In-Group Punishment in International Relations
U.S. Reactions to the Founding of China's AIIB

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World Bank votes as tacit signals of disapproval

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- Shed lights on understanding Sino-US competition in international economic governance (Broz et al. 2000; Qian et al. 2023)

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  - 57 founding members
  - By now: 110 members (including 12 prospective)

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AIIB = China's World Bank?

The New York Times

THE CHINA FACTOR | PART 4

China Creates a World Bank of Its Own, and the U.S. Balks

THE WALL STREET JOURNAL.

MARKETS | HEARD ON THE STREET

Five Years On, China's World Bank Challenger Has Fallen Short of Lofty Predictions

S&P Global
Market Intelligence

China's World Bank alternative points to multilateral future without US

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- Rise of the China-initiated AIIB as the potential alternative
- US opposed governments to join the AIIB **before its establishment**
  - The United States "forced allies and friendly countries across the Far East to make a fatal choice between the US and China" (Evans-Pritchard 2015)

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  - ~ 95% voting power
  - ~ 95% of shares
  - ~ 97% of all projects

How would the US respond to countries helped to found the AIIB?

Punish its in-group members that helped founding the AIIB.

Punishment of In-Group Members

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- Punishment for defiance is more likely for in-group members (Shinada et al. 2004; Mendoza et al. 2014)

In-Group Punishment in International Relations: US and AIIB Founders

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- Expectations of loyalty
- Strategic considerations

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Hypothesis: Since the 2016 founding of the AIIB, the United States is less likely to support World Bank projects considered for AIIB founding members that are closely aligned with the US.

Data on US Voting Behavior in the World Bank

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  - Support (91.7%); Abstain (6.6%); No (1.4%)

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- We focus on US votes on World Bank projects (IBRD & IDA)
- Three possible voting positions
  - Support (91.7%); Abstain (6.6%); No (1.4%)
- Matched all voting records with approved projects
  - 99% + proposals not supported by the US still approved

Sample

- 5,254 US voting records in the World Bank, across:

- 16 years (2004 - 2019)

- 137 countries (25 AIIB Founders)

Data

Outcome Variable: US Support

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Covariates

- Country-year level: GDP pc, population, FDI inflow, debt service, ODA received, Polity, Election, UNSC, US Aid
- Project-level: Project amount, infrastructure project

Specification

$$\text{Support}_{ict} = \beta_1 \, \text{AIIB Founder}_c \times \text{Post-2016}_t + \beta_2 \, \text{US Distance}_{c,\,t-1}$$
$$+ \beta_3 \, \text{AIIB Founder}_c \times \text{Post-2016}_t \times \text{US Distance}_{c,\,t-1}$$
$$+ \gamma \boldsymbol{X}_{ic,\,t-1} + \alpha_c + \theta_t + \epsilon_{ict}$$

- Baseline model: OLS with clustered SE
- Robustness: Conditional Logit

AIIB Founder and Affirmative US Votes at the World Bank

	(1)	(2)	(3)
AIIB Founder × Post 2016	−0.074***		
	(0.024)		
UNGA Voting (Ideal Point distance from US)			
AIIB Founder × Post 2016 × UNGA Voting			
Country Fixed effects	✓		
Year Fixed effects	✓		
Controls			
Average U.S. Support	88.5%		
Countries	73		
Count: AIIB Founder	20		
Observations	3,633		
Adjusted R^2	0.245		

Notes: $***$ $p < 0.01$, $**$ $p < 0.05$, $*$ $p < 0.1$.

AIIB Founder and Affirmative US Votes at the World Bank

	(1)	(2)	(3)
AIIB Founder × Post 2016	−0.074***	−0.040	
	(0.024)	(0.028)	
UNGA Voting (Ideal Point distance from US)		−0.020	
		(0.026)	
AIIB Founder × Post 2016 × UNGA Voting			
Country Fixed effects	✓	✓	
Year Fixed effects	✓	✓	
Controls		✓	
Average U.S. Support	88.5%	88.6%	
Countries	73	62	
Count: AIIB Founder	20	20	
Observations	3,633	3,348	
Adjusted R^2	0.245	0.269	

Notes: $* * * p < 0.01, * * p < 0.05, * p < 0.1$.

