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Xu, Jiajun (2016). *Beyond US Hegemony in International Development: The Contest for Influence at the World Bank.* (Cambridge: Cambridge University Press)

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Book summary

Jiajun Xu studies how power transitions affect the outcomes of replenishment conferences at the International Development Association (IDA) – a development fund managed by the World Bank to assist least developed countries with highly concessional development funding. This is a timely analysis given that the multilateral development system is witnessing the advent of new institutions. After World War II, the multilateral development system reflected the dominant position of the United States – with only a few institutions addressing the development needs of least developed countries. During the Cold War, power shifts among donor states led to readjustments of voting weights within the existing system. In the most recent decade, however, China emerged as a credible challenger to American hegemony, attempting to gain influence within the established multilateral institutions while also crafting new institutions such as the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB).

Xu identifies three puzzles that the existing literature cannot answer satisfactorily. First, IDA contributions do not closely mirror economic capabilities. Which factors other than the capacity to pay of a donor thus determines its contribution? Second, the US hegemon further increased its policy influence even when its financial contributions decreased. How could the hegemon maintain its power despite flagging contributions? And why did ascending powers not more rapidly assume bigger shares in IDA funding? Third, US power progressively eroded in the past decade, despite only a mild US share cut. Why did burden-shifting occur at a greater scale than predicted by underlying economic fundamentals?

In order to prepare the analytical ground for addressing these questions, the book lays out its theoretical foundations that inform the historical analysis of sixteen IDA replenishments in subsequent chapters. The key takeaway of the book is that IDA replenishments are complex strategic games because donors have preferences over both replenishment size and individual burden shares while being driven by fairness concerns. The outcome of replenishment negotiations critically depends on geopolitical factors and complex interdependence between challenger states and the US hegemon.

According to Xu, when external threats loom large, the US had an interest to expand IDA in order to wield geopolitical influence (as exemplified by the rising Soviet threat in the Cuban missile crisis, and the developing-country movement for a New International Economic Order). Absent these geopolitical threats, the US preferred a share cut, which would force

other states to step up their shares to make good for the shortfall. More often than not, challenger states surrendered to US pressure because they were structurally dependent on the hegemon (e.g., international trade or military protection). Consequently, US shares in the IDA budget dropped – from an initial 40% in 1960 to a mere 11% in 2010 – but without resulting in a loss of influence for the US. If the US targeted a smaller IDA contribution for its own, then all other donors had to cut their IDA commitments proportionally to maintain their burden-shares in line with the IDA charter (even if they wanted a bigger replenishment); paradoxically, this rule further amplified US influence despite its own flagging contributions. While challenger states were frustrated by the widening contributions-to-influence gap, they did not openly challenge US hegemony as long as they depended on US leadership. In contrast, China – the most recent challenger – is less dependent on US leadership and redressed its lack of influence by becoming an IDA donor and by establishing alternative development initiatives outside the World Bank.

Key contributions

A key strength of the book is that it is easily accessible for the lay reader while also offering new insights for scholars of international organizations. In addition, the book has three unique selling points: first, it debunks some myths around multilateral replenishments; second, it enriches the theoretical debates in International Relations with new evidence from international development; more specifically for the literature on the World Bank, it puts previous anecdotes about IDA replenishments on a more solid empirical foundation by providing a large number of case studies; third, it provides a new theoretical frame for understanding the rise of trust funds. I discuss each of these contributions in turn.

Xu shows that replenishment is not a smooth process but a deeply political process with many intervening variables. While the outcome of replenishment is hardly predictable, the book identifies some key determinants, notably donor preferences over total size, burden-shares, and policy objectives, as well as the political capital invested by the multilateral bureaucracy. While economic capabilities predict long-term IDA contribution levels, they are unable to predict short-term fluctuations of such contributions. This invalidates a rule-based explanation of replenishment outcomes. A donor-interest explanation does not fare well either. Empirical evidence from the cases of Germany, Japan, and China does not indicate a clear relationship between ascending states assuming greater burden-shares and increasing procurement benefits. Xu shows that ‘fairness’ considerations loom large in replenishment negotiations – donors are cautious not to cede too much influence to their rivals without commanding financial contributions to the collective good. She merits praise for unpacking the concept of burden-sharing and drawing attention to the specificities of burden-sharing in development finance.

