quotas serve the following purposes:

- they form the pool of money from which the IMF can draw to lend to member-states in financial difficulties;
- they are the basis for determining how much money a member-state can borrow from the IMF or receive from the IMF in periodic allocations – known as special drawing rights; and
- they determine the voting power of each member-state.

Reviews of these quotas occur every five years and can be raised or lowered according to both IMF needs and the economic prosperity or decline of the member-state in question. However, the quotas themselves may not provide sufficient money to meet the borrowing needs of members in a period of great stress in the world economy. Asia's financial crisis in 1997 and the 2007-2008 global financial crisis are illustrative. This is why the establishment of so-called "general arrangements to borrow" already occurred in 1962. The arrangement is a line of credit with a number of governments and banks throughout the world to which the IMF pays interest on whatever it borrows and undertakes to repay the loan in five years. The IMF system for raising external funds is therefore different from that utilised by the World Bank but, in essence, the principle is the same. Both institutions borrow money on international capital markets based on the money paid in and guaranteed by its most affluent members.[5]

Importantly, contrary to the World Bank, the IMF is not a development institution. Its

mission is much narrower, lending to member-states with payment problems – countries that do not earn enough foreign currency to pay for what they buy from abroad. The economic logic is quite simple: a country with a payments problem is spending more than it is earning, and this situation has to stop. It needs reform, but if a country goes to the IMF, it cannot choose any kind of reform. It must adopt measures approved by the IMF, and this procedure has developmental consequences. In accord with the neoliberal dogma of the IMF, reform plans should contain the following standard components: reduce government expenditure, tighten monetary policy, and deal with structural weaknesses by, for example, privatising inefficient public utilities and enterprises. More recently, this list has seen some "softer" items added: adequate social safety nets, "good" government spending, and good governance. It is often unclear what these terms mean in practice, but all potential borrowers have learnt the importance of including such items in their applications.

Formally, the IMF does not possess much autonomy. The chain of command is supposed to run directly from the governments of member-states to the organisation. Thus, when working out lending arrangements, including conditionalities, the IMF formally acts not on its own, but as an intermediary between the will of the majority of its membership and the individual member-states. Yet, it is also clear that those contributing the most to the IMF possess the strongest voices in determining policies. Just as in the case of the World Bank, the IMF has a Board of Directors that constitutes resident representatives in Washington, DC. And just as in the World Bank, this Board rarely makes decisions based on formal voting. The usual procedure is the formation of a consensus; but this consensus is artificial given the distribution of voting power amongst Board members.

The IMF and World Bank were initially established to solve one specific problem more than anything else: the reconstruction of Europe. However, as this took place faster than expected with little if any assistance by the IMF and World Bank – the American Marshall plan

did the job – the World Bank refocused its attention to the challenge of development in the poorer parts of the world. The United States played an important role in this regard. A common belief is that President Harry Truman's inauguration speech of 20 January 1949 marks the beginning of the modern development enterprise.[6] In this speech, he presented the transfer and transfusion of scientific and expert knowledge as the solution to poverty and misery. Although transfer and transfusion were to be the means, increased prosperity and closer resemblance to Western societies were not only the original objective; they were clearly part of that age's geopolitical necessities.

For much of their history, the ends have remained whilst the means have slowly changed. However, most changes in the IMF and the World Bank have been incremental, most often without much attempt to place new objectives in a logical prioritised order. The process of transformation that has taken place in both institutions mainly resembles "change by adaptation".[7] The reason is that both bodies confront specific challenges when faced with demands to incorporate new issue areas. Their mission is never simple and straightforward as both member-states and other actors in their external environment may disagree on the interpretation of the mission – the ends – as well as on the tasks – the means – needed to accomplish it. In social units that function under such circumstances, organisational routines, and standard operating procedures are preferred to substantive change. They accordingly favour one particular way or arranging and routinising their activities. Because the IMF and the World Bank have to satisfy not only their various member-states constituencies but also, increasingly, civil society organisations, they try to avoid articulating competing views. Consensus becomes an objective in itself, but the kind of consensus established in the IMF and the World Bank relates to the power structure still prevailing in the two institutions. It adds an additional layer of artificiality to an already existing artificial consensus.

