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

Jing Qian, James Raymond Vreeland, Jianzhi Jason Zhao

Abstract

We examine, in the context of international relations, the hypothesis from social psychology that punishment for defiance is more likely for in-group than out-group members. The United States publicly opposed the founding of the Asian Infrastructure Investment Bank (AIIB) and pressured countries not to join the Chinese-led institution. Nevertheless, 57 countries became founding members of this new development bank, which is viewed as a potential competitor of the U.S.-led World Bank. To test whether the United States punished in-group rather than out-group countries for their defiance, we consider a unique dataset on the voting behavior of the World Bank's U.S. executive director on new project proposals. We find that the United States is more likely to oppose or abstain from supporting new projects only for AIIB founding members that are closer to the United States, with no punishment for the more distant founders. Considering that almost all proposals are approved regardless of U.S. support, the punishment appears merely gestural, making it even more surprising that the United States imposes it so judiciously. We suspect the action serves as a signal of discontent specifically direct toward in-group countries.

This paper has been published in the *Review of International Political Economy* and can be viewed here.

Keywords: Asian Infrastructure Investment Bank; AIIB; World Bank; multilateral development banks; international institutions; in-group punishment

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Suggested Citation

Qian, Jing, James Raymond Vreeland, Jianzhi Jason Zhao. 2024. *In-Group Punishment in International Relations: U.S. Reactions to the Founding of China's AIIB*. IGCC Working Paper No 8. escholarship.org/uc/item/3b86x9v6

1. Introduction

Almost every World Bank project proposal presented to the Board of Executive Directors is approved (Kaja and Werker 2010, 180). Yet, negative votes are sometimes cast by executive directors, despite being inconsequential. This is true even for the United States, which holds the most voting power. These votes on project proposals appear to be nothing more than window dressing. But why does the United States choose to dress some windows, not others?[1]

We examine this question in a narrow but consequential setting: the establishment of the Asian Infrastructure Investment Bank (AIIB). The ascent of China in development finance has introduced challenges for traditional OECD-DAC donors and institutions such as the World Bank.[2] The AIIB, initiated by China and headquartered in Beijing, is viewed as a potential competitor to the established U.S.-centric multilateral finance framework.[3]

In the lead-up to the AIIB's formal inception, the United States publicly voiced its preference against governments joining this China-led initiative, even admonishing allies for their participation (Freeman 2019). Nevertheless, the AIIB was formally established in 2016 by China and 56 other countries.

The group of AIIB founders includes, not surprisingly, governments long critical of the United States and inclined toward an alternative international economic order. But the AIIB founders also include governments that have been closely aligned with the United States on foreign policy and geopolitical matters. Historically, the United States has provided these closely aligned governments with privileges at the World Bank and elsewhere.[4] We contend that the United States considers these governments as part of the U.S. in-group members.

Drawing on the in-group punishment thesis from social psychology (Shinada et al. 2004; Mendoza et al. 2014), we hypothesize that the United States has targeted the closely aligned governments that helped found the AIIB, withholding political support for their projects proposed at the World Bank. We posit that these non-affirmative votes serve as tacit signals of disapproval—a form of gestural punishment for their act of defiance, betraying the United States to become AIIB founders. The essentially symbolic vote enables crisp messaging without fear of alienating friends or damaging relationships.

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[1] Credit to Gandhi (2008) for this imagery.

[2] On Chinese foreign aid and members of the Organization of Economic Cooperation and Development-Development Assistance Committee, see Bräutigam (2011), Dreher and Fuchs (2011), and Dreher et al. (2018), etc. On China and the World Bank, see Hernandez (2017), Watkins (2021), Zeitz (2021), Humphrey and Michaelowa (2019), Tang (2021), and Kim and Lee (2023).

[3] See, e.g., "China Creates a World Bank of Its Own, and the U.S. Balks," *New York Times* (December 4, 2015) and "China's World Bank alternative points to multilateral future without US," S&P Global (July 17, 2019).

[4] See, e.g., Frey and Schneider (1986), Gwin (1997), Andersen et al. (2006), Fleck and Kilby (2006), Kilby (2009), Dreher et al. (2009), Dreher and Sturm (2012), Kersting and Kilby (2016), McLean (2017), Malik and Stone (2018), Clark and Dolan (2021), Dreher et al. (2022), and McLean (2023).

This pattern mirrors the concept of in-group punishment derived from literature in social psychology.[5]

We test this hypothesis using unique data: U.S. voting positions at the World Bank executive board on project proposals, sourced from the US Department of the Treasury. While the dataset has been available for almost two decades, we are among the first to utilize it, especially when it comes to examining the U.S. stance vis-à-vis China's growing influence in development finance. Indeed, scholarly analyses of U.S. voting at the World Bank are scant.

There is reason for this: in many cases, non-affirmative votes at the World Bank "are legislatively mandated by Congress."[6] Many of these mandates name specific countries, but most refer to categories of countries, such as those with poor human rights records, environmental practices, or trade policies. Mandates that do not name specific countries strike us as broad enough to allow for latitude in interpretation by the executive branch. Moreover, if these congressional mandates did not allow for flexibility, then any econometric analysis of voting patterns that includes country fixed-effects would likely result in null findings for other potential determinants. Rather than dismiss U.S. votes as proforma, we suspect that scrutiny is warranted. We are not alone in this interest; some scholars have similarly investigated patterns of U.S. voting at the World Bank (Strand and Zappile 2015; Braaten et al. 2019; Vadlamannati et al. 2023; Rodrigues Vieira et al. 2023).

We build a comprehensive dataset on U.S. voting positions in the World Bank and match each voting record with publicly available World Bank project-level information. We further supplement our dataset with data on AIIB founders as well as governments' geopolitical alignment with the United States, using the well-established measure of Bailey et al. (2017) and Voeten (2021), based on voting patterns in the United Nations General Assembly (UNGA). Our empirical approach involves a linear probability model with fixed effects for countries and years.

The analysis reveals that the United States is less inclined to vote in favor of World Bank proposals from AIIB founders that are geopolitically proximate to U.S.-preferred positions. For countries that are distant from the United States on foreign policy preferences, we do not discern a significant difference in U.S. voting patterns between AIIB founders and other countries. The findings are robust to different estimation methods, variable operationalization, and sample construction.

Importantly, we show that the pattern of in-group punishment concentrates on non-infrastructure projects—where even AIIB founders remain reliant on the World Bank. The association is weaker for infrastructure projects, where the AIIB can arguably

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5 Tajfel et al. (1971), Yamagishi (1986, 1988), Ostrom (1990), Ostrom et al. (1992), Brewer (1999), Fehr and Gächter (2002), Fehr et al. (2002), Price et al. (2002), Shinada et al. (2004), Bernhard et al. (2006), Valenzuela and Srivastava (2012), Balliet and Lange (2013), and Mendoza et al. (2014).

6 See https://home.treasury.gov/system/files/206/Voting-records.pdf, accessed July 5, 2024. This source provides a list of the congressional mandates for the time period of our study.

provide alternative financing support. The sectoral heterogeneity lends further support to our argument that the United States wields its non-affirmative votes judiciously.

The United States *eventually* dropped its public opposition to the AIIB, once it became clear that there was no stopping its establishment. Indeed, as Heldt et al. (2024) notes, there is disagreement over whether China's founding of the AIIB represents a revisionist challenge or a constructive complement to the existing world order of development finance. Accordingly, we find that the punishment result holds only for U.S.-aligned countries that helped to establish the AIIB, defying the U.S. public position at the time. The result does not hold for countries that joined the AIIB later, after the United States had acquiesced—this latter group did not defy the US public position at the time of their joining.

We interpret the non-affirmative votes cast by the United States as a tacit reminder to its friends who helped to found the AIIB that they enjoy privileges from the United States and still need the World Bank, especially for non-infrastructure projects; they would be wise not to defy the publicly preferred position of the United States again in the future.

Our study contributes to the emerging literature on Sino-U.S. competition for leadership of the global economy. Existing studies focus on the impact of China.[7] This paper examines the response of the United States.

Our project invites more research on how politically proximate in-group governments react to defiance of their preferences. There is ample literature showing that U.S. friends receive preferential treatment from the World Bank and other multilateral financial institutions,[8] but less research on what happens to friends who stray. Our findings suggest that the initial response to defiance may include symbolic gestures. As tensions between the United States and China continue to grow, we wonder what future consequences will face friends that drift away.

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[7]   See also Dreher et al. (2018), Humphrey and Michaelowa (2019), Bunte (2019), Broz et al. (2020), Zeitz (2021), Stone et al. (2021), and Qian et al. (2023), and, among others.

[8]   On the World Bank, see references in footnote 4.

2. The United States and the AIIB

In the aftermath of World War II, with the rise of the United States as a global superpower, the World Bank emerged as the world's leading international development organization. Largely dominated by Western powers, the organization has served U.S. interests well, but has also faced criticism for various issues, including unsustainable development policies (Park 2007; Weaver 2008), prolonged project approval processes (Humphrey 2015), and inadequate financing capacity for infrastructure projects (Kellerman 2019). Moreover, the institution's association with intrusive conditionality, particularly its propensity to dictate domestic economic policies in line with the "Washington Consensus," has been a point of contention (Clark and Dolan 2021).

China, among other nations, has been a vocal critic. It has expressed concerns about what it perceives as an unfair system of global economic governance. Specifically, China has sought reforms to gain a greater vote share in established global institutions like the World Bank, the International Monetary Fund, and Asian Development Bank (Ren 2015). These institutions, in China's view, are disproportionately influenced by American, European, and Japanese interests (Paradise 2019; Pratt 2021). Concurrently, China has championed the cause of enhancing infrastructure investment in Asia and beyond, a move that would bolster its geopolitical influence. In this context, the AIIB was formally established in January 2016. The institution is distinctive in several respects: its scale and ambition, the notable absence of the United States and Japan, and—crucially—China's leadership (Qian et al. 2023). Given these attributes, the AIIB emerges as a potential counter to the World Bank and, by extension, to Western political influence in the developing world.

The United States opposed the establishment of the AIIB.[9] This opposition was evident in October 2014 during the bank's initial stages, just before the signing of the Memorandum of Understanding (MOU) for establishing the China-led multilateral development bank (MDB). The United States actively lobbied its allies against joining.[10] The tension between Washington and Beijing intensified so much that Jin Liqun, who would eventually become the first AIIB president, explicitly requested the U.S. ambassador to China to moderate U.S. opposition.[11] Despite Jin's plea, U.S. opposition persisted. As one observer put it, the United States "forced allies and friendly countries across the Far East to make a fatal choice between the US and China."[12]

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9   See, for example, Yang and Van Gorp (2019, 615–616).

10   "Big nations snub Beijing bank launch after US lobbying," *Financial Times* (October 22, 2014).

11   "US Opposing China's Answer to World Bank," *New York Times* (October 9, 2014).

12   "US Risks Epic Blunder by Treating China as an Economic Enemy," *The Telegraph* (March 25, 2015).

Of course, while the United States expressed opposition to the AIIB, high-level former U.S. government officials, incumbent and former World Bank presidents, and influential pundits recognized its potential benefits, such as bridging the massive gap in financing for infrastructure and further integrating China into the global governance system.[13] We acknowledge the diverse perspectives that can influence policy. Still, the publicly expressed position of the U.S. government when the AIIB was initially proposed was negative, driven by concerns about China's growing influence in international development finance.

Publicly, the United States voiced concerns that the AIIB might not adhere to international best practices, including governance structures and social and environmental standards.[14] Underlying motives were more strategic. In private discussions with senior officials from South Korea and Australia, the U.S. Treasury Department expressed concerns that China's AIIB would challenge American dominance in multilateral development finance.[15] Observers noted, that "In reality, it appears the United States opposed the AIIB simply because it was a Chinese initiative."[16]

Despite US efforts, the signing of the Articles of Agreement in June 2015 formalized the AIIB with 57 founding members, including several nations that the United States had vigorously lobbied against joining (Freeman 2019). Indonesia was the only ASEAN country absent at the initial MOU signing, perhaps due to US pressure, but joined in November 2014, just one month later. U.S. efforts were thus ultimately ineffective, with the notable exception of Japan, which did not join precisely because of its relationship with the United States (Davis 2023, 222).