AIIB Founder and Affirmative US Votes at the World Bank

	(1)	(2)	(3)
AIIB Founder × Post 2016	−0.074***	−0.040	−0.526***
	(0.024)	(0.028)	(0.143)
UNGA Voting (Ideal Point distance from US)		−0.020	−0.039
		(0.026)	(0.026)
AIIB Founder × Post 2016 × UNGA Voting			0.151***
			(0.043)
Country Fixed effects	✓	✓	✓
Year Fixed effects	✓	✓	✓
Controls		✓	✓
Average U.S. Support	88.5%	88.6%	88.6%
Countries	73	62	62
Count: AIIB Founder	20	20	20
Observations	3,633	3,348	3,348
Adjusted R^2	0.245	0.269	0.272

Notes: $* * * p < 0.01$, $* * p < 0.05$, $* p < 0.1$.

↓ US Support for Closely-Aligned AIIB Founders after 2016
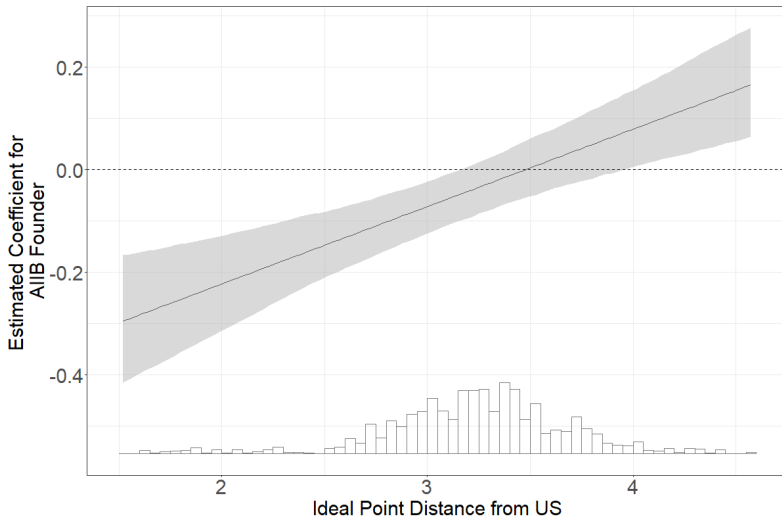
AIIB Founder and Affirmative US Votes at the World Bank

	(1)	(2)	(3)	(4)	(5)	(6)
AIIB Founder × Post 2016	−0.074***	−0.040	−0.526***	−0.045*	−0.041	−0.497***
	(0.024)	(0.028)	(0.143)	(0.024)	(0.027)	(0.143)
UNGA Voting (Ideal Point distance from US)		−0.020	−0.039		−0.029	−0.044*
		(0.026)	(0.026)		(0.025)	(0.025)
AIIB Founder × Post 2016 × UNGA Voting			0.151***			0.142***
			(0.043)			(0.043)
Country Fixed effects	✓	✓	✓	✓	✓	✓
Year Fixed effects	✓	✓	✓	✓	✓	✓
Controls		✓	✓		✓	✓
Exclude China				✓	✓	✓
Average U.S. Support	88.5%	88.6%	88.6%	91.6%	92.1%	92.1%
Countries	73	62	62	72	61	61
Count: AIIB Founder	20	20	20	19	19	19
Observations	3,633	3,348	3,348	3,412	3,127	3,127
Adjusted R^2	0.245	0.269	0.272	0.130	0.145	0.150

Notes: $* * * p < 0.01, * * p < 0.05, * p < 0.1$.

Robustness Checks

1. Formal AIIB founding membership ›
2. Alternative measure of "US Distant" (Lang and Presbitero 2018) ›
3. Conditional logit model ›
4. Multiple imputation of missing covariates ›
5. OLS using countries with non-varying DV (Beck 2020) ›

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  - AIIB founding members pass on the World Bank infrastructure loans after 2016 (Qian et al. 2023)
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- Punishment should concentrate in non-infrastructure projects
  - Otherwise might further push these countries away towards the AIIB

Measuring World Bank Infrastructure Projects

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Infrastructure Sectors

- Agriculture
- Energy & Extractives
- Info & Communication
- Transportation
- Water/Sanitation/Waste

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Infrastructure Sectors

- Education
- Financial Sector
- Health
- Industry, Trade, and Services
- Public Administration
- Social Protection

Effects Concentrate in **Non**-Infrastructure Projects

	Infrastructure		Non-Infrastructure	
	(1)	(2)	(3)	(4)
AIIB Founder × Post 2016	−0.415**	−0.396**	−0.950***	−0.907***
	(0.203)	(0.201)	(0.270)	(0.274)
UNGA Voting (Ideal Point distance from US)	−0.003	0.017	−0.128***	−0.134***
	(0.053)	(0.052)	(0.039)	(0.039)
AIIB Founder × Post 2016 × UNGA Voting	0.123**	0.115*	0.266***	0.258***
	(0.060)	(0.059)	(0.082)	(0.083)
Country Fixed effects	✓	✓	✓	✓
Year Fixed effects	✓	✓	✓	✓
Controls	✓	✓	✓	✓
Exclude China		✓		✓
Average U.S. Support	83.3%	89.1%	89.7%	91.7%
Countries	47	46	40	39
Count: AIIB Founder	18	17	13	12
Observations	1,476	1,300	1,219	1,174
Adjusted R^2	0.283	0.158	0.199	0.100

Notes: $* * * p < 0.01$, $* * p < 0.05$, $* p < 0.1$.