The book also contributes to the grand debates in International Relations. Its key takeaway is that realism can be usefully deployed to understand current developments in multilateral politics and the history of IDA replenishments. Going beyond pure neorealism, Xu acknowledges state heterogeneity deriving from underlying power differentials and rapid

changes in state power. Her book reminds us that the international development system is a three-class system in which the traditional donors enjoy all the privileges, developing countries are rule-takers, and a group of middle-income countries feel deprived of the influence that their economic weight would warrant. With the rise of China, for the first time in history a middle-income country that depends less on the US vies for influence. For scholars interested in the World Bank, this book is a great source because it is the first to trace hegemonic power transitions for all IDA replenishments.

Perhaps the biggest contribution of this book pertains to the emergent literature on trust funds (Sridhar and Woods 2013; Graham 2016; Eichenauer and Reinsberg 2017). Xu suggests a power-based explanation for trust funds. Challenger states – assuming that they had more expansionary preferences than the hegemon – were able to use trust funds only after the Cold War when their structural dependence upon the hegemon decreased. In the functionalist view, earmarked funding emerges when donor preferences over policy substance and replenishment size are divergent (Graham 2016). While both accounts demonstrate the strong connection between core resources and non-core resources, Xu considers burden-sharing quotas an explicit target and emphasizes donor heterogeneity in terms of power.

Future avenues

This book leaves only very few wishes unaddressed. Three such wishes entail further theorizing on the Chinese engagement in multilateral development institutions, engagement with additional branches of literature, and quantitative tests of the proposed theory in light of alternative explanations. I discuss each in turn.

Xu predicts that China should be better able to resist US pressure and pursue independent policy agendas because it is not structurally dependent on the US. Her analysis shows that China felt excluded from key policy decisions (due to the increased agenda-setting role of IDA Deputies versus the Executive Board), while together with other IBRD borrowers being forced to finance IDA budgets through IBRD earnings. China therefore decided to step in as IDA donor ('voice'), but the slow pace of reforms also motivated China to finance development initiatives outside the World Bank ('exit').

An open question is what factors drive exit-voice decisions of challenger states in response to the unrepresentativeness of contemporary international organizations. Recent research has started filling this gap. In particular, Kastner, Person, and Rector (2016) show that the strategic context of a particular issue of international concern affects the strategic approach of ascending powers to redress the apparent lack of influence. Taking the case of China, they show that if outside options are relatively poor, China will invest into the existing regime, but free-riding ensues if its outside options are valuable and if it is not a necessary player in maintaining the regime. Moreover, Güven (2016) analyzes the evolution of World Bank lending profiles for seven important middle-income countries, finding that in settings where significant operational realignments are possible within existing mandates and governance structures, the multipolarity-multilateralism conundrum could be partly mitigated.

Global economic governance research is a fast-moving field and therefore it is not surprising that the book could not integrate the most recent contributions of the field. This includes the emergent literature on trust funds. Xu convincingly explains how donor states distributed the financial burden for development funding but misses the opportunity to enlarge the scope of her analysis to include earmarked funding outside the burden-sharing mechanism. The book could have more explicitly drawn attention to the complex interaction between core resources and trust funds mediated by burden-sharing norms.

While Xu focuses only on formal institutions as outside options, an increasing body of literature also notes growing use of informal intergovernmental institutions (Stone 2011; Vabulas and Snidal 2013; Westerwinter 2016), particularly by rising powers, and informal influence (Dreher et al. 2009; Kilby 2013; Stone 2013). Recent works also emphasize the role of power in international politics (Kahler 2015; Kaya 2016). When touching upon the domestic politics of multilateral lending, Xu misses out a range of papers showing that domestic institutions as well as powerful interests shape policy stances of member states (Voeten 2001; Kersting and Kilby 2016). Finally, recent literature has deepened research on the concept of burden-sharing and developed statistical tests (Reinsberg et al. 2017).

The findings from this book are based on meticulous archival work at the World Bank and a large number of interviews with staff members and donor representatives. Qualitative methods can trace mechanisms of influence, but do not produce generalizable findings and the relative importance of competing explanations can only be tested in a quantitative framework. A quantitative test of the arguments proposed does not seem out of reach. Variables that are relatively easy to measure are economic capabilities, military capabilities, external threats, and structural dependence. Other variables are more difficult to measure, but future research may start filling these gaps. This book provides a very useful reference point for such research.

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