The inability of the United States to deter a significant number of U.S.-aligned countries from joining the AIIB reflects a social dynamic vividly described by Frankel (2015): "Two society hostesses are rivals. Both guard their social standing jealously—and may even punish a guest who attends the other's party by withholding future invitations." The analogy is apt. The United States perceived these countries' participation in the AIIB not merely as opting for an alternative institution but as a betrayal of tacit geopolitical alliances.

To be clear, after failing to prevent the AIIB's establishment, the U.S. public position shifted. Weeks before the signing of the Articles of Agreement, the U.S. Treasury secretary announced that "the United States stands ready to welcome new additions to

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13   See, for example, Etzioni (2016).

14   Congressional Research Service (2017). Also see "US Anger at Britain Joining Chinese-Led Investment Bank AIIB," *The Guardian* (March 12, 2015).

15   "U.S. Opposing China's Answer to World Bank."

16   "Washington's Big China Screw-up," *Foreign Policy* (March 26, 2015).

the international development architecture, including the Asian Infrastructure Investment Bank."[17]

But the public betrayal of U.S. allies who joined as founders demanded an answer. The United States, as the dominant state in development finance, uses favors and punishments through international institutions to reinforce the status quo (Kaya and Woo 2022). The need for such actions is not merely to assert dominance, but to maintain influence, and deter countries from further deviating from U.S. preferences. Following the United Kingdom's decision to join the AIIB, the United States offered a calculated, public rebuke, warning against "a trend toward constant accommodation of China, which is not the best way to engage a rising power."[18] The need for action is not merely to assert dominance but also to deter countries against further deviations from U.S. preferences.[19]

Some have argued that U.S. opposition to the AIIB was misguided from the start (Drezner 2015; Desai and Vreeland 2015). Yet, the United States may have been correct that the AIIB will detract from the power of the World Bank, ultimately representing a deep challenge." In a recent study, Qian et al. (2023) present an early sign that China's AIIB could unsettle the political influence the United States has enjoyed over developing countries through its leadership of the World Bank. They find that AIIB founding members chose to pass on World Bank infrastructure loans between 2017 and 2019. By aligning with the AIIB, the founders turned their backs on the US-dominated World Bank. We suggest that their defiance called for a response, albeit a measured one, for countries that the United States perceives as friends.

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17   U.S. Treasury Department press release, March 31, 2015: https://home.treasury.gov/news/press-releases/jl10014 (accessed July 8, 2024). Note that even here the government intimates skepticism, offering their welcome, "provided that [the AIIB] complement existing international financial institutions and… share the international community's strong commitment to genuine multilateral decision making and ever-improving lending standards and safeguards."

18   "US attacks UK's 'constant accommodation' with China," *Financial Times* (March 12, 2015).

19   This study's analysis of World Bank project votes necessarily focuses on World Bank clients. We encourage future research on the consequences for more developed allies of the United States, like the United Kingdom.

3. Social Psychology and In-Group Punishment

Just as states coalesce around common interests in their international relations, individuals often align themselves within distinct groups in societal structures. Group membership is accompanied by certain privileges, a phenomenon deeply rooted in our social fabric. The principle of in-group favoritism posits that individuals inherently favor members of their own group over those of external groups.[20]

Yet, this favoritism is not without complexities. Being part of an in-group entails not just privileges but also responsibilities. Specifically, in-group members are subjected to higher expectations of cooperation compared to their out-group counterparts (Brewer 1999; Bernhard et al. 2006; Tajfel et al. 1971).

Cooperation is pivotal for group prosperity. When members act cohesively, the collective benefits. However, the pull of individual self-interest can sometimes eclipse collective goals, leading to deviations from cooperative norms (Ostrom 1990).

To counteract such deviations, groups employ punishment as a corrective measure to promote in-group solidarity (Ostrom et al. 1992; Yamagishi 1986, 1988; Balliet and Lange 2013). This mechanism, termed second-degree cooperation, seeks to realign individual behaviors with group objectives, thereby reinforcing cooperative norms (Fehr and Gächter 2002; Fehr et al. 2002; Price et al. 2002).

Given the elevated cooperative expectations for in-group members, their deviations are perceived with heightened sensitivity (Valenzuela and Srivastava 2012). In-group members may resort to derogation or exclusion to preserve group cohesion (Marques et al. 1988; Marques and Paez 1994; Marques et al. 2001; Eidelman and Biernat 2003; Lewis and Sherman 2010). As a result, in-group members, when they deviate, are more susceptible to certain punitive actions than those from external groups (Shinada et al. 2004; Mendoza et al. 2014).

Importantly, the application of punishment within groups is nuanced. Egregious breaches can lead to exclusion with the violator deemed a "lost cause," but minor deviations might warrant merely a corrective signal (Mendoza et al. 2014, 663). These intricate dynamics of in-group punishment in social psychology provide a foundation that we can apply to the realm of international relations.

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[20] See, among others, Brewer (1979), Mullen et al. (1992), Perdue et al. (1990), Brewer (1999), and Tajfel et al. (1971). For recent review and meta-analysis, see Hewstone et al. (2002) and Balliet et al. (2014).

4. In-Group Punishment and International Relations

Caution is warranted when applying individual-level social psychology to understand macro-level inter-state behavior. The approach stipulates that individual preferences within the state's decision-making apparatus aggregate to generate foreign policy (Gildea 2020). Of course, rationalist approaches similarly stipulate that micro-level reasoning aggregates to the macro-level. Moreover, the work of scholars such as Kelman (1965), Goldgeier and Tetlock (2001), and Bassan-Nygate (2022) affirms that international politics often have psychological micro-foundations and that states' actions can indeed reflect broad psychological principles. Relatively recent applications of psychological theories to foreign affairs have proven fruitful (see, e.g., Yarhi-Milo 2014). Jost et al. (2022) show that individual-level pre- dispositions significantly influence the counsel provided to leaders and, consequently, the decisions those leaders make. These findings suggest that the psychological orientation of individuals can indeed impact group decisions (Kertzer et al. 2022).

Kertzer and Tingley (2018) advocate for the expansion of psychological research within the field of international political economy, highlighting a growing interest in applying psychological theories to understand economic policy preferences at the individual level.[21] This paper seeks to build upon this emerging interest by offering a unique contribution: applying psychological logic to elucidate state behavior within the international political economy arena, reinforcing the argument for the relevance of psychological perspectives in the study of international relations.

The literature on in-group favoritism paints a picture of preferential treatment extended toward closely aligned members. In the context of multilateral development financing, the United States, via formal and informal channels, has historically granted preferential treatment to nations sharing a similar geopolitical stance.[22] This practice is not merely an emblem of camaraderie but a strategic gesture rooted in the understanding of mutual support on international platforms.

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[21] See, for example, Bush and Clayton (2023), Guisinger (2017), Mansfield and Mutz (2009), Mansfield and Mutz (2013), Hainmueller and Hiscox (2010), and Bayram and Holmes (2020), among others.

[22] Again, see the references in footnote 4.

This favorable stance, however, carries a burden. Governments enjoying the favor of the United States in multilateral financing settings are implicitly held to heightened standards of allegiance (Vreeland and Dreher 2014). Beneficiaries of U.S.-backed projects face an implicit expectation of reciprocity at pivotal moments. When a potential rival institution like the AIIB emerges, the United States expects its beneficiaries to demonstrate allegiance.

Yet, the allure of the AIIB presented a dilemma for many developing countries. China enticed governments to become founders by offering its own privileges, including increased vote shares and participation in the selection of individuals to AIIB management.[23] So some U.S. friends defected.

As previously noted, U.S. opposition to the AIIB was not homogeneous throughout the government, which augurs against finding an empirical pattern of AIIB founding membership and punishment. Nonetheless, opposition within the U.S. government carried the day early on. It was the public position of the government, and pressure was applied toward friendly governments not to join. Though the United States softened its stance eventually, the shift was arguably necessitated precisely by the betrayal of friends whose support of the AIIB forced its hand. Even when there may be disagreement on foreign policy, there can still be agreement within the government that U.S. friends should tow the official U.S. line. So, while we test our theory with macro-level data, the micro-foundations are implicit. Though publicly available, U.S. non-affirmative votes are signals intended not for the general public but rather for inside stakeholders in the areas of finance and economic development. Finance ministries in countries that supported the founding of the AIIB are sure to learn of U.S. non-affirmative votes for their subsequent World Bank projects.

Going forward, the governments of developing countries aligned with the United States must continue to balance in-group loyalty to the United States with a national interest in gaining favor with China. The United States must therefore rely on delicate mechanisms to ensure allegiance. We contend that gestural punishment serves as a tool of second-order cooperation.

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[23]   The AIIB's Articles of Agreement Article 28 and Schedule B list the privileges of founding membership.

While U.S. decisionmakers could arguably punish every AIIB founder, we contend that punitive measures are directed only toward in-group members who defied the U.S. public preference against the founding of the AIIB. This inclination resonates with the social psychology findings of Shinada et al. (2004) and Mendoza et al. (2014), which underscore a propensity to punish non-cooperative in-group members, rather than waste efforts on out-group members. This selective strategy is underpinned by two considerations:

1. **Expectations of Loyalty:** Over time, the United States has come to expect a higher degree of loyalty and reciprocity from its closely aligned members. When these in-group members exhibit tendencies that seemingly diverge from the shared path, it is not just a matter of policy incongruence but a perceived breach of a tacit understanding. This perceived deviation demands rectification, often in the form of targeted punitive measures, even if they are symbolic.

2. **Strategic Considerations:** Punishing nations on the periphery of U.S. geopolitical influence could, inadvertently, usher them further under China's aegis. The punitive approach of the United States needs to be discerning, centering on governments where a reminder of shared allegiances holds meaning without the peril of geopolitical alienation. The objective is as much about realigning current policies as it is about signaling the weight and significance of shared allegiances.

5. World Bank Votes as a Tacit Signal of Punishment

The intricate dynamics of international relations involve signals and gestures, which can carry as much weight as more tangible actions. States navigate both explicit expectations and tacit understandings with geopolitically aligned counterparts.

The emergence of the AIIB as a pivotal actor in multilateral development financing has tested these allegiances. As the largest shareholder of the World Bank, the United States has some leverage over all developing countries that turn to the organization for assistance. But when it comes to the AIIB founders, it has chosen to wield its power judiciously.

Distant countries—those not closely aligned with the U.S. geopolitically—have already forgone the benefits of in-group membership, such as privileged treatment at the World Bank. The message delivered by a further tacit gesture of reprimand toward those out-group countries would be wasted on them.

We posit that the United States thus adopted a differentiated punitive approach: gestural punishment targeted only at closely aligned governments that defied U.S. opposition to the AIIB. The inclination to penalize only in-group members stems from heightened expectations of loyalty from them. The measured nature of the response reflects their strategic interest in maintaining their otherwise positive relationship.

We contend that the United States can deftly wield votes at the World Bank to gently signal to in-group members its dissatisfaction for their founding of the AIIB. The punishment is measured and subtle—projects are ultimately approved anyway, and the gesture is perceived only by the key, targeted audience: counterparts within the recipient countries who are involved with decision-making involving development finance.

Cast by the U.S. executive director at the World Bank, each vote manifests as an expression of U.S. sentiment. These decisions unfold within a semi-public space, attended by the Bank's senior leadership and all executive directors.[24] Notably, executive director positions, often documented in board meeting minutes, are accessible to the governments of World Bank client countries.[25] Since 2004, in its commitment to transparency, the United States has also made its voting record open to public scrutiny.[26]

The targeted visibility of this punitive act matters. While the United States can use informal channels to shape World Bank operations (Kilby 2013), these covert mechanisms carry limitations as signals. The influence exerted behind the scenes, channeled through the Bank's bureaucracy, might be tempered by the varying interests of the bureaucrats (Clark and Dolan 2021; Hawkins et al. 2006). Furthermore, such indirect influence runs the risk of ambiguity; countries may not discern that a change in their treatment by the Bank stems from U.S. pressure. This ambiguity is further compounded by the World Bank's interest in winning back countries that may stray toward a nascent competitor. For its part, the United States seeks to reprimand countries for their indiscretion, not alienate them.

Non-affirmative votes can send a palpable message: those in-group countries, long accustomed to U.S. favoritism, might risk jeopardizing their privileged standing. Given

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24 IBRD/IDA Rules of Procedure, available at https://documents1.worldbank.org/curated/en/768301468338365087/pdf/Rules-of-Procedure-for-Meetings-of-the-Executive-Directors.pdf, accessed September 20, 2023.

25 For a list of the minutes of the meetings of the executive directors of the World Bank, see https://documents.worldbank.org/en/publication/documents-reports/documentlist?doctykey=540646, accessed September 20, 2023.