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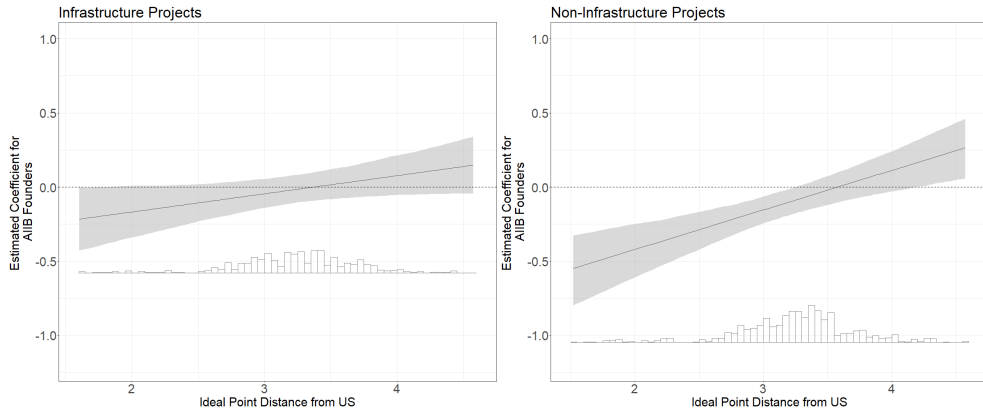
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- World Bank votes as a form of gestural punishment
  - Signals of disapproval despite ultimate project approval
  - Emphasize countries' continued reliance on the World Bank for non-infrastructure financing.

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- US casts unsupportive votes in the World Bank against AIIB founders that were more closely aligned with US preferences, exempting more distant countries.
- World Bank votes as a form of gestural punishment
  - Signals of disapproval despite ultimate project approval
  - Emphasize countries' continued reliance on the World Bank for non-infrastructure financing.
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  - Signals of disapproval despite ultimate project approval
  - Emphasize countries' continued reliance on the World Bank for non-infrastructure financing.
- Potential competition between China-led and US-led international institutions
- The balance of attracting new allies while retaining longstanding friends.

Thank you!

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Robustness

- Formal Membership
- US Distant
- Conditional Logit
- Multiple Imputation
- All Observations

Non-Founding Members

- Results incl. Founders
- Results excl. Founders

Congressional Influence

- Top Cited Legislation

Robustness: Formal Founding Membership

	(1)	(2)	(3)	(4)	(5)	(6)
AIIB Founding Membership	-0.063^{***}	-0.028	-0.468^{***}	-0.040^{*}	-0.035	-0.444^{***}
	(0.023)	(0.027)	(0.133)	(0.023)	(0.025)	(0.133)
UNGA Voting (Ideal Point distance from US)		-0.017	-0.036		-0.027	-0.043^{*}
		(0.026)	(0.026)		(0.025)	(0.025)
AIIB Founding Membership × UNGA Voting			0.136^{***}			0.126^{***}
			(0.039)			(0.039)
Country Fixed effects	✓	✓	✓	✓	✓	✓
Year Fixed effects	✓	✓	✓	✓	✓	✓
Controls		✓	✓		✓	✓
Exclude China				✓	✓	✓
Average U.S. Support	88.5%	88.6%	88.6%	91.6%	92.1%	92.1%
Countries	73	62	62	72	61	61
Count: AIIB Founder	19	19	19	18	18	18
Observations	3,633	3,348	3,348	3,412	3,127	3,127
Adjusted R^2	0.245	0.268	0.272	0.130	0.145	0.149

Notes: $* * * \, p < 0.01, * * \, p < 0.05, * \, p < 0.1$.

Robustness: Alternative Coding of U.S. Distant

	(1)	(2)
AIIB Founder × Post 2016	−0.213***	−0.229***
	(0.063)	(0.062)
US Distant	−0.089***	−0.090***
	(0.024)	(0.024)
AIIB Founder × Post 2016 × US Distant	0.198***	0.220***
	(0.062)	(0.061)
Country Fixed effects	✓	✓
Year Fixed effects	✓	✓
Controls	✓	✓
Exclude China		✓
Average U.S. Support	88.6%	92.1%
Countries	62	61
Count: AIIB Founder	20	19
Observations	3,348	3,127
Adjusted R^2	0.273	0.152

Notes: $***\ p < 0.01$, $**\ p < 0.05$, $*\ p < 0.1$.

