

POL 396: International Organization

Precept 3

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Precept Resources

<https://jingqian.org/pol396>

- Feedback form
- Office hour appointment
- Precept slides
- ... and more

Plan

- Asian Monetary Fund?
- World Bank vs. IMF
- World Bank vs. World Bank Group
- Corporate Influence
- The Promise and Perils of the World Bank

Debate: Japan vs. US during Crises

- Roles: Japanese vs. American leaders
- Context:
 - 1995 Mexican Peso Crisis
 - 1997 East Asian Financial Crisis
- Topic: What should the IMF package look like?

Diagram 1: The Liquidity Provision vs. Moral Hazard Preference Line



Moral Hazard

- ♦ Provide limited liquidity
- ♦ Stringent conditionality
- ♦ Encourage long-term reform

Liquidity Provision

- ♦ Abundant liquidity
- ♦ Soft or no conditionality
- ♦ Focus on short-term problems

Who Prefers What?

Liquidity

- Political interests
- Economic ties
- Benefits creditors

Moral Hazard

- Weak political & economic ties
- Take advantage to extract concessions
- Use crisis to **deter** future “moral hazard”

Regional(Asian) IMF?

- Asian Monetary Fund (AMF)
 - Proposed by Japan in 1997
 - 10 Asian members (no US)
 - US opposition, eventually failed
- Chiang Mai Initiative
 - Launched in March 2010
 - Multilateral currency swap
 - Member: ASEAN (10 countries) + Japan + South Korea + China
 - Never used (why?)

World Bank or World Bank Group?

IBRD
International Bank
for Reconstruction
& Development

Est. 1945

Role:

To promote
institutional, legal and
regulatory reform

Clients:

Governments of
member countries with
per capita income
between \$1,025 and
\$6,055.

Products:

- Technical assistance
- Loans
- Policy Advice

IDA
International
Development
Association

Est. 1960

To promote
institutional, legal and
regulatory reform

Governments of
poorest countries with
per capita income of
less than \$1,025

- Technical assistance
- Interest Free Loans
- Policy Advice

IFC
International
Finance
Corporation

Est. 1956

To promote private
sector development

Private companies in
183 member
countries

- Equity/Quasi-Equity
- Long-term Loans
- Risk Management
- Advisory Services

MIGA
Multilateral
Investment and
Guarantee Agency

Est. 1988

To provide
instruments for
political investment
risk management

Foreign investors in
member countries

- Political Risk
Insurance

ICSID
International
Center for
Settlement of
Investment
Disputes

Est. 1966

To provide facilities
for conciliation and
arbitration of
international
investment disputes.

Foreign investors in
member countries

- Dispute settlement
facilities

Is this the World Bank or the IMF?

Select from: **World Bank**; **IMF**; **Not sure**

- | | |
|--|-------------------------------|
| 1. Use conditionality | Not Sure |
| 2. Founded in 1944 Bretton Woods, NH | Not Sure |
| 3. Located in DC | Not Sure |
| 4. Head always a European | IMF |
| 5. Head always an American | World Bank |
| 6. U.S. has biggest voting power | Not Sure |
| 7. Face more competition | World Bank |
| 8. Goal is to promote development | World Bank or Not Sure |
| 9. Goal is to maintain exchange rate stability | IMF |

Is this the World Bank or the IMF? (ctnd.)

Select from: World Bank; IMF; Not sure

- | | |
|---|------------------------|
| 10. Loans typically large (\$100s millions → billions) | IMF |
| 11. Loans typically small (\$10s millions → \$100 millions) | World Bank |
| 12. Usually only one project in one country | IMF |
| 13. Have multiple project in one country | World Bank |
| 14. Staff mostly in DC | IMF or Not Sure |
| 15. Staff and offices worldwide | World Bank |
| 16. About 2000 staff | IMF |
| 17. About 10,000 staff | World Bank |

What's the difference between the IMF and the World Bank? | CNBC Explains

Corporate Influence in World Bank

Baseline: If no corporate influence

- Project evaluation based on actual performance
- Better-performed projects have higher disbursement ratio

How are corporates involved?

- Projects with Fortune 500 companies as contractors or
- Countries heavily invested by Fortune 500 companies

What if there ARE corporate influence?

- Disbursement ↑
- Evaluation ↑

Compared with projects with similar performance but no corporate involvement.

Is World Bank the Solution to Poverty and Development?

Group discussion

- What can the World Bank provide to poorer countries?
- Which countries have bigger say in the World Bank?
- Consider incentives of donor/recipient countries, and WB bureaucrats.
- State/Government vs. Market in promoting development.