26 See the *US International Financial Institutions Act*, Section 1504, as amended by Public Law 108-199 by the 108th Congress in 2004.

that the prevailing norm leans toward unanimous support for proposals, any deviation from this convention becomes notable, especially when it comes from the United States. Their apparent insignificance, given that almost all projects eventually secure approval, is paradoxically what lends them gravitas.

At the same time, these non-affirmative votes are symbolic and unlikely to jeopardize U.S. relationships with in-group countries. Projects prone to genuine contention usually get sidelined early in the process and never actually come before the board (Lyne et al. 2009). This point is confirmed by the World Bank specialist whom we interviewed.[27] In this context, non-affirmative votes from the United States serve not as attempts to outright block projects but as strategic communications, signaling U.S. reservations. We suggest that casting no votes at the World Bank offers a precise and delicate means of reprimanding countries close to the United States that "sinned" by supporting the establishment of the AIIB.

We acknowledge that the primary audience for these U.S. votes could be Congress itself. As noted in the introduction, Congress has a list of mandates on how the U.S. directors must vote at the World Bank.[28] Yet, our investigation into referenced legislation and reasons for U.S. voting positions, as provided by the Treasury Department, reveals a depth of strategy extending beyond mere compliance with congressional directives (see Appendix D). The congressional requirements are broad and general, targeting recipient countries rather than specific projects. The inclusion of covariates and fixed effects in the analysis, as detailed in the next section, are intended to control for countries' susceptibility to such policy mandates.

Moreover, our examination of the data reveals that U.S. decision-makers at the World Bank exercise discretion in how they vote on similar projects for the same country. This discretionary power suggests that U.S. votes can be used as a nuanced tool to articulate and advance U.S. foreign policy priorities. As a World Bank specialist we interviewed has pre- cisely pointed out, "[votes by executive directors] are all about politics."[29]

Our theoretical perspective thus leads us to propose the following hypothesis:

> **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 United States.

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27   Senior World Bank economist interview, March 13, 2024.

28   Again, the list of mandates is available here: https://home.treasury.gov/system/files/206/Voting-records.pdf, accessed July 5, 2024.

29   The interview was conducted on March 13, 2024, via video conference with a senior World Bank economist who regularly serves as Task Team Leader for loans and technical assistance.

6. Research Design

6.1 Data on U.S. Voting Behavior

Data on U.S. voting positions within the World Bank executive board are sourced from the U.S. Treasury Department's website.[30] This dataset provides monthly voting records of U.S. executive directors on project proposals across major multilateral development banks, including the World Bank. Each record details the U.S. executive director's position; the date of the vote; the project name; the project amount; and the project lending window—either the International Bank for Reconstruction and Development (IBRD) or the International Development Association (IDA).

For each proposed project, the U.S. executive director can choose to take one of three possible positions: support, abstain, or object. Across all votes in the sample, the United States has supported most of the proposals (91.7 percent). While a straight "No" vote is rare (1.4 percent), the U.S. executive director more often abstains (6.6 percent).[31] Our analysis primarily examines a lack of explicit U.S. support—that is, U.S. abstention and objection rates (combined) for proposed World Bank projects. We measure the U.S. position on proposed World Bank projects with a binary indicator *Support*, which equals 1 if the United States supports the project and 0 otherwise. To understand the impact of U.S. votes on World Bank project proposal approvals, we matched each proposal in the U.S. voting records to the list of approved World Bank projects.[32] This exercise allows us to determine project approval rates and gather additional project details, such as the project sector.

Although the United States holds the most voting power at the World Bank, it lacks a veto over individual project proposals, and the executive board approves nearly all project proposals.[33] Our review of public records indicates that about 99 percent of proposals not supported by the United States have nevertheless been approved.[34]

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[30] Available at https://home.treasury.gov/policy-issues/international/multilateral-development-banks/loan-review-votes, accessed September 15, 2021.

[31] In about 0.3 percent of the records, the U.S. position is recorded as "N/A".

[32] Available at https://projects.worldbank.org/en/projects-operations/projects-list?os=0, accessed September 15, 2021.

[33] Recall that most controversial proposals are never brought before the board. Regarding vote shares (at this writing), the United States controls 15.65 percent of votes for the IBRD and 9.66 percent of votes for the IDA. Each is the highest share among the respective member countries. See https://www.worldbank.org/en/about/leadership/votingpowers, accessed September 20, 2023.

[34] This percentage results from a detailed comparison of voting records with various World Bank documents, including the project list, board meeting minutes, news releases, and more.

6.2 Coding AIIB Founding Membership

The AIIB's founding membership is clearly listed in Schedule A of its Articles of Agreement. Since the AIIB was established in 2016, we assign a value of 1 to the AIIB founder × Post-2016 variable for the years 2016–2019 for these founding members. For all other years and countries, this variable is set to 0. Out of the 57 AIIB founding members, 25 appear in the U.S. voting records at the World Bank from 2004 to 2019. However, five of these members showed no change in the dependent variable, U.S. support, during this timeframe (see Section 6.5).

6.3 In-Group Members of the United States

To identify in-group members for the United States, we use the well-established measure of voting patterns in the United Nations General Assembly (UNGA). Specifically, we utilize the ideal point distance between the United States and each recipient country, as formulated by Bailey et al. (2017). This metric is apt as it consistently reflects a country's stance in relation to the U.S.-led liberal order.[35] Compared to other common UNGA voting similarity measures, this approach offers more consistent intertemporal comparisons by effectively separating genuine voting patterns from incidental noise.

This oft-used measure in political science research offers insight into the impact of geopolitical alignment with the United States across various domains, including economics (Tomashevskiy 2021; Liao and McDowell 2016; Davis et al. 2019), human rights (Terman and Voeten 2018; Terman and Byun 2022), security (Gaibulloev and Sandler 2019), and the functioning of multilateral development banks (Gamso and Dimitrova 2023; Clark and Dolan 2021; McLean 2023; Winters and Streitfeld 2018; Andersen et al. 2006).

6.4 Control Variables

Our analysis incorporates several control variables accounting for a country's degree of integration into the global economy, economic importance, and international and domestic politics. We seek to address potential confounding factors that might shape support for the U.S.-led liberal order and influence U.S. voting at the World Bank executive board.

We include net foreign direct investment (FDI) inflow as a percentage of gross domestic product (GDP), total debt service as a percentage of gross national income (GNI), and net official development assistance (ODA) received as a percentage of GNI.[36]

We further control GDP per capita and total population, both logged, to capture the level of economic development and country size.[37]

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[35]   See Bailey et al. (2017, 431).

[36]   Data from the World Bank, https://data.worldbank.org, accessed September 15, 2021.

[37]   Data sourced from World Development Indicators, World Bank, https://datacatalog.worldbank.org/dataset/world-development-indicators, accessed September 15, 2021.

To account for the domestic political regime of the recipient country, we incorporate the Polity2 index from the Polity Project.[38] Given the correlation between World Bank borrowing and national elections (Dreher and Vaubel 2004; Rickard and Caraway 2014), and potential U.S. influence on lending during election periods (Kersting and Kilby 2016), we include an indicator variable that equals 1 if either a national executive or legislative election is held during the year of the vote in question, and 0 otherwise.[39]

Turning to international politics, we include an indicator for whether the recipient country is an elected member of the United Nations Security Council (UNSC) because research shows that countries elected to the UNSC receive more projects from the World Bank (Dreher et al. 2009). Noting that foreign aid may be used to win political support for foreign policy goals (Milner 2006; Milner and Tingley 2013), we include the total amount of U.S. bilateral aid (logged).[40]

Lastly, we control for several project-level attributes for each proposed World Bank project: the estimated project lending amount (logged)[41] and an indicator of whether the proposed project is predominantly in infrastructure-intensive sectors.[42]

6.5 Sample

Our dataset includes executive board votes on all World Bank project proposals for the two major lending windows (IBRD and IDA) from 2004 to 2019. It encompasses 5,254 voting records related to project proposals from 137 countries. Of these, 25 are AIIB founding members.[43]

We focus on countries where the dependent variable shows variation. This approach aligns with the recommendations of Beck (2020). Out of the 137 countries, the United States consistently supported project proposals for 62 and consistently objected or

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[38]   https://www.systemicpeace.org/polityproject.html, accessed September 15, 2021.

[39]   Data from the Database of Political Institutions, available at http://dx.doi.org/10.18235/0001027, accessed September 15, 2021.

[40]   Data from the United States Agency for International Development (USAID), available at https://aidscape.usaid.gov/, accessed January, 2022.

[41]   Calculated from data available from the U.S. Treasury Loan Review Votes website: https://home.treasury.gov/policy-issues/international/multilateral-development-banks/loan-review-votes, accessed September 15, 2021.

[42]   We follow the approach in Qian et al. (2023) and code projects as in infrastructure-intensive sectors if at least 50 percent of the World Bank's appraisal costs fall into one or more of the following sectors: (1) Agriculture, (2) Energy & Extractives, (3) Info & Communication, (4) Transportation, (5) Water/Sanitation/Waste, and as non-infrastructure projects otherwise. See also Zeitz (2021).

[43]   For AIIB founders that are included in the sample for analysis, see Table A.4 in Appendix A.3. Note that we truncate our analysis in 2019 because, unfortunately, analysis of 2020 data is confounded by the COVID-19 pandemic. Recent research has shown that World Bank lending follows a distinct pattern in this period (Kilby and McWhirter 2022).

abstained for 2 countries. This refines our sample to 3,633 voting records from 73 countries, with 19 being AIIB founding members.[44]

In the Appendix, we also present results that include all observations, adhering to the methodology advised by Beck (2020). These findings align with our primary results.

A potential issue is the influence of projects proposed by China. From 2004 to 2019, the United States supported only 39.8 percent of China's IBRD/IDA projects, a stark contrast to the overall average support rate of 91.7 percent.[45] To mitigate this concern, we also provide results excluding all project proposals from China.

6.6 Specification

To investigate the association between AIIB founding membership, proximity to the United States, and U.S. voting behavior in the World Bank executive board, we estimate a grouped- data model (by country) with a binary-dependent variable (U.S. support) and include country and year-fixed effects in a linear probability model:[46]

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

Here, Support_{ict} is a binary indicator, set to 1 if the United States supports project i proposed for country c in year t, and 0 otherwise. The term AIIB Founder$_c$ × Post-2016$_t$, one of our primary variables of interest, is a dichotomous indicator coded 1 for AIIB founding members following the AIIB's inception in 2016. This variable is specifically designed to capture the shift in U.S. voting behavior toward these countries post-AIIB establishment.[47] The variable US Distance$_{c,t-1}$ represents the degree of misalignment of recipient countries to the United States, measured by the ideal point distance in the UNGA (Bailey et al. 2017). This variable is lagged by one year to help preclude reverse causality. The matrix $\boldsymbol{X}_{ic,t-1}$ encompasses country- and project-level control variables, also lagged by one year. The symbols α_c and θ_t denote country and year fixed effects, respectively, while ϵ_{ict} is the error term.

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44   For summary statistics and list of countries for different analyses, see Appendix A.

45   For country-specific support rates, refer to Table A.2 in Appendix A.2.

46   In the Appendix, we demonstrate the robustness of our findings using conditional logistic regression (see Appendix B.3).

47   We adjust the year in the robustness tests presented in Appendix B.1.

7. Results

The results support our hypothesis: The United States is less likely to support World Bank projects proposed by AIIB founding members that are closely aligned with its ideal point in foreign affairs. Table 1 presents the results from the OLS regression across various model specifications.

In columns 1 and 2, we ignore political proximity to the United States and focus on AIIB membership in general. In column 1, we present results from a model that includes only AIIB founding member status and country and year fixed effects. Column 2 incorporates both country- and project-level variables. Although the estimated coefficients of AIIB Founder × Post-2016 are negative in both models, they are only statistically significant when no covariates are included. There is thus no strong evidence that all AIIB founders are punished.

We then test the in-group punishment hypothesis by incorporating political proximity to the United States. Column 3 of Table 1 shows the result using the full model specification by including the interaction term between AIIB founders and distance to the United States. Similar to Column 1, the coefficient of AIIB Founder × Post-2016 is negative and significant. However, the coefficient of the interaction term is positive and distinguishable from 0 at conventional significance levels. This implies that the negative relationship between AIIB founders and U.S. affirmative votes in the World Bank only holds for countries with a smaller ideal point distance from the United States in the UNGA. In other words, the United States is only less likely to support projects proposed by AIIB founding members if those countries are closely aligned with the United States.