Robustness: Conditional Logit

	(1)	(2)	(3)	(4)	(5)	(6)
AIIB Founder × Post 2016	-0.760***	-0.407	-5.860***	-0.585*	-0.492	-6.011***
	(0.290)	(0.363)	(1.953)	(0.326)	(0.404)	(2.003)
UNGA Voting (Ideal Point distance from US)		-0.192	-0.539		-0.208	-0.504
		(0.395)	(0.419)		(0.427)	(0.440)
AIIB Founder × Post 2016 × UNGA Voting			1.711***			1.723***
			(0.609)			(0.621)
Country Fixed Effects	✓	✓	✓	✓	✓	✓
Year Fixed Effects	✓	✓	✓	✓	✓	✓
Controls		✓	✓		✓	✓
Exclude China				✓	✓	✓
Average U.S. Support	88.5%	88.6%	88.6%	91.6%	92.1%	92.1%
Countries	73	62	62	72	61	61
Count: AIIB Founder	20	20	20	19	19	19
Observations	3633	3348	3348	3412	3127	3127

Notes: $* * * \, p < 0.01, * * \, p < 0.05, * \, p < 0.1.$

Robustness: Multiple Imputation

	(1)	(2)
AIIB Founder × Post 2016	-0.619***	-0.580***
	(0.140)	(0.141)
UNGA Voting (Ideal Point distance from US)	-0.036	-0.041
	(0.026)	(0.026)
AIIB Founder × Post 2016 × UNGA Voting	0.168***	0.158***
	(0.042)	(0.042)
Country Fixed Effects	✓	✓
Year Fixed Effects	✓	✓
Controls	✓	✓
Exclude China		✓
Average U.S. Support	88.5%	91.7%
Countries	73	72
Count: AIIB Founder	20	19
Observations	3628	3407

Notes: $* * * \ p < 0.01, * * \ p < 0.05, * \ p < 0.1$.

Robustness: OLS with All Observations

	(1)	(2)	(3)	(4)	(5)	(6)
AIIB Founder × Post 2016	−0.063***	−0.040*	−0.514***	−0.038**	−0.033*	−0.478***
	(0.019)	(0.020)	(0.138)	(0.019)	(0.020)	(0.139)
UNGA Voting (Ideal Point distance from US)		−0.016	−0.031		−0.025	−0.036**
		(0.019)	(0.019)		(0.018)	(0.018)
AIIB Founder × Post 2016 × UNGA Voting			0.149***			0.139***
			(0.042)			(0.042)
Country Fixed effects	✓	✓	✓	✓	✓	✓
Year Fixed effects	✓	✓	✓	✓	✓	✓
Controls		✓	✓		✓	✓
Exclude China				✓	✓	✓
Average U.S. Support	91.9%	91.6%	91.6%	94.2%	94.2%	94.2%
Countries	137	101	101	136	100	100
Count: AIIB Founder	25	24	24	24	23	23
Observations	5,254	4,607	4,607	5,033	4,386	4,386
Adjusted R^2	0.279	0.298	0.302	0.167	0.178	0.182

Notes: $* * * p < 0.01, * * p < 0.05, * p < 0.1$.

AIIB Non-Founder and Affirmative US Votes at the World Bank (Founders Included)

	(1)	(2)	(3)	(4)	(5)	(6)
AIIB Founding Membership	−0.055**	−0.022	−0.472***	−0.033	−0.030	−0.450***
	(0.024)	(0.027)	(0.133)	(0.023)	(0.025)	(0.133)
AIIB Non-Founding Membership	0.109**	0.084	−1.456**	0.102**	0.067	−1.926***
	(0.050)	(0.059)	(0.714)	(0.050)	(0.059)	(0.718)
UNGA Voting (Ideal Point distance from US)		−0.018	−0.040		−0.028	−0.047*
		(0.026)	(0.026)		(0.025)	(0.025)
AIIB Founding Membership × UNGA Voting			0.138***			0.129***
			(0.039)			(0.039)
AIIB Non-Founding Membership × UNGA Voting			0.483**			0.624***
			(0.218)			(0.219)
Country Fixed effects	✓	✓	✓	✓	✓	✓
Year Fixed effects	✓	✓	✓	✓	✓	✓
Exclude China				✓	✓	✓
Average U.S. Support	88.5%	88.6%	88.6%	91.6%	92.1%	92.1%
Countries	73	62	62	72	61	61
Count: AIIB Founder	19	19	19	18	18	18
Count: AIIB Non-Founder	5	3	3	5	3	3
Observations	3,633	3,348	3,348	3,412	3,127	3,127
Adjusted R^2	0.246	0.269	0.272	0.131	0.145	0.150

