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Building Bridges or Breaking Bonds? The Belt and Road Initiative and Foreign Aid Competition

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China's renewed prominence is the most important development in international relations in the 21st century. Despite longstanding rhetoric of its own "peaceful rise", China is increasingly viewed as a long-term strategic competitor, especially in the United States. Foreign aid is one arena where this competition may be playing out. While Western foreign aid principles have emphasized coordination and harmonization, the rise of China as a development partner has raised the specter of a return to competitive foreign aid practices. Most notably, China's Belt and Road Initiative (BRI), has received a wary reception by those who view it primarily as a geostrategic effort, but our knowledge of responses to the BRI is often anecdotal and fragmentary. To remedy this, we test if the BRI is inducing a competitive foreign aid response by evaluating if countries involved in this initiative are more likely to receive US support for loan packages from the major, Western, multilateral development banks (MDBs). Using an instrumental variable approach, covering 7,850 project/loan packages in 10 MDBs from 162 countries during 2013–2018 period, we find that the United States was more likely to vote for MDB packages to countries that have signed on to the BRI, but predominantly when the actual amount of Chinese aid flowing to those countries is still low, suggesting the United States is competing for "hedging" countries.

Podemos decir que la prominencia que ha vuelto a adquirir China es el avance más importante que ha tenido lugar en el campo de las relaciones internacionales durante el siglo XXI. A pesar de la retórica que llevan adoptando durante mucho tiempo con relación a su propio ≪ascenso pacífico≫, China es vista, cada vez más, como un competidor estratégico a largo plazo, especialmente por parte de los Estados Unidos. Uno de los ámbitos donde se puede estar desarrollando esta competencia es el campo de la ayuda exterior. Si bien los principios occidentales en materia

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de ayuda exterior habían enfatizado la coordinación y la armonización, el ascenso de China como socio para el desarrollo ha planteado el espectro de un retorno a las prácticas competitivas en materia de ayuda exterior. En particular, la Iniciativa de la Franja y la Ruta (BRI, por sus siglas en inglés) llevada a cabo por China ha recibido una recepción cautelosa por parte de aquellos que la ven principalmente como un esfuerzo geoestratégico, pero el conocimiento que tenemos acerca de las respuestas que ha recibido la BRI es a menudo anecdótico y fragmentario. Con el fin de poner remedio a esta situación, analizamos si la BRI está induciendo una respuesta competitiva en materia de ayuda externa ya que evalúa si los países involucrados en esta iniciativa tienen más probabilidades de recibir apoyo estadounidense con relación a paquetes de préstamos procedentes de los principales bancos multilaterales de desarrollo (BMD) occidentales. Utilizamos un enfoque de variable instrumental, que abarca 7,850 proyectos/paquetes de préstamos en 10 BMD de 162 países durante el período 2013–2018 y, de ellos, concluimos que Estados Unidos tenía más probabilidades de votar por paquetes de los BMD para aquellos países que han firmado el BRI, pero esto sucede de manera predominante cuando el montante real de la ayuda china que fluye a esos países sigue siendo bajo, lo que nos sugiere que Estados Unidos está compitiendo por países que cuentan con ≪cobertura≫.

Le renforcement de la position de la Chine correspond au développement le plus important des relations internationales au 21e siècle. Malgré la traditionnelle rhétorique de son ≪ ascension paisible ≫, on considère de plus en plus la Chine tel un concurrent stratégique sur le long terme, et notamment aux États-Unis. Cette compétition pourrait transparaître en matière d'aide internationale. Quand les principes d'aide internationale occidentaux mettent l'accent sur la coordination et l'harmonisation, l'importance croissante de la Chine en tant que partenaire de développement laisse envisager un retour des pratiques concurrentielles d'aide internationale. Le projet chinois des ≪ nouvelles routes de la soie ≫ (Belt and Road Initiative ou BRI) a notamment été accueilli avec méfiance par ceux qui le considèrent avant tout comme un effort géostratégique, mais notre connaissance des réactions au BRI est souvent anecdotique et incomplète. Pour pallier cette lacune, nous tentons de déterminer si le BRI déclenche une réaction concurrentielle d'aide étrangère en influant sur la probabilité de réception d'une aide américaine pour les pays qui y participent quand ils demandent un prêt auprès d'importantes banques multilatérales de développement (BMD) occidentales. À l'aide d'une méthode des variables instrumentales, couvrant 7 850 projets/prêts dans 10 BMD de 162 pays entre 2013 et 2018, nous observons que les États-Unis avaient plus de chances de voter en faveur des prêts de BMD pour les pays qui adhéraient au BRI. Cette observation était d'autant plus vraie quand le montant effectif des aides chinoises versées à ces pays restait modique ; les États-Unis ne s'intéresseraient donc qu'au pays où les risques sont faibles.