Figure 1 presents the marginal effects of the interaction, providing a further sense of the relationship between AIIB founding membership and U.S. affirmative votes conditional on ideal point distance from the United States. This figure also presents a histogram reflecting the distribution of ideal point distances. Note that the mean ideal point distance from the United States for countries in our sample is 3.2, with a standard deviation of 0.45. *Ceteris paribus*, a shift from one standard deviation below the mean (indicating closer alignment with the United States) to one above (indicating divergence) moves the conditional marginal effect of AIIB Founder × Post 2016 from negative and significant to positive and non-significant. The United States is less likely to support World Bank projects only for closely aligned AIIB founders.

A potential concern is the influence of projects proposed by China, especially since the United States has supported only about 39 percent of World Bank projects from China. Columns 4 through 6 re-evaluate the results, excluding all China-proposed projects, and the derived coefficients remain consistent with our primary findings.

Table 1. AIIB Founder and Affirmative U.S. 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 U.S.)		−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)
GDP per Capita (log)		0.074	0.065		0.188***	0.175***
		(0.067)	(0.067)		(0.066)	(0.066)
Population (log)		0.420***	0.380***		0.312**	0.277**
		(0.138)	(0.140)		(0.137)	(0.138)
FDI Inflow (% GDP)		0.0003	0.0003		0.0002	0.0002
		(0.0005)	(0.0005)		(0.0005)	(0.0005)
Debt Service (% GNI)		0.001	0.002		0.001	0.001
		(0.001)	(0.001)		(0.001)	(0.001)
ODA Received (% GNI)		0.0001	0.0001		0.001	0.001
		(0.001)	(0.001)		(0.001)	(0.001)
Polity		0.013***	0.012***		0.014***	0.013***
		(0.003)	(0.003)		(0.003)	(0.003)
Election		−0.008	−0.007		−0.006	−0.006
		(0.011)	(0.011)		(0.011)	(0.011)
Temporary UNSC Member		0.001	−0.001		−0.002	−0.004
		(0.016)	(0.016)		(0.016)	(0.016)
U.S. Aid (log)		−0.010	−0.011*		−0.012*	−0.014**
		(0.007)	(0.007)		(0.007)	(0.007)
Project Amount (log)		−0.015***	−0.015***		−0.016***	−0.017***
		(0.005)	(0.005)		(0.005)	(0.005)
Infrastructure Project		−0.027***	−0.027***		−0.029***	−0.029***
		(0.009)	(0.009)		(0.009)	(0.009)
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	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: Results from ordinary least squares regression. Robust standard errors clustered at country level reported in parentheses. Project-level observations for 2004–2019. Dependent variable: binary indicator that equals 1 if the United States supports a specific IBRD/IDA project. Country-year level covariates (except for AIIB Founder × Post 2016) lagged by one year. Results presented in columns 4–6 exclude China from the sample.
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Figure 1. Marginal Effects of AIIB Founder on Affirmative U.S. Votes at the World Bank by Ideal Point Distance
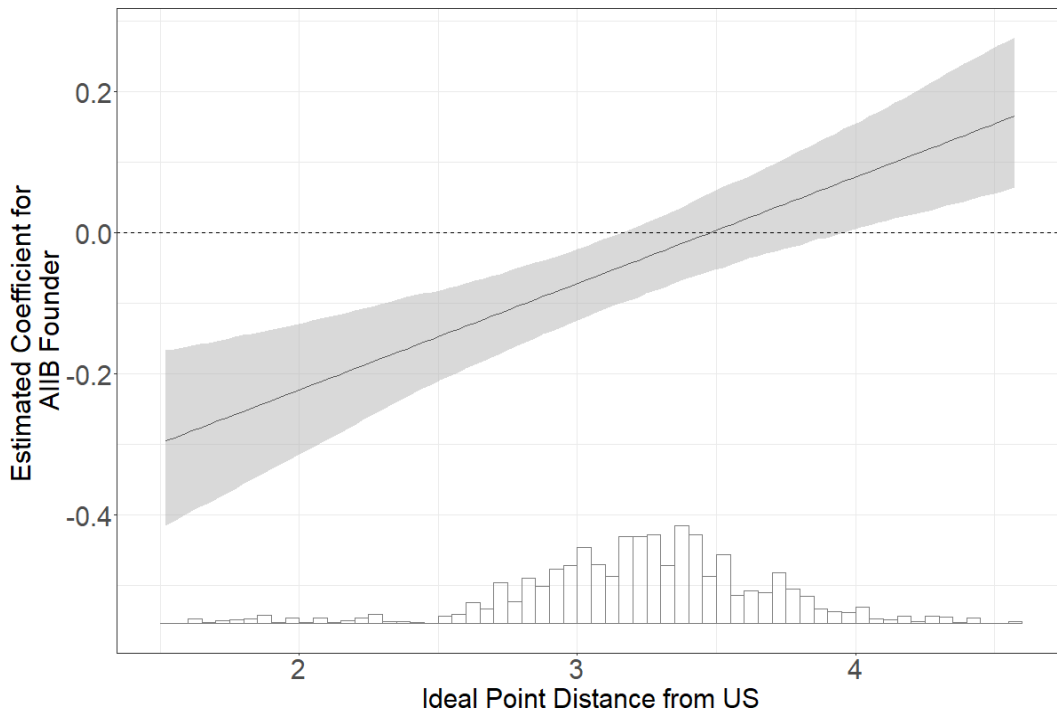
Note: Marginal effects are based on the regressions shown in Model 3 of Table 1. The shaded area represents 95 percent confidence intervals. The histogram shows the distribution of ideal point distance from the United States. Recall that going from left to right on the x-axis, we plot observations of governments further and further away from the U.S. ideal point. Observations to the left are thus the most closely aligned with the United States—and it is this range that the United States is estimated to be less likely to vote in favor of a World Bank project for AIIB founders.

7.1 Robustness Checks

We conduct several robustness checks to validate these results. First, for the timing of treatment, instead of using the year of 2016 (when the AIIB was formally established), we use the year of formal AIIB membership for each AIIB founder. That is, the year that *prospective* AIIB founders formally deposited their ratification, and thus obtained their formal membership. While most of the AIIB founders had ratified by 2016, Brazil only formally joined the AIIB in November 2020, and South Africa still has not become a formal member despite having signaled its intention way back in April 2015. Note that we have included all the founding members in the main analysis, since they are listed in the *Articles of Agreement*. In Table B.1, we show that the main results are robust to this alternative measure of AIIB founding membership.

Second, instead of using the continuous measure of the ideal point distance from the United States in UNGA voting, we measure the in-group members of the United States with a binary measure: US Distant. We follow the approach in Lang and Presbitero (2018) and code a country as "US Distant" if it is not in the lowest quintile of the distribution of the ideal point distance from the United States.[48] Table B.2 shows that our main results hold using this approach.

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48   This approach is also similar to Vreeland and Dreher (2014, 177).

Third, instead of the linear probability model, we apply a conditional logistic regression. Table B.3 shows that our findings are also robust under this method.

We also address potential bias due to the listwise deletion of missing values in covariates, using Amelia II (Honaker and King 2010). We produce five imputed datasets and analyze them with our baseline specification in Section 6.6, and the five sets of results are combined using Rubin's rules. With multiple imputations of missing values, the sample size is the same as the bivariate analysis presented in Column 1 of Table 1. The results, shown in Table B.4, indicate that our finding is not driven by the missing values in control variables.

We also estimate coefficients using the full sample, even where the dependent variable remains constant for some countries, following Beck (2020). Table B.5 confirms that our findings are consistent across these different samples.

Finally, as a placebo test, we consider whether non-affirmative votes are also more likely for more recent joiners of the AIIB, who were not founding members. Recall that these governments joined after the United States relinquished its public opposition to the institution and thus did not betray the U.S. publicly held view. So, we expect no punishment for them. Accordingly, we observe no evidence of the in-group punishment pattern for non-founders. See Appendix C.

7.2 Analysis by Project Sector

As a further test, we examine whether our findings hold for both infrastructure projects and non-infrastructure projects, noting that the AIIB currently only focuses on providing infrastructure projects. Qian et al. (2023) provide evidence showing that while AIIB founding members are distancing themselves from the U.S.-led World Bank by borrowing less in infrastructure sectors, they still rely on the World Bank for their non-infrastructure financing needs.

If the United States seeks to punish countries that helped to found the AIIB with its votes in the World Bank executive board, we expect the association to derive from non- infrastructure projects because the AIIB does not (currently) provide alternative finance for countries' needs in this area. Examining this empirically, we estimate the relationship between AIIB founding membership and U.S. votes, conditioned by countries' proximity to the United States, separately for infrastructure and non-infrastructure projects.

Table 2 and Figure 2 provide evidence showing that the United States punishes its in-group members that join the AIIB as founding members only for proposed non-infrastructure projects. Comparing the results for projects in non-infrastructure sectors (columns 1 and 2) with those in infrastructure-intensive sectors (columns 3 and 4) in Table 2, we see that the coefficients are consistently smaller (in absolute terms) when it comes to infrastructure projects.

Figure 2 depicts the marginal effects of AIIB founding membership separately for the two types of projects. The pattern for non-infrastructure projects (the upper panel) closely follows our main result (Figure 1). When it comes to infrastructure projects (the lower panel), the association cannot be distinguished from 0 for the majority of observations. Taken together, these findings cast doubt on the view that U.S. votes are fully guided by U.S. congressional imperatives, which focus on countries, not sectors. Instead, the results suggest that the United States seeks to reprimand AIIB founders with its votes in the World Bank, but only for closely aligned countries and only for non-infrastructure projects where the World Bank still enjoys an unchallenged dominant position.

Table 2. By Project Sector: AIIB Founder and Affirmative U.S. Votes at the World Bank

	Non-Infrastructure		Infrastructure	
	(1)	(2)	(3)	(4)
AIIB Founder × Post 2016	−0.950***	−0.907***	−0.415**	−0.396**
	(0.270)	(0.274)	(0.203)	(0.201)
UNGA Voting (ideal point distance from U.S.)	−0.128***	−0.134***	−0.003	0.017
	(0.039)	(0.039)	(0.053)	(0.052)
GDP per Capita (log)	0.294**	0.305**	0.048	0.185*
	(0.121)	(0.125)	(0.105)	(0.107)
Population (log)	0.269	0.231	0.620**	0.429*
	(0.266)	(0.264)	(0.257)	(0.258)
FDI Inflow (% GDP)	0.001	0.001	0.0002	0.0001
	(0.001)	(0.001)	(0.001)	(0.001)
Debt Service (% GNI)	0.004	0.003	0.003	0.003
	(0.003)	(0.003)	(0.003)	(0.003)
ODA Received (% GNI)	0.004*	0.003*	−0.003	−0.002
	(0.002)	(0.002)	(0.003)	(0.003)
Polity	0.010***	0.010***	0.023***	0.024***
	(0.004)	(0.004)	(0.005)	(0.005)
Election	−0.004	−0.003	−0.004	−0.001
	(0.019)	(0.019)	(0.020)	(0.020)
Temporary UNSC Member	−0.048	−0.044	0.013	0.008
	(0.032)	(0.032)	(0.027)	(0.026)
U.S. Aid (log)	−0.002	−0.004	−0.024*	−0.028**
	(0.014)	(0.014)	(0.012)	(0.012)
Project Amount (log)	−0.025***	−0.026***	−0.020**	−0.021***
	(0.009)	(0.009)	(0.008)	(0.008)
AIIB Founder × Post 2016 × UNGA Voting	0.266***	0.258***	0.123**	0.115*
	(0.082)	(0.083)	(0.060)	(0.059)
Country Fixed Effects	✓	✓	✓	✓
Year Fixed Effects	✓	✓	✓	✓
Exclude China		✓		✓
Average U.S. Support	89.7%	91.7%	83.3%	89.1%
Countries	40	39	47	46
Count: AIIB Founder	13	12	18	17
Observations	1,219	1,174	1,476	1,300
Adjusted R^2	0.199	0.100	0.283	0.158