Change has taken place over time in both institutions. The inclusion of new social and

environmental components have modified projects, policies, and approaches, with regular safeguards introduced to ensure that environmental and social damage is avoided as much as possible. However, the IMF and World Bank approach is still of an engineering problem-solving type, with policies and project papers written in the technical language familiar to staff, management, and the boards of the institutions.

Whilst this approach worked remarkably well in the 1950s and 1960s, it gradually came into question in the 1970s and 1980s; by the 1990s, it was fully apparent that narrow technical approaches could no longer tackle new development challenges, and the IMF and the World Bank, in particular, started to experience more severe difficulties. The question was no longer simply a matter of finding the right technical solution to a functional problem. In the twenty-first century, the challenge is to construct some sort of consensus around an increasingly politicised development agenda, constituted by a whole range of new crosscutting issues: political, economic and financial governance, involuntary resettlement, and indigenous people. The technocratic consensus had thereby reached its limits, as it was no longer possible in any credible way to define development solely in a technical and functional manner. Consequently, the internal artificial consensus has started to disappear, not only between donor and borrowing country members, but also internally in the IMF and World Bank. This new development agenda makes the process of political manoeuvring between donor and recipient countries and other stakeholders – civil society and private sector actors – increasingly difficult.

The role of the United States is crucial in understanding both the establishment and early development of the IMF and the World Bank, and the policies pursued in the 1980s, the 1990s, and in the new millennium. The multilateral institutions that emerged out of Bretton Woods was first an American creation, second Anglo-Saxon, and, only third, international. The United States supplied most of the resources necessary for making loans and served as the main market for their securities. Over the years, there have been two conflicting opinions of

American influence in the World Bank. One held by many members of the American Congress argues that the United States has too little influence on World Bank activities and policies. The claim is that highly paid, aloof bureaucrats, unresponsive to American concerns, and accountable only to themselves run the Bank. The opposite view held by a substantial number of World Bank staff and many outsiders – most non-governmental organisations [NGOs] and some borrowing member-states – maintains that the United States runs the Bank. A more sober analysis supports neither of these extreme positions: American influence in the World Bank is important, but not absolute.[8]

Throughout the history of the World Bank, the United States has been the largest shareholder and the most influential member-state. American support for, criticism of, and pressure on the World Bank have been central to its growth and the evolution of its policies, programmes, and practices. Underlying more than 80 years of American-World Bank relations has been a fundamental ambivalence on the part of the United States toward both development assistance and multilateral co-operation in general.[9] However, whilst both interest in and support for the IMF and the World Bank has waxed and waned amongst different American presidents over 80 years, United States support for the World Bank has been based on the view that promoting economic growth and development in other parts of the world is in the national interest. Moreover, multilateral co-operation is a particularly effective way of both leveraging and allocating resources for development purposes that serve American national interests. The United States Treasury Department has consistently emphasised these points, viewing both the IMF and World Bank as foreign policy instruments to support specific American aims and objectives. Thus, whilst various American administrations have supported the IMF and World Bank for their capacity to leverage funds and influence the economic policies of borrowing countries, America has also been uneasy with the autonomy on which the development role of the World Bank and the financial role of the IMF depend, and the power sharing that

accompanies burden sharing.