In-Group Punishment Only for Founding Members
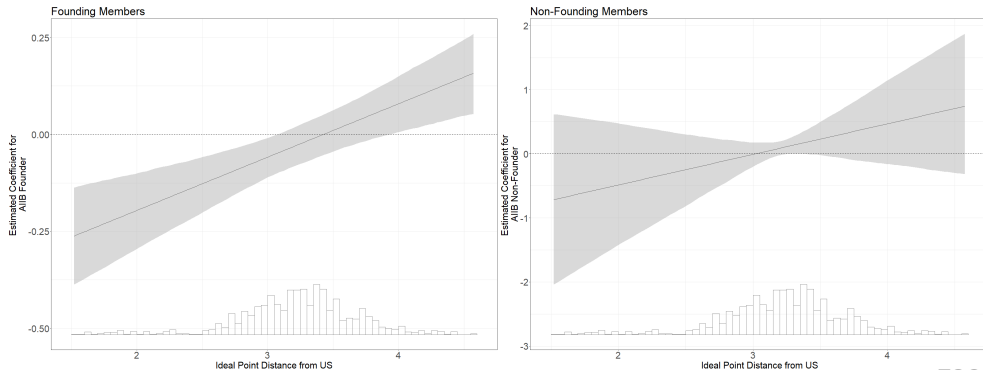
AIIB Non-Founder and Affirmative US Votes at the World Bank (Founders Excluded)

	(1)	(2)	(3)	(4)	(5)	(6)
AIIB Non-Founding Membership	0.107**	0.091	−1.548**	0.062**	0.067	−0.192
	(0.052)	(0.061)	(0.731)	(0.029)	(0.042)	(0.265)
UNGA Voting (Ideal Point distance from US)		−0.007	−0.011		−0.018	−0.019
		(0.028)	(0.028)		(0.020)	(0.020)
AIIB Non-Founding Membership × UNGA Voting			0.511**			0.079
			(0.223)			(0.074)
Country Fixed effects	✓	✓	✓	✓	✓	✓
Year Fixed effects	✓	✓	✓	✓	✓	✓
All Observations				✓	✓	✓
Average U.S. Support	91.1%	91.9%	91.9%	94.4%	94.6%	94.6%
Countries	51	42	42	108	75	75
Count: AIIB Non-Founder	5	3	3	12	9	9
Observations	2,106	1,853	1,853	3,418	2,820	2,820
Adjusted R^2	0.182	0.204	0.204	0.208	0.223	0.223

Notes: $* * * p < 0.01, * * p < 0.05, * p < 0.1$.

In-Group Punishment Only for Founding Members
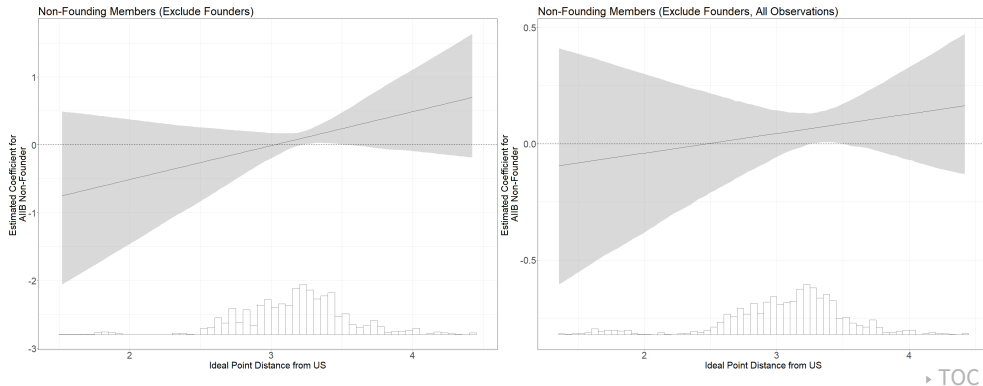
Top 3 Cited Legislation

1. Code 36 (24.1%): P.L. 104-208, Sec. 576
   - Transparency of budgets: audit of military expenditures
   - 76% used against China
   - The assistance does not support basic human needs

2. Code 8 (21.7%): P.L. 95-118, Sec. 701
   - Human rights violations
   - 87% used against China
   - The assistance does not support basic human needs.

3. Code 1 (18.0%): Executive Directors' Discretion
   - Economic and policy considerations