Notes: Results from ordinary least squares regression. Robust standard errors clustered at country level reported in parentheses. Project-level observations for 2004–2019. Dependent variable: binary indicator that equals 1 if the United States supports a specific IBRD/IDA project. Country-year level covariates (except for AIIB Founder × Post 2016) lagged by one year. Projects are coded as infrastructure projects if at least 50 percent of the World Bank's appraisal costs fall into one or more of the following sectors: (1) Agriculture, (2) Energy & Extractives, (3) Info & Communication, (4) Transportation, (5) Water/Sanitation/Waste, and as non-infrastructure projects otherwise. Results presented in columns 2 and 4 exclude China from the sample.
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Figure 2. Marginal Effects of AIIB Founder on Affirmative U.S. Votes at the World Bank by Ideal Point Distance: Infrastructure and Non-Infrastructure Projects
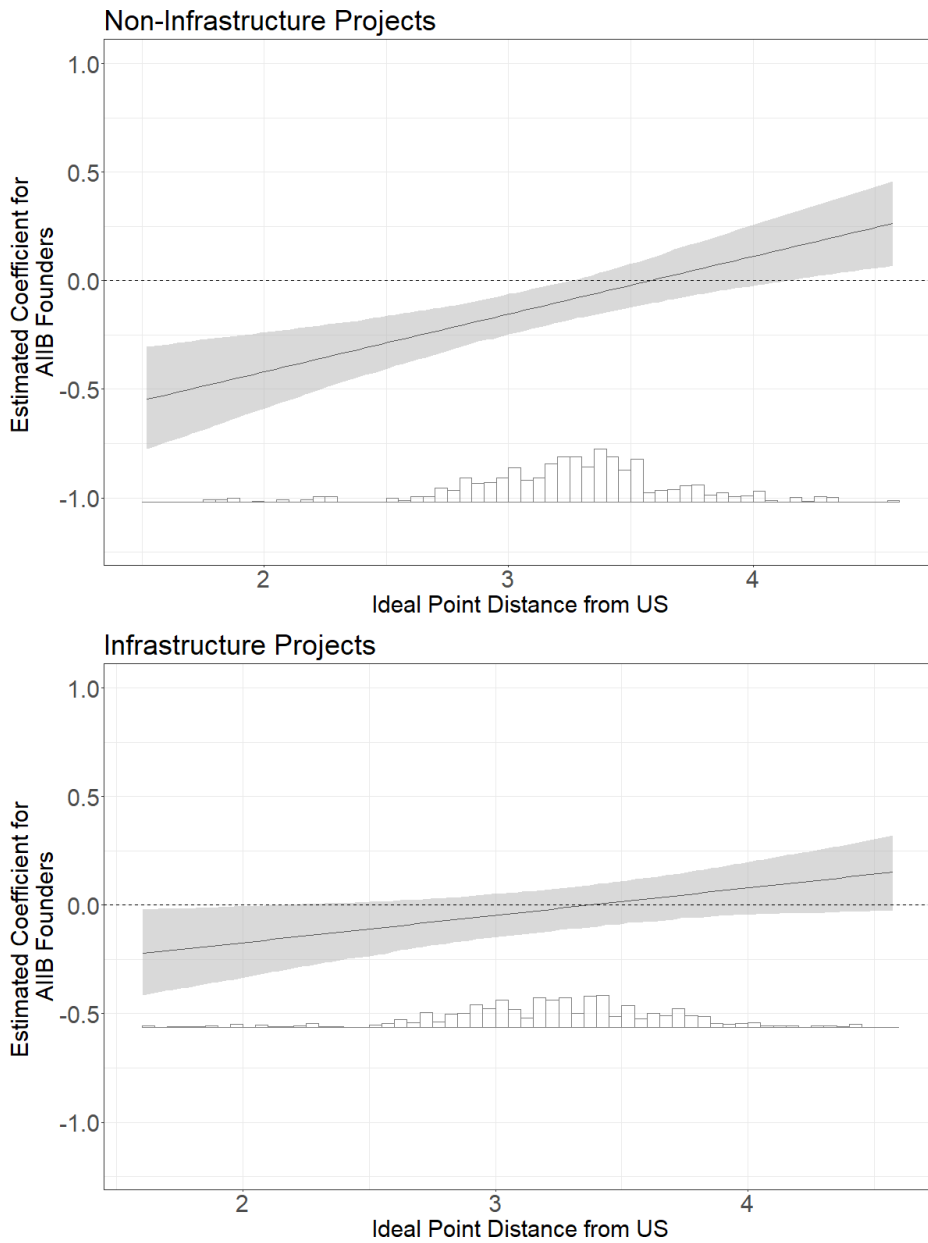
Note: Marginal effects are based on the regressions shown in Model 1 and Model 3 of Table 2. The shaded area represents 95 percent confidence intervals. The histogram shows the distribution of ideal point distance from the United States. Projects are coded as infrastructure projects if at least 50 percent of the World Bank's appraisal costs fall into one or more of the following sectors: (1) Agriculture, (2) Energy & Extractives, (3) Info & Communication, (4) Transportation, (5) Water/Sanitation/Waste, and as non-infrastructure projects otherwise.

8. Discussion, Limitations, and Future Research

The paper offers empirical evidence suggesting that the United States employs its "no" votes and abstentions on World Bank project proposals as a form of gestural punishment. Specifically, it targets AIIB founding members that have aligned closely with U.S. interests. Given the near-unanimous approval rate of projects by the World Bank's executive directors, these votes primarily serve as signals of disapproval. Notably, the United States focuses its punitive gestures on non-infrastructure projects, emphasizing the continued reliance of these aligned AIIB founders on the World Bank for non-infrastructure financing.

Our research adds to the growing body of literature examining the competition between China-led and U.S.-led international institutions. At its core, the competition for leadership is a competition for followers (Broz et al. 2020). Existing studies have focused dominantly on strategies employed by China. On the one hand, China might want to use its leadership of the AIIB to advance its own geopolitical goals. Indeed, Kaya et al. (2023) provide evidence showing how AIIB loans are allocated to favor countries participating in China's Belt and Road Initiative (BRI), but in a nuanced and complex manner. On the other hand, the AIIB can be used to attract politically or economically distant countries. For example, studies have found that such countries receive more voting shares in the AIIB (Kaya and Woo 2022; Kim and Lee 2020) and easier access to AIIB finance (Kaya et al. 2021).

Looking at the United States, one might expect it to follow a similar strategy of winning back AIIB founders with carrots. Yet, as an established power in development finance, the United States may adopt a different strategy from emerging China (Kaya and Salah 2022). When it comes to countries closely aligned with the United States, we suggest that the superpower may turn to employing the stick, albeit gently and sparingly.

Our research joins recent studies pioneering a unique dataset detailing U.S. voting patterns in multilateral development banks. Contrary to the view that non-affirmative U.S. votes at the World Bank are merely procedural, dictated by U.S. congressional mandates, we suspect that these voting patterns merit examination, as demonstrated by Strand and Zappile (2015), Braaten et al. (2019), Rodrigues Vieira et al. (2023), and Vadlamannati et al. (2023). Broadly speaking, our findings align with these studies in uncovering statistically significant and robust evidence of the strategic nature of U.S. voting behavior.

Still, our results might be surprising. Vadlamannati et al. (2023) and Rodrigues Vieira et al. (2023) find that the United States is actually more likely to *support* countries that joined China's initiatives, as a way of balancing and hedging. However, there are

important differences between these studies and ours. First, these studies consider all the MDBs, for which the competition from the AIIB and the influence of the United States vary significantly. Here, we focus solely on the World Bank, where the AIIB's competition and U.S. influence are distinct and where, at least at the inception, the United States publicly declared opposition, which founders defied.

Second, these studies look for an effect on U.S. votes across *all* countries that joined China's initiatives. Instead, we underscore the heterogeneity within AIIB founding members, positing that the U.S. adopts a dual strategy, giving a pass to distant countries while tacitly penalizing aligned ones.

Theoretically, we introduce the concept of in-group punishment from social psychology to the realm of international political economy. We suggest that this concept holds potential for broader applications in international relations.

Our study is, of course, not without limitations. We echo the call for further research into the dynamics introduced by China's rise in the international development finance landscape. Similar to Qian et al. (2023), we focus on *developing* AIIB founders—those that are (potential) recipients of World Bank lending. It would be illuminating to study how the United States responds to developed countries, especially its allies, that helped to found the China-led MDB. Existing documentation on this issue is limited to anecdotes from media sources.

Another important line of future research is whether and how the United States punishes AIIB founders in other ways. We focus on gestural votes at the World Bank and show that they are reserved for in-group countries. When it comes to other forms of punishment—with disruptive, material consequences—the targets might be out-group countries.

We suspect that our findings are just the beginning. As the competition between the United States and China in international economic governance continues, winning supporters and securing followers will become increasingly important for both countries. Striking the right balance between incentives and punitive measures will be a strategic imperative, ensuring the attraction of new allies and the retention of longstanding friends.

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Appendix

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A. Data Description

A.1 Summary Statistics

Table A.1. Summary Statitics

	N	Mean	St. Dev.	Min.	Max.
US Support	5,254	0.919	0.273	0	1
AIIB Founder × Post 2016	5,254	0.080	0.271	0	1
UNGA Voting (ideal point distance from U.S.)	5,144	3.097	0.538	0.540	4.574
GDP per Capita (log)	5,231	7.589	0.975	5.555	9.807
Population (log)	5,254	16.928	2.049	9.282	21.055
FDI Inflow (% GDP)	5,235	4.345	6.923	−37.155	103.337
Debt Service (% GNI)	4,951	3.686	4.627	0.001	66.082
ODA Received (% GNI)	5,115	5.856	8.576	−2.313	92.141
Polity	4,911	3.329	5.634	−10	10
Election	5,018	0.243	0.429	0	1
Temporary UNSC Member	5,254	0.072	0.258	0	1
U.S. Aid (log)	5,133	4.383	1.843	−4.605	9.436
Project Amount (log)	5,253	3.888	1.345	0.000	8.230
Infrastructure Project	5,247	0.474	0.499	0	1

Notes: This table reports the summary statistics for all observations in the dataset, as used for analysis in Table B.5. For main analysis, countries with no variation in the dependent variable (U.S. Support) are removed. For details, see Table A.3 in Appendix A.3.

A.2 Average US Support Rate by Jurisdiction

Table A.2. Number of Votes and Average U.S. Support Rate by Jurisdiction (2004–2019)

Jurisdiction	Total Votes	% U.S. Support	Jurisdiction	Total Votes	% U.S. Support
Afghanistan	80	100%	Tunisia	44	97.73%
Antigua & Barbuda	1	100%	Mozambique	86	97.67%
Albania	38	100%	Nigeria	85	97.65%
Armenia	66	100%	Pakistan	118	97.46%
Barbados	1	100%	Romania	35	97.14%
Burkina Faso	65	100%	Senegal	67	97.01%
Bulgaria	12	100%	Mongolia	33	96.97%
Brazil	144	100%	Djibouti	32	96.88%
Bhutan	21	100%	Bolivia	30	96.67%
Belize	5	100%	Bangladesh	116	96.55%
Central African Republic	32	100%	Peru	58	96.55%
Congo - Brazzaville	28	100%	Ghana	82	96.34%
Chile	16	100%	Kazakhstan	27	96.3%
Costa Rica	8	100%	Yemen	54	96.3%
Cape Verde	24	100%	Lesotho	25	96%
Ecuador	21	100%	Egypt	49	95.92%
Fiji	5	100%	Colombia	70	95.71%
Micronesia (Federated States of)	6	100%	Côte d'Ivoire	45	95.56%
Grenada	13	100%	Dominican Republic	22	95.45%
Guinea	35	100%	Nicaragua	44	95.45%
Guatemala	21	100%	Gambia	21	95.24%
Guyana	13	100%	Azerbaijan	41	95.12%
Honduras	37	100%	Zambia	39	94.87%
Croatia	37	100%	Kenya	71	94.37%
Haiti	59	100%	Indonesia	104	94.23%
Hungary	2	100%	Poland	17	94.12%
Jamaica	25	100%	Tanzania	83	93.98%
Jordan	29	100%	Myanmar (Burma)	16	93.75%
Kyrgyzstan	49	100%	Vietnam	141	93.62%
Kiribati	13	100%	North Macedonia	31	93.55%
Latvia	3	100%	Gabon	15	93.33%
Moldova	50	100%	Morocco	60	93.33%
Montenegro	20	100%	India	224	92.86%
Marshall Islands	7	100%	Russia	14	92.86%
Mauritius	10	100%	Tajikistan	55	92.73%
Maldives	17	100%	Mauritania	26	92.31%
Malawi	49	100%	Palestinian Territories	74	91.89%
Mexico	79	100%	St. Lucia	11	90.91%
Namibia	5	100%	Cameroon	40	90%
Nepal	63	100%	Lebanon	20	90%
Panama	22	100%	Congo - Kinshasa	64	89.06%
Papua New Guinea	18	100%	Burundi	44	88.64%
Paraguay	16	100%	Madagascar	59	88.14%
Solomon Islands	20	100%	Iraq	16	87.5%
Seychelles	7	100%	Argentina	77	87.01%
Slovakia	2	100%	Togo	30	86.67%
Sierra Leone	55	100%	Turkey	60	86.67%
Suriname	2	100%	Laos	65	86.15%
South Sudan	13	100%	Cambodia	28	85.71%
São Tomé & Príncipe	18	100%	Botswana	6	83.33%
El Salvador	18	100%	Comoros	18	83.33%
Eswatini	6	100%	Ethiopia	88	81.82%
Chad	27	100%	Sri Lanka	55	81.82%
Thailand	2	100%	Angola	20	80%
Timor-Leste	13	100%	St. Vincent & Grenadines	5	80%
Tonga	21	100%	Eritrea	4	75%
Tuvalu	12	100%	Zimbabwe	4	75%
Ukraine	31	100%	Serbia	35	74.29%
Uganda	49	100%	Dominica	7	71.43%
Uruguay	24	100%	Uzbekistan	38	71.05%
Vanuatu	5	100%	South Africa	6	66.67%
Samoa	24	100%	Bosnia & Herzegovina	36	63.89%
Mali	61	98.36%	Guinea-Bissau	23	47.83%
Rwanda	59	98.31%	China	221	39.37%
Benin	55	98.18%	Somalia	4	25%
Niger	52	98.08%	Belarus	24	8.33%
Georgia	50	98%	Iran	5	0%
Philippines	49	97.96%	Sudan	2	0%
Liberia	45	97.78%			