This ambivalence, a preoccupation with first containing and, more recently, having concerns about the relative change or reduction in United States power in the world explains much of the evolution of American relations with the IMF and the World Bank over the past decades. The United States Congress, unlike the legislatures in other member-states, has been a major influence on the policies of multilateral institutions in general, and the IMF and World Bank in particular. For example, within the context of changing foreign policy concerns, Congressional involvement has significantly affected the style and approach of American participation in the World Bank. Having promoted the establishment, early financial growth, and expansion of the Bank, the United States in the 1970s often found itself at odds with the organisation. However, the debt crisis in the South, in particular in Latin-America, and the collapse of the Soviet Union’s sphere of influence in Eastern Europe led to renewed American interest in the Bank; and it occurred at the same time as pressure from NGOs caused Washington to push it to be more environmentally aware. Quite remarkably, from the 1980s, renewed United States attention to the World Bank accompanied a strange combination of a continuing decline in the American share of funding and a unilateral, dogmatic assertiveness on matters of Bank policies. This combination antagonised several other member-states – borrowing and donor members alike. As long as the United States stood as the sole superpower and the economic powerhouse of the world, there was toleration of the American Congress’ use of its power of the purse to direct as well as restrict American financial participation in the World Bank. Now, as United States economic hegemony is decreasing, China and some emerging Middle Powers contest American power in the Bank.

It is important to recognise that the relationship between the United States and the World Bank/IMF is ambiguous. As a starting point, foreign aid has never been popular in the Congress. Although muted objections occurred just after the Second World War, Congress

quickly became dissatisfied and distrustful of multilateral institutions. Therefore, most members of Congress were uninterested and uninformed about World Bank operations. Even on key committees, there was much misunderstanding of what the World Bank did and how it operated.[10] Increased appropriation requests became attractive targets. Over time, there has also been a general breakdown of discipline and effective leadership in Congress, making it increasingly difficult to manoeuvre unpopular aid requests through the labyrinthine authorisation and appropriation procedures. For example, no fewer than five committees have significant jurisdiction over American policy towards the World Bank. The most important are the House Banking Sub-Committee on International Development Institutions and Finance and the Appropriations Sub-Committee of Foreign Relations. This kind of institutional arrangement provides multiple entry points for interests groups with specific policy agendas – for example, environmental NGOs – and it creates a situation in which strategically placed members of Congress, and specific issues, may gain disproportional weight in the policy process.[11] As long as Congress was passive in making policy towards the IMF and the World Bank, its basic dislike of foreign aid and multilateral institutions and cumbersome legislative procedures were of limited significance. However, as it became less deferential on matters of foreign policy, these factors became formative for American policy toward, and participation in, the IMF and World Bank.

The basis of United States' influence derives from the origins of the World Bank and the fact that its Charter and guiding principles have a distinctly American character. Traditionally, American thinking about the roles of government and markets provided the conceptual centre of gravity for World Bank debates, rather than those of Europe, Japan, other Asian states, and developing countries. Over the years, the United States has used its influence to ensure those principles. Other sources of American influence include its position as the largest shareholder in the World Bank, the importance of its financial market as a source of

capital for the Bank and other multilateral financial institutions, and its hold on the position of the World Bank presidency and other senior management posts. These factors are re-enforced by the World Bank's location in Washington, DC. The great majority of the its economists and other staff members, whatever their nationality, tend to have postgraduate qualifications from North American universities. And there are many subtle ways in which the Bank's location in the heart of the American capital, adjacent to the White House, Treasury, and Washington-based think tanks, helps contribute to the way in which American premises structure the very mind set of most Bank staff. They read American newspapers, watch American television, and American English is their *lingua franca*.[12]

Although the relative importance of the United States in many of these fields and dimensions has declined, it remains the dominant member-state in the World Bank in large part because no other country – China – or group of countries – the European Union [EU] – has so far chosen deliberately and openly to challenge American leadership.[13] That said, the Sino-American relationship became particularly tense in the World Bank during the two last years of the Trump presidency, and it remains to be seen what position the new one led by Joe Biden will take on this matter. Most likely, it will form one small, but still important part in their conflictual relationship: the danger that the United States believes China represents to the national interest is one of the few policy items seeming to have bipartisan support in America.