A.3 Sample Description

Table A.3. Sample Description

Main Analysis	Bivariate/Imputed Only	No Variation in U.S. Support
Angola	Bosnia & Herzegovina	Afghanistan
Argentina	Dominica	Albania
Azerbaijan	Eritrea	Antigua & Barbuda
Bangladesh	Iraq	Armenia
Belarus	Palestinian Territories	Barbados
Benin	Poland	Belize
Bolivia	Romania	Bhutan
Botswana	Russia	Brazil
Burundi	Serbia	Bulgaria
Cambodia	St. Lucia	Burkina Faso
Cameroon	St. Vincent & Grenadines	Cape Verde
China		Central African Republic
Colombia		Chad
Comoros		Chile
Congo - Kinshasa		Congo - Brazzaville
Côte d'Ivoire		Costa Rica
Djibouti		Croatia
Dominican Republic		Ecuador
Egypt		El Salvador
Ethiopia		Eswatini
Gabon		Fiji
Gambia		Grenada
Georgia		Guatemala
Ghana		Guinea
Guinea-Bissau		Guyana
India		Haiti
Indonesia		Honduras
Kazakhstan		Hungary
Kenya		Iran
Laos		Jamaica
Lebanon		Jordan
Lesotho		Kiribati
Liberia		Kyrgyzstan
Madagascar		Latvia
Mali		Malawi
Mauritania		Maldives
Mongolia		Marshall Islands
Morocco		Mauritius
Mozambique		Mexico
Myanmar (Burma)		Micronesia (Federated States of)
Nicaragua		Moldova
Niger		Montenegro
Nigeria		Namibia
North Macedonia		Nepal
Pakistan		Panama
Peru		Papua New Guinea
Philippines		Paraguay
Rwanda		Samoa
Senegal		São Tomé & Príncipe
Somalia		Seychelles
South Africa		Sierra Leone
Sri Lanka		Slovakia
Tajikistan		Solomon Islands
Tanzania		South Sudan
Togo		Sudan
Tunisia		Suriname
Turkey		Thailand
Uzbekistan		Timor-Leste
Vietnam		Tonga
Yemen		Tuvalu
Zambia		Uganda
Zimbabwe		Ukraine
		Uruguay
		Vanuatu

Table A.4. Sample Description: AIIB Founding Members

Main Analysis	Bivariate/Imputed Only	No Variation in U.S. Support	No Proposed Projects
Azerbaijan	Poland	Brazil	Australia
Bangladesh	Russia	Iran	Austria
Cambodia		Jordan	Brunei
China		Kyrgyzstan	Denmark
Egypt		Maldives	Finland
Georgia		Nepal	France
India		Thailand	Germany
Indonesia			Iceland
Kazakhstan			Israel
Laos			Italy
Mongolia			Kuwait
Myanmar (Burma)			Luxembourg
Pakistan			Malaysia
Philippines			Malta
South Africa			Netherlands
Sri Lanka			New Zealand
Tajikistan			Norway
Turkey			Oman
Uzbekistan			Portugal
Vietnam			Qatar
			Saudi Arabia
			Singapore
			South Korea
			Spain
			Sweden
			Switzerland
			United Arab Emirates
			United Kingdom

Table A.5. Sample Description: AIIB Founding Members

Jurisdiction	Prospectus Membership	Analysis Group
Bangladesh	Oct-2014	Main Analysis
Cambodia	Oct-2014	Main Analysis
China	Oct-2014	Main Analysis
India	Oct-2014	Main Analysis
Kazakhstan	Oct-2014	Main Analysis
Laos	Oct-2014	Main Analysis
Mongolia	Oct-2014	Main Analysis
Myanmar (Burma)	Oct-2014	Main Analysis
Pakistan	Oct-2014	Main Analysis
Philippines	Oct-2014	Main Analysis
Sri Lanka	Oct-2014	Main Analysis
Uzbekistan	Oct-2014	Main Analysis
Vietnam	Oct-2014	Main Analysis
Indonesia	Nov-2014	Main Analysis
Tajikistan	Jan-2015	Main Analysis
Turkey	Apr-2015	Main Analysis
Georgia	Apr-2015	Main Analysis
Egypt	Apr-2015	Main Analysis
Azerbaijan	Apr-2015	Main Analysis
South Africa	Apr-2015	Main Analysis
Russia	Apr-2015	Bivariate/Imputed Only
Poland	Apr-2015	Bivariate/Imputed Only
Nepal	Oct-2014	No Variation in U.S. Support
Thailand	Oct-2014	No Variation in U.S. Support
Maldives	Dec-2014	No Variation in U.S. Support
Jordan	Feb-2015	No Variation in U.S. Support
Iran	Apr-2015	No Variation in U.S. Support
Kyrgyzstan	Apr-2015	No Variation in U.S. Support
Brazil	Apr-2015	No Variation in U.S. Support
Brunei	Oct-2014	No Proposed Projects
Kuwait	Oct-2014	No Proposed Projects
Malaysia	Oct-2014	No Proposed Projects
Oman	Oct-2014	No Proposed Projects
Qatar	Oct-2014	No Proposed Projects
Singapore	Oct-2014	No Proposed Projects
New Zealand	Jan-2015	No Proposed Projects
Saudi Arabia	Jan-2015	No Proposed Projects
Luxembourg	Mar-2015	No Proposed Projects
Switzerland	Mar-2015	No Proposed Projects
United Kingdom	Mar-2015	No Proposed Projects
Germany	Apr-2015	No Proposed Projects
France	Apr-2015	No Proposed Projects
Italy	Apr-2015	No Proposed Projects
Australia	Apr-2015	No Proposed Projects
United Arab Emirates	Apr-2015	No Proposed Projects
Malta	Apr-2015	No Proposed Projects
Austria	Apr-2015	No Proposed Projects
South Korea	Apr-2015	No Proposed Projects
Spain	Apr-2015	No Proposed Projects
Denmark	Apr-2015	No Proposed Projects
Finland	Apr-2015	No Proposed Projects
Netherlands	Apr-2015	No Proposed Projects
Norway	Apr-2015	No Proposed Projects
Iceland	Apr-2015	No Proposed Projects
Israel	Apr-2015	No Proposed Projects
Portugal	Apr-2015	No Proposed Projects
Sweden	Apr-2015	No Proposed Projects

B. Robustness Checks

B.1 Use AIIB Formal Founding Membership

Table B.1. Formal Membership: AIIB Founder and Affirmative U.S. Votes at the World Bank

	(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 U.S.)		−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)
GDP per Capita (log)		0.069	0.061		0.184***	0.174***
		(0.067)	(0.067)		(0.066)	(0.066)
Population (log)		0.433***	0.375***		0.317**	0.266*
		(0.138)	(0.141)		(0.137)	(0.140)
FDI Inflow (% GDP)		0.0003	0.0003		0.0002	0.0002
		(0.0005)	(0.0005)		(0.0005)	(0.0005)
Debt Service (% GNI)		0.001	0.002*		0.001	0.001
		(0.001)	(0.001)		(0.001)	(0.001)
ODA Received (% GNI)		0.0001	0.00001		0.001	0.0005
		(0.001)	(0.001)		(0.001)	(0.001)
Polity		0.013***	0.012***		0.014***	0.013***
		(0.003)	(0.003)		(0.003)	(0.003)
Election		−0.008	−0.008		−0.007	−0.006
		(0.011)	(0.011)		(0.011)	(0.011)
Temporary UNSC Member		0.002	−0.0002		−0.001	−0.003
		(0.016)	(0.016)		(0.016)	(0.016)
U.S. Aid (log)		−0.009	−0.011		−0.012*	−0.013*
		(0.007)	(0.007)		(0.007)	(0.007)
Project Amount (log)		−0.015***	−0.015***		−0.016***	−0.017***
		(0.005)	(0.005)		(0.005)	(0.005)
Infrastructure Project		−0.027***	−0.027***		−0.029***	−0.029***
		(0.009)	(0.009)		(0.009)	(0.009)
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
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: Results from ordinary least squares regression. Robust standard errors clustered at country level reported in parentheses. Project-level observations for 2004–2019. Dependent variable: binary indicator that equals 1 if the United States supports a specific IBRD/IDA project. Country-year level covariates (except for AIIB Founder × Post 2016) lagged by one year. Results presented in columns 4–6 exclude China from the sample.
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

B.2 Alternative Coding of U.S. Distant

Table B.2. Alternative Coding of U.S. Distant: AIIB Founder and Affirmative U.S. Votes at the World Bank

	(1)	(2)
AIIB Founder × Post 2016	−0.213***	−0.229***
	(0.063)	(0.062)
U.S. Distant	−0.089***	−0.090***
	(0.024)	(0.024)
AIIB Founder × Post 2016 × U.S. Distant	0.198***	0.220***
	(0.062)	(0.061)
GDP per Capita (log)	0.050	0.158**
	(0.067)	(0.066)
Population (log)	0.369***	0.256*
	(0.139)	(0.138)
FDI Inflow (% GDP)	0.001	0.0005
	(0.0005)	(0.0005)
Debt Service (% GNI)	0.002*	0.001
	(0.001)	(0.001)
ODA Received (% GNI)	0.0004	0.001
	(0.001)	(0.001)
Polity	0.012***	0.012***
	(0.003)	(0.003)
Election	−0.006	−0.004
	(0.011)	(0.011)
Temporary UNSC Member	0.006	0.003
	(0.015)	(0.015)
U.S. Aid (log)	−0.007	−0.009
	(0.007)	(0.006)
Project Amount (log)	−0.015***	−0.017***
	(0.005)	(0.005)
Infrastructure Project	−0.025***	−0.028***
	(0.009)	(0.009)
Country Fixed Effects	✓	✓
Year Fixed Effects	✓	✓
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: Results from ordinary least squares regression. Robust standard errors clustered at country level reported in parentheses. Project-level observations for 2004–2019. Dependent variable: binary indicator that equals 1 if the United States supports a specific IBRD/IDA project. Country-year level covariates (except for AIIB Founder × Post 2016) lagged by one year. Results presented in column 2 exclude China from the sample.

∗∗∗ $p < 0.01$, ∗∗ $p < 0.05$, ∗ $p < 0.1$.

B.3 Alternative Estimation Method

Table B.3. Conditional Logit Results: AIIB Founder and Affirmative U.S. Votes at the World Bank

	(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 U.S.)		-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)
GDP per Capita (log)		1.499**	1.372*		2.454***	2.249***
		(0.697)	(0.703)		(0.865)	(0.855)
Population (log)		6.355***	6.277***		5.318**	5.346**
		(2.143)	(2.184)		(2.291)	(2.347)
FDI Inflow (% GDP)		0.008	0.004		0.009	0.005
		(0.018)	(0.016)		(0.019)	(0.018)
Debt Service (% GNI)		0.037	0.039		0.035	0.038
		(0.048)	(0.051)		(0.046)	(0.049)
ODA Received (% GNI)		0.017	0.024		0.022	0.031
		(0.021)	(0.022)		(0.021)	(0.023)
Polity		0.169***	0.139***		0.176***	0.146***
		(0.040)	(0.041)		(0.040)	(0.041)
Election		-0.110	-0.105		-0.112	-0.102
		(0.178)	(0.180)		(0.180)	(0.182)
Temporary UNSC Member		-0.111	-0.142		-0.180	-0.212
		(0.303)	(0.303)		(0.305)	(0.305)
U.S. Aid (log)		-0.112	-0.136		-0.155	-0.178
		(0.121)	(0.132)		(0.124)	(0.136)
Project Amount (log)		-0.212***	-0.217***		-0.303***	-0.312***
		(0.080)	(0.081)		(0.101)	(0.102)
Infrastructure Project		-0.401***	-0.411***		-0.479***	-0.479***
		(0.145)	(0.145)		(0.156)	(0.156)
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	20	20	20	19	19	19
Observations	3633	3348	3348	3412	3127	3127

Notes: Results from conditional logistic regression. Robust standard errors clustered at country level reported in parentheses. Project-level observations for 2004–2019. Dependent variable: binary indicator that equals 1 if the United States supports a specific IBRD/IDA project. Country-year level covariates (except for AIIB Founder × Post 2016) lagged by one year. Results presented in columns 4–6 exclude China from the sample.
∗∗∗ $p < 0.01$, ∗∗ $p < 0.05$, ∗ $p < 0.1$.

B.4 Multiple Imputation of Missing Covariates

Table B.4. Multiple Imputation: AIIB Founder and Affirmative U.S. Votes at the World Bank

	(1)	(2)
AIIB Founder × Post 2016	-0.619***	-0.580***
	(0.140)	(0.141)
UNGA Voting (ideal point distance from U.S.)	-0.036	-0.041
	(0.026)	(0.026)
AIIB Founder × Post 2016 × UNGA Voting	0.168***	0.158***
	(0.042)	(0.042)
GDP per Capita (log)	-0.092*	-0.024
	(0.048)	(0.048)
Population (log)	-0.295**	-0.377***
	(0.125)	(0.124)
FDI Inflow (% GDP)	0.000	0.000
	(0.000)	(0.000)
Debt Service (% GNI)	0.003***	0.002**
	(0.001)	(0.001)
ODA Received (% GNI)	-0.001	0.000
	(0.001)	(0.001)
Polity	0.008***	0.009***
	(0.003)	(0.003)
Election	-0.009	-0.008
	(0.011)	(0.011)
Temporary UNSC Member	0.002	0.000
	(0.016)	(0.016)
U.S. Aid (log)	-0.012*	-0.013**
	(0.007)	(0.007)
Project Amount (log)	-0.013**	-0.014***
	(0.005)	(0.005)
Infrastructure Project	-0.033***	-0.034***
	(0.009)	(0.009)
Country Fixed Effects	✓	✓
Year Fixed Effects	✓	✓
Exclude China Average		✓
U.S. Support	88.5%	91.7%
Countries	73	72
Count: AIIB Founder	20	19
Observations	3628	3407

Notes: Results from ordinary least squares regression. Robust standard errors clustered at country level reported in parentheses. Project-level observations for 2004–2019. Dependent variable: binary indicator that equals 1 if the United States supports a specific IBRD/IDA project. Country-year level covariates (except for AIIB Founder × Post 2016) lagged by one year. Missing values in covariates imputed using Amelia II by Honaker and King (2010). Results from five multiply imputed datasets combined using Rubin's rule. Results presented in column 2 excludes China from the sample. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

B.5 Include Countries with No Variation in Dependent Variable

Table B.5. All Observations: AIIB Founder and Affirmative U.S. Votes at the World Bank

	(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 U.S.)		−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)
GDP per Capita (log)		−0.009	−0.015		0.084*	0.075*
		(0.049)	(0.049)		(0.045)	(0.045)
Population (log)		0.177**	0.154**		0.128*	0.108
		(0.075)	(0.075)		(0.074)	(0.074)
FDI Inflow (% GDP)		0.0002	0.0001		0.0001	0.00002
		(0.0004)	(0.0004)		(0.0004)	(0.0004)
Debt Service (% GNI)		0.001	0.001*		0.001	0.001
		(0.001)	(0.001)		(0.001)	(0.001)
ODA Received (% GNI)		0.0001	0.0001		0.001	0.001
		(0.001)	(0.001)		(0.001)	(0.001)
Polity		0.010***	0.009***		0.010***	0.010***
		(0.002)	(0.002)		(0.002)	(0.002)
Election		−0.005	−0.005		−0.005	−0.005
		(0.008)	(0.008)		(0.008)	(0.008)
Temporary UNSC Member		0.001	−0.001		0.001	−0.002
		(0.012)	(0.012)		(0.012)	(0.012)
U.S. Aid (log)		−0.007	−0.008		−0.009*	−0.010**
		(0.005)	(0.005)		(0.005)	(0.005)
Project Amount (log)		−0.011***	−0.011***		−0.012***	−0.012***
		(0.004)	(0.004)		(0.004)	(0.004)
Infrastructure Project		−0.020***	−0.020***		−0.021***	−0.021***
		(0.007)	(0.007)		(0.007)	(0.007)
Country Fixed Effects	✓	✓	✓	✓	✓	✓
Year Fixed Effects	✓	✓	✓	✓	✓	✓
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: Results from ordinary least squares regression. Robust standard errors clustered at country level reported in parentheses. Project-level observations for 2004–2019. Dependent variable: binary indicator that equals 1 if the United States supports a specific IBRD/IDA project. Country-year level covariates (except for AIIB Founder × Post 2016) lagged by one year. Results presented in columns 4–6 exclude China from the sample.

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

C. Effects of Non-Founding Members

In this section, we examine the applicability of our paper's in-group punishment thesis to the AIIB's non-founding members. Recall that non-founding members joined the AIIB after the United States dropped its public opposition. So, in contrast to the founders (who defied U.S. opposition when they joined), we expect null results for these non-founding countries. Founded with 57 members, the AIIB now boasts a total membership of 109 (at this writing), which includes 14 prospective members awaiting domestic ratification. Of the 38 countries that joined the AIIB as non-founders, 21 have been associated with at least one World Bank project proposal within our study's time frame. The year of AIIB membership for these non-founder countries, along with their inclusion criteria for this section's analysis, is detailed in Table C.1.

In our analysis in this section, which follows directly from the models presented in the main text, we include an indicator for non-founding AIIB member and also an interaction of this indicator with the measure of ideal point distance from the United States (UNGA Voting). The results are presented in Table C.2. We find that the pattern for non-founders mirrors those estimated for founders to some extent, with a positive and statistically significant coefficient for the interaction term. The dynamics differ notably, however, when we examine their marginal effects.

Figure C.1 illustrates that for AIIB founding members there is a discernibly negative association with U.S. supportive votes for countries closely aligned with the United States. But for non-founding members, this marginal effect is statistically insignificant across the spectrum of UNGA ideal point distances.

Further analysis, excluding observations of AIIB founding members, reinforces this finding. Presented in Table C.3 and Figure C.2, these results consistently demonstrate that the influence of non-founding AIIB membership on U.S. voting behavior is indistinguishable from 0, irrespective of a country's proximity to the United States in terms of UNGA voting alignment. This consistency holds true regardless of whether countries without variation in the outcome variable are included in the analysis.

C.1 Sample of AIIB Non-Founders

Table C.1. Sample Description: AIIB Non-Founding Members

| AIIB Membership	Jurisdiction	Group
2017	Afghanistan	No Variation in DV
2017	Ethiopia	Main Analysis
2017	Fiji	No Variation in DV
2017	Hungary	No Proposal After AIIB Membership
2017	Timor-Leste	No Variation in DV
2018	Madagascar	Main Analysis
2018	Romania	Bivariate Only
2018	Samoa	Bivariate Only; No Variation in DV
2018	Sudan	No Variation in DV
2018	Vanuatu	No Proposal After AIIB Membership
2019	Belarus	Main Analysis
2019	Ecuador	No Variation in DV
2019	Guinea	No Variation in DV
2019	Serbia	Bivariate Only
2020	Benin	AIIB Membership Year After 2019
2020	Côte d'Ivoire	AIIB Membership Year After 2019
2020	Ghana	AIIB Membership Year After 2019
2020	Rwanda	AIIB Membership Year After 2019
2020	Uruguay	AIIB Membership Year After 2019
2021	Liberia	AIIB Membership Year After 2019
2021	Tonga	AIIB Membership Year After 2019

C.2 Include Founding Members

Table C.2. AIIB Non-Founder and Affirmative U.S. 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 U.S.)		−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)
GDP per Capita (log)		0.057	0.051		0.172***	0.170***
		(0.067)	(0.067)		(0.066)	(0.066)
Population (log)		0.414***	0.342**		0.303**	0.234*
		(0.138)	(0.141)		(0.137)	(0.140)
FDI Inflow (% GDP)		0.0002	0.0002		0.0002	0.0002
		(0.0005)	(0.0005)		(0.0005)	(0.0005)
Debt Service (% GNI)		0.001	0.002		0.001	0.001
		(0.001)	(0.001)		(0.001)	(0.001)
ODA Received (% GNI)		0.0002	0.0001		0.001	0.001
		(0.001)	(0.001)		(0.001)	(0.001)
Polity		0.013***	0.012***		0.014***	0.013***
		(0.003)	(0.003)		(0.003)	(0.003)
Election		−0.008	−0.008		−0.006	−0.007
		(0.011)	(0.011)		(0.011)	(0.011)
Temporary UNSC member		−0.001	−0.003		−0.003	−0.006
		(0.016)	(0.016)		(0.016)	(0.016)
U.S. Aid (log)		−0.009	−0.010		−0.012*	−0.013*
		(0.007)	(0.007)		(0.007)	(0.007)
Project Amount (log)		−0.015***	−0.015***		−0.016***	−0.017***
		(0.005)	(0.005)		(0.005)	(0.005)
Infrastructure Project		−0.027***	−0.027***		−0.029***	−0.029***
		(0.009)	(0.009)		(0.009)	(0.009)
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