Within the IMF, United States Treasury clearly carries a great deal of weight, but America is not entirely dominant, and the multilateral institutional arrangement that the IMF represents does place some constraints on the Treasury's ability to act unilaterally in international financial politics. Formally, there are also clear limits to American power. Washington only controls 16.51 percent of the votes. The managing director of IMF is by convention European, and Japan (6.15 percent), Germany (5.32 percent), China (6.08 percent), France (4.03 percent), and the United Kingdom (4.03 percent) could easily outvote the United

States if they combined in a co-ordinated manner. This is, however, highly unlikely, and whilst China and other Asian countries are gaining prominence in the IMF, regional rivalries in the South China Sea and elsewhere in Southeast Asia means that this group of countries is still far from exercising this kind of joint authority. Accordingly, in practice, and despite the IMF becoming more and genuinely multipolar, the United States is usually able to achieve the major decisions it desires, exercising influence behind the scenes, often in informal interactions between the IMF's first deputy-managing director – by convention an American – and the deputy-secretary of the United States Treasury.[14]

In normal times, the top American leadership largely does not get much involved in day-to-day management of the IMF and the World Bank. The IMF's main activity is financial surveillance, an activity that Washington feels comfortable leaving to the organisation. American power is exercised mainly under two circumstances: first, when the IMF is called upon to rescue a country in deep financial crisis, a situation in which the IMF and United States Treasury have the leverage to extract commitments in return for financial rescue packages; and, second, when American strategic interests are involved. The experience with the South Korean rescue package of December 1997 illustrates how this collaboration may work under extraordinary circumstances.

> As South Korea slipped within days of running out of hard currency to pay its debts in December 1997, it sent a secret envoy, Kim Kihwan, to work out a rescue package. "I didn't bother going to the IMF", Mr. Kim recently recalled. "I called Mr Summers' office at the Treasury from my home in Seoul, flew to Washington and went directly there. I knew this was how this would be done".[15]

When concluded and presented to the IMF and other multilateral institutions involved, the agreement was a done deal. Unhappy about this process, IMF staff were in no position to renegotiate a deal struck between the Treasury and the South Korean government – their task

entailed putting the financial rescue package together.

The only member-state that really has tried to challenge some of the underlying premises that the United States seeks to protect and promote in the World Bank is Japan. These encounters took place in the few years of Asia-euphoria, before the emergence of the Asian financial crisis in 1997. At the centre of the debate was the role of the state in development. The dispute was a consequence of the World Bank's neoliberal orthodoxy in the 1980s and 1990s, when the Bank under the influence of the American Ronald Reagan Administration and the British Margaret Thatcher government almost endorsed the principle of the self-adjusting market: the necessity of "getting the prices right" and providing a "level playing field". This Anglo-American ideology claimed that a single set of rules should apply to all member-states, and the basis for these rules was that the proper role of the state was to provide the framework for private sector activity in a financial system based on private capital.

Prior to the 1980s, Japan had not expressed much opposition to the United States in the World Bank. However, during the 1980s, Japan increasingly questioned the neoliberal economic model, particularly its appropriateness for Asia. Tokyo then started to use its financial muscle to take a more active role in the multilateral system: not simply adapting but debating. Its objective was to modify the approach of the World Bank and other multilateral economic institutions, including the IMF, to become more in line with the economic systems of Japan and East Asia. In response to intense Japanese pressure over an extended period, the World Bank agreed to conduct a study of the causes of economic growth in East Asia. The United States Treasury opposed the idea but, when Japan promised to pay for the study, an agreement was finally reached.