Notes: Results from ordinary least squares regression. Robust standard errors clustered at country level reported in parentheses. Project-level observations for 2004–2019. Dependent variable: binary indicator that equals 1 if the United States supports a specific IBRD/IDA project. Country-year level covariates (except for AIIB Founder × Post 2016 and AIIB Non-Founder × Post 2016) lagged by one year. Results presented in columns 4–6 exclude China from the sample.
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Figure C.1. Marginal Effects of AIIB Founder and Non-Founder on Affirmative U.S. Votes at the World Bank by Ideal Point Distance
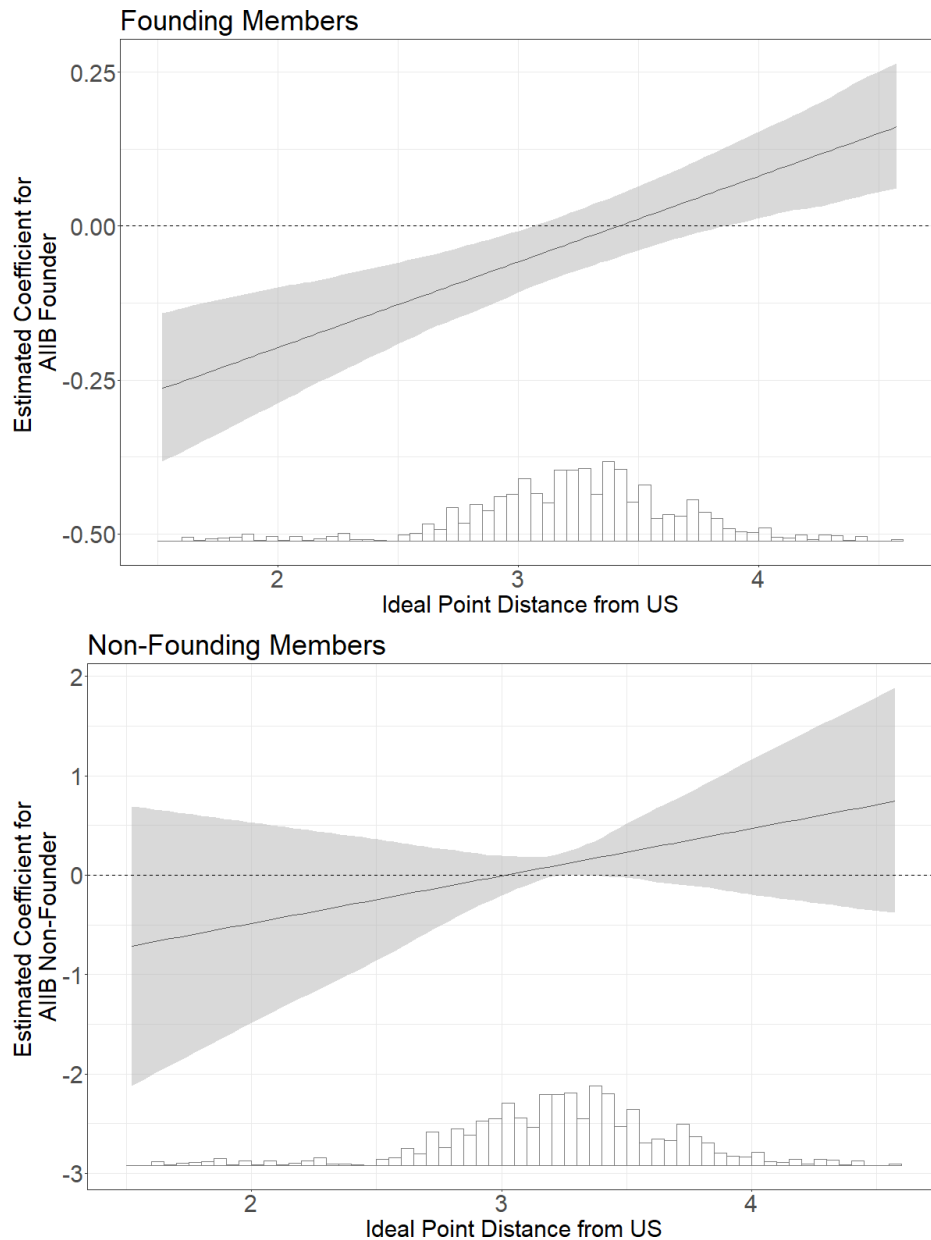
Note: Marginal effects of AIIB Founding Members (top panel) and Non-Founding Members (bottom panel) are based on the regressions shown in Model 3 of Table C.2. The shaded area represents 95 percent confidence intervals. The histogram shows the distribution of ideal point distance from the United States. Projects are coded as infrastructure projects if at least 50 percent of the World Bank's appraisal costs fall into one or more of the following sectors: (1) Agriculture, (2) Energy & Extractives, (3) Info & Communication, (4) Transportation, (5) Water/Sanitation/Waste, and as non-infrastructure projects otherwise.

C.3 Exclude Founding Members

Table C.3. AIIB Non-Founder and Affirmative U.S. 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 U.S.)		−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)
GDP per Capita (log)		0.104	0.116		0.050	0.052
		(0.088)	(0.089)		(0.059)	(0.059)
Population (log)		0.485***	0.463***		0.140	0.138
		(0.171)	(0.172)		(0.087)	(0.087)
FDI Inflow (% GDP)		−0.001	−0.001		−0.001	−0.001
		(0.001)	(0.001)		(0.0005)	(0.0005)
Debt Service (% GNI)		−0.002	−0.002		−0.001	−0.001
		(0.001)	(0.001)		(0.001)	(0.001)
ODA Received (% GNI)		0.003**	0.003**		0.002*	0.002*
		(0.001)	(0.001)		(0.001)	(0.001)
Polity		0.018***	0.018***		0.012***	0.012***
		(0.005)	(0.005)		(0.003)	(0.003)
Election		−0.013	−0.014		−0.007	−0.007
		(0.014)	(0.014)		(0.009)	(0.009)
Temporary UNSC Member		−0.026	−0.026		−0.018	−0.018
		(0.025)	(0.025)		(0.018)	(0.018)
U.S. Aid (log)		−0.010	−0.010		−0.004	−0.004
		(0.009)	(0.009)		(0.006)	(0.006)
Project Amount (log)		−0.020***	−0.020***		−0.013***	−0.013***
		(0.007)	(0.007)		(0.005)	(0.005)
Infrastructure Project		−0.027**	−0.028**		−0.018**	−0.018**
		(0.012)	(0.012)		(0.008)	(0.008)
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: Results from ordinary least squares regression. Robust standard errors clustered at country level reported in parentheses. Project-level observations for 2004–2019. Dependent variable: binary indicator that equals 1 if the United States supports a specific IBRD/IDA project. Country-year level covariates (except for AIIB Non-Founder × Post 2016) lagged by one year.

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

Figure C.2. Marginal Effects of AIIB Non-Founder on U.S. Votes in the World Bank by Ideal Point Distance (Founders Excluded)
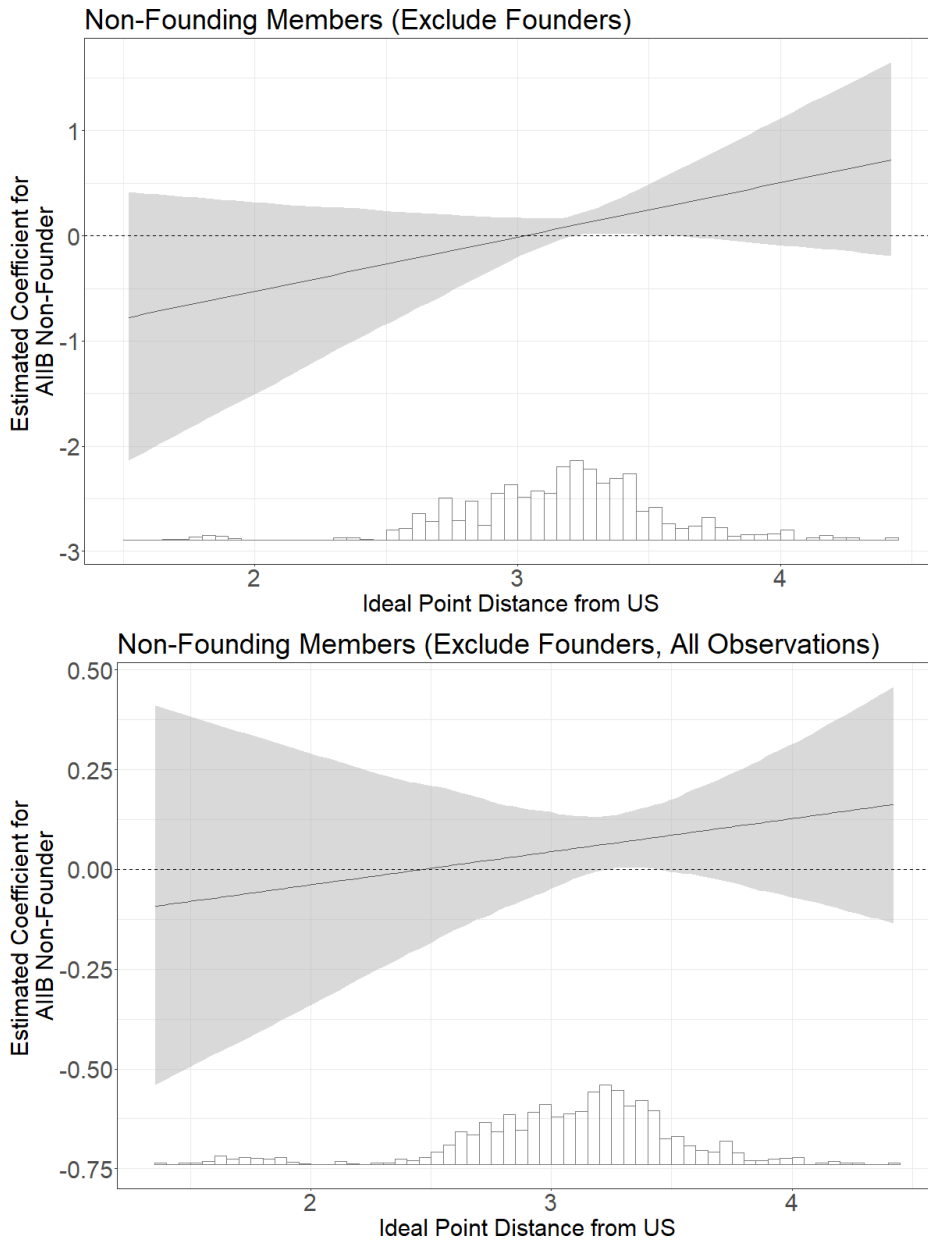
Note: Marginal effects are based on the regressions shown in Model 3 and Model 6 of Table C.3. The shaded area represents 95 percent confidence intervals. The histogram shows the distribution of ideal point distance from the United States. Projects are coded as infrastructure projects if at least 50 percent of the World Bank's appraisal costs fall into one or more of the following sectors: (1) Agriculture, (2) Energy & Extractives, (3) Info & Communication, (4) Transportation, (5) Water/Sanitation/Waste, and as non-infrastructure projects otherwise.

D. Congressional Influence on U.S. Votes at the World Bank

Congressional mandates, issued under various legislative acts, typically provide broad directives primarily aimed at influencing U.S. positions on international development projects and are detailed in official documents available through the U.S. Treasury's website.[1] These mandates require U.S. executive directors at intergovernmental financial institutions to advocate for specific policies (such as promoting sustainable development) and to vote "no" or "abstain" on proposals from countries failing to meet certain standards when it comes to transparency, trade, human rights, and the environment (Braaten et al. 2019; Nelson and Weiss 2014).

The Treasury's public disclosure on U.S. voting behavior explicitly ties votes to specific legislative codes. This presentation gives the impression that Congress has control of these votes. Flexibility in the implementation of the legal mandates becomes apparent, however, upon closer examination of the voting records.

For instance, the most frequently cited legislation for non-affirmative votes (24.1 percent), code 36—P.L. 104-208, Sec. 576 (as amended by P.L. 105-118, Sec. 572)— mandates opposition to all projects from countries failing to meet the following transparency and audit standards:

1. does not have in place a functioning system for reporting to civilian authorities audits of receipts and expenditures that fund activities of the armed forces and security forces;

2. has not provided to the institution information about the audit process requested by the institution.

The second most frequently cited legislation for non-affirmative votes (21.7 percent) is code 8—P.L. 95-118, Sec. 701 (as amended by P.L. 101-240, Sec. 541 (c) and P.L. 102-511, Sec 1008). This code instructs the use of the "voice and vote" against assistance to all countries violating human rights.

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[1] A summary of congressional guidelines on U.S. executive directors' voting positions is available at the U.S. Treasury: https://home.treasury.gov/system/files/206/Voting-records.pdf. Accessed July 5, 2024.

Interestingly, these two pieces of legislation are overwhelmingly invoked against only one country: China. Seventy-six percent of the time that code 36 (transparency) is invoked, it is used to justify non-affirmative votes for Chinese projects. Eighty-seven percent of the time that code 8 (human rights) is invoked, it is used against China. This pattern suggests geopolitical imperatives, rather than strict and formulaic adherence to legislation, guide the implementation of mandates.

But how do U.S. directors justify affirmative votes on projects for countries that lack transparency or have poor human rights records?

Congressional mandates allow exceptions for projects deemed to "address basic human needs." The concept of "basic human needs" is open to interpretation. And the determination of whether a World Bank project addresses basic human needs is left to the discretion of executive directors. And, according to our data, directors invoke this discretion a lot. Forty-two percent of the provided rationales for U.S. voting positions states that the project supports "basic human needs." Beyond this, Treasury frequently cites "economic and policy considerations" (code 1) as the rationale for votes without linking to any particular legislation (eighteen percent).

If U.S. voting behavior were mechanically dictated by congressional mandates without discretion, we would likely not observe the patterns highlighted in our study and in the studies of Strand and Zappile (2015), Braaten et al. (2019), Rodrigues Vieira et al. (2023), and Vadlamannati et al. (2023). This is not to say that the congressional mandates do not matter, but rather that their implementation can be guided by geopolitical and other strategic interests. This angle may be helpful to keep in mind when seeking to understand the intricate governance and policy dynamics of international financial institutions like the World Bank.

Appendix References

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