The findings from the *East Asian Miracle* report – the study that Japan requested – were controversial and caused much debate in the 1990s, and the argument emerged that the report's conclusions had been tailor-made to fit the ideology of the United States Treasury.[16] This

debate continued in the World Bank, the IMF, and several other agencies in the multilateral system until the Asian financial crisis and the South Korean rescue package of December 1997 dealt a devastating blow to Japan's aspiration to mount an ideological challenge to American hegemony in the World Bank and similar global institutions. Since this time, EU co-ordination with the World Bank and IMF has slowly become more evident but, so far, this group of countries has neither the interest nor ability to challenge United States hegemony in the multilateral system. What this means is that the most likely challenge will come from China; but it still remains whether China will continue to work to protect its more parochial interests or is ready for a larger showdown over power in global multilateral institutions.

China's share of the votes in IMF and the World Bank clearly is disproportional to the relative global weight of its economy. One could therefore say that China rightly has argued that it should have a greater capital subscription. However, it also argues strongly that it maintain a developing country status in the World Bank. Whilst the latter obviously raises eyebrows in many corners of the world, it plays perfectly into American perceptions of China as a country that does not follow international well-established procedures of global economic competition. Continuing to portray itself as a "developing country" in the World Bank allows China access to the same benefits as other developing member-states. There is clearly an imbalance here as China simultaneously makes a bid for global primacy and has rolled out several new ambitious development initiatives that represents a challenge to the World Bank: the Asian Infrastructure Investment Bank [AIIB] with an asset value of $50 billion; and the trillion-dollar Belt and Road Initiative [BRI]. For most critics, the question is not that China should stop borrowing, but that it should pay a higher price as it clearly does not possess a developing country economy.[17]

Even if the World Bank headquarters is only two blocks from the White House and Trump repeatedly tweeted his criticism of other global institutional arrangements that he saw

as unfair to the United States, it took about two years into his presidency before it caught his attention. What changed this was the unexpected departure of the Obama Administration backed World Bank president, Jim Yong Kim, in January 2019. This situation gave Trump the opportunity to place his mark on an important global institution. It did not take much time before he had a nominee ready for the vacant position: David Malpass, his under-secretary for international affairs in the Treasury. Malpass, a former chief economist in the investment firm Bear Stearns, had been a vocal and quite public supporter of Trump's presidential campaign and the Trump administration. It must have appeared as a good opportunity to have a close ally in the presidential seat in the World Bank that would be more receptive to American economic concerns about China than Kim – Obama had handpicked Kim in 2012 to reform the Bank, but also engage more forcefully with China.

When China launched the AIIB in 2014, the geo-economic challenge to the World Bank was hard to miss; and as expected, the Obama Administration made clear that it would not have anything to do with it. Kim, however, said he welcomed any new player, went to Beijing, announced a new US$50 million joint anti-poverty fund, and met with officials of the new Chinese-led bank. This effort did not go well in Washington, and Kim's departure in January 2019 caused more of relief than worry amongst those in Congress that cared about the Bank.[18]

Thus, even if Democratic Party members of Congress may not have liked Trump nominating a new World Bank president, having someone in that position who would stand up to China was welcome. In the end, however, Trump must have been quite disappointed with his nominee as, at least in the short run, Malpass was not able to make much of a difference. In December 2019, the World Bank agreed to continue lending $1 to $1.5 billion a year to China until 2025. As expected, Trump turned to Twitter calling for all multilateral institutions to cease development assistance to China: "Why is the World Bank loaning money to China? Can this be possible? China has plenty of money, and if they don't they create it. STOP".[19]

Trump's tweet certainly rallied his supporters, but it did little to change anything, and this debate will continue to be minor overall, but important in the larger geo-economic Sino-American conflict that the Biden Administration now has taken over. What impact this will have on the World Bank and the IMF remains unknown.

The question is whether a compromise is possible that allows for a certain realignment of voting power with member's economic size and importance in the global economy. If the World Bank and the IMF are to remain globally relevant, their power configurations will need reweighting towards emerging new Powers, especially in Asia. If not, China will most likely continue to roll out its own version of the institutions of the post-1945 liberal order. The question that the United States must ask itself as the main architect and keeper of this order is whether its interests remain better served by striking a compromise with China to keep the country engaged in the current multilateral system even if it means some changes to the liberal order. Similarly, China could allow a renegotiation of the terms of its current borrowing in the World Bank and open its current institutional development designs – the AIIB and BRI – to transparent multilateral co-operation with the World Bank and IMF. Without compromises of this kind, the global economic order will continue to bear the consequence of geopolitical and geo-economic rivalry that eventually may have dramatic consequences for the most striking remaining institutional features of the post-1945 liberal order, the IMF and World Bank. The main reason for this is that as global economic institutions, they must reflect to a certain extent global economic conditions of its member base. If not, they could slowly float into less and less relevance and eventually oblivion.

Notes

[1] Martin Wolf, "The IMF today and tomorrow", *Finance & Development*, 56(2019), 1-4.

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[2] Morten Bøås and Desmond McNeill, *Multilateral Institutions – A Critical Introduction* (London, 2003); Morten Bøås, "Multilateral institutions and the developing world", in Vandana Desai and Robert B. Potter, eds., *The Companion to Development Studies* (London, 2008), 547-50.

[3] Bøås, "Multilateral institutions".

[4] IMF, *IMF Board Approves Far-Reaching Governance Reforms (*Washington, DC, 2010).

[5] Bøås and McNeill, *Multilateral Institutions.*

[6] Knut Nustad, "The development discourse in the multilateral system", in Morten Bøås and Desmond McNeill, eds., *Global Institutions and Development: Framing the World?* (London, 2004), 13-23.

[7] Ernst B. Haas, *When Knowledge is Power: Three Models of Change in International Organizations* (Berkeley, CA, 1990).

[8] See Bøås and McNeill, *Multilateral Institutions*.

[9] Catherine Gwin, *U.S. Relations with the World Bank 1945-92* (Washington, DC, 1994); Morten Bøås and Desmond McNeill, "Introduction – power and ideas in multilateral institutions: towards an interpretative framework", in Bøås and McNeill, *Global Institutions*, 1-12.

[10] Lars Schoultz, "Politics, economics and U.S. participation in multilateral development banks", *International Organization*, 36/3(1982), 537-74.

[11] Morten Bøås, "Multilateral development banks, environmental impact assessments and nongovernmental organizations in U.S. foreign policy", in Paul G. Harris, ed., *The Environment, International Relations and U.S. Foreign Policy* (Washington, DC, 2001), 178-96.

[12] Robert Wade, "Showdown at the World Bank", *New Left Review*, 7(January/February, 2001), 124-37.

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[13] Whilst the number of total votes that the United States controls in the World Bank has diminished from 34.1 percent to 15.90 percent by 2020, China’s share of the total votes is nowhere close to it global economic power: China only controls 5.07 percent.

[14] See Bessma Momani, “American politicization of the International Monetary Fund”, *Review of International Political Economy*, 11/5(2004), 880-904.

[15] David E. Sanger, “Runaway agency or U.S. pawn?”, in L. John McQuillian and Paul C. Montgomery, eds., *The International Monetary Fund: Financial Medic to the World?* (Stanford, CA, 1999), 23.

[16] World Bank, *The East Asian Miracle: Economic Growth and Public Policy* (Washington, DC, 1993); Robert Wade, “Is the East Asian Miracle right?”, in Arthur Fishlow, Catherine Gwin, Stephen Haggard, Dani Rodrik, and Robert Wade, eds., *Miracle or Design: Lessons from the East Asian Experience* (Washington, DC, 1994).

[17] See Alexander Nazaryan, “How Donald Trump took over the World Bank”, *Yahoo News* (24 April 2019); Richard Javed Heydarian, “What to make of Trump’s outburst over World Bank loans to China”, *Aljazeera Opinion* (24 December 2019).

[18] Nazaryan, “How Donald Trump took over”.

[19] Heydarian, “What to make of Trump’s outburst”.