Introduction

On October 5th, 2018, United States President Donald Trump signed into law the "FAA Reauthorization Act of 2018", a routine piece of housekeeping legislation to renew the US Federal Aviation Authority. Unceremoniously tacked on to the already brief press release was a clause which noted that the bill also established "a United States International Development Finance Corporation" (USIDFC).[1] On paper, this

[1] https://www.whitehouse.gov/briefings-statements/president-donald-j-trump-signs-h-r-302-law/ accessed 27-10-2018

did little more than consolidate two existing aid agencies, the Overseas Private Investment Corporation (OPIC) and the Development Credit Authority. However, the move was quickly viewed as a direct response to an announcement the previous month that China would make $60 billion of politically unconditional loans and aid available to African nations.[2] Interpreting the US move as a counter to this Chinese initiative is plausible given that the Trump administration's plan had previously been to shut down OPIC.[3] Instead, the bill authorized up to $60 billion for the IDFC, echoing a symmetry of the tit-for-tat exchanges that characterized escalating confrontation between the United States and China.

The centerpiece of Chinese development efforts is the "Belt and Road Initiative" (BRI). First unveiled in 2013, the BRI has evolved into a massive plan to support the establishment of major land and sea-based economic corridors (or new "silk roads") to link and develop the economies of Eurasia.[4] While the initiative was originally met with cautious optimism by traditional development organizations, their tone has turned increasingly skeptical and has included accusations that China is engaging in "debt-trap" politics.[5] Developments like these have fed a broader narrative that China and the United States have moved from an era of cooperative engagement to one of strategic rivalry in the aid sphere.[6] Scholars have been aware of this impeding systemic shift for some time, and have been examining if and how China is challenging the US-led global order (Schweller and Pu 2011; Khong 2014; Cooley & Nexon 2021).

Foreign aid is one arena in which this competition may be playing out. Chinese foreign aid and development efforts have received increasing scrutiny in terms not only of patterns of allocation, effectiveness, and outcomes (Dreher et al. 2018a; Dreher et al. 2021), but also in terms of the extent to which they are challenging or frustrating the efforts of traditional development partners (Hernandez 2017; Swedlund 2017; Raess et al. 2022). The launch of Chinese-led development banks, notably the Asian Infrastructure Investment Bank (AIIB) and the BRICS New Development Bank has further expanded these discussions (Wang 2017; Vieira et al. 2023). Some work has found that the efforts of these institutions coordinate and complement existing US-led multilateral development bank (MDB) finance (Hameiri and Jones 2018; Babones et al. 2020) and that, indeed, despite not being a member, the United States itself has tentatively cooperated with the AIIB and many US allies have joined (Freeman 2019). However, others have noted that, despite this cooperation and similarities in institutional structure, these Chinese-led banks nonetheless pose a challenge to the social purpose of the US-led international order by advancing the Chinese Communist Party's (CCP's) preferred international norms, including that of "non-interference" (Stephan and Skidmore 2019) as part of a broader "leadership transition" (He and Feng 2019).

Yet, despite these debates, our empirical knowledge of the response to China's rise in the foreign aid realm is in its infancy, with Humphrey and Michaelowa (2019) an important exception. Understanding the response of existing donors to the BRI is important not only because this dynamic illuminates the details of the US–China rivalry, but also because it will shape the future of foreign aid and development cooperation.

We examine if patterns of strategic foreign aid politics are evident in how the United States has responded via MDBs to countries which have embraced the BRI.

[2] https://www.washingtonpost.com/world/china-pledges-60-billion-in-aid-and-loans-to-africa-no-strings-attached/2018/09/03/a446af2a-af88-11e8-a810-4d6b627c3d5d_story.html?noredirect=onandutm_term=.a35dcfb99ae9 accessed 27-20-2018; https://foreignpolicy.com/2018/10/08/trump-reaches-for-checkbook-diplomacy-to-counter-china/ accessed 27-10-2018.

[3] https://www.nytimes.com/2018/10/14/world/asia/donald-trump-foreign-aid-bill.html accessed 27-10-2018

[4] http://english.gov.cn/news/top_news/2015/04/20/content_281475092566326.htm accessed 27-10-2018

[5] http://blogs.worldbank.org/trade/three-opportunities-and-three-risks-belt-and-road-initiative accessed 09-12-2018

[6] https://www.economist.com/leaders/2018/10/18/the-end-of-engagement accessed 27-10-2018

We argue that the strategic response behavior of the United States via MDBs to the BRI depends on the marginal return on investment. As such, we would expect that the United States will compete primarily for countries which are targeted by the BRI but where Chinese investment is not yet high. Using a novel dataset on the level of BRI engagement developed for this paper, and an instrumental variable estimation strategy, we find evidence that supports this claim.

The Belt and Road Initiative

Until recently, the overarching aims of Chinese foreign policy in the post-Mao era could be understood as minimizing perceived internal and regional vulnerabilities (Nathan and Scobell 2012). More specifically, Beijing organized its foreign policy to achieve, at minimum, the aims of protecting the rule of the CCP and defending China's territorial integrity, including unifying with Hong Kong and Taiwan (Buzan 2014; Heillman and Schmidt 2014). However, although there were previous hints of a revisionist foreign policy (Schweller and Pu 2011; Brazys and Dukalskis 2017), since the rise of Xi Jinping China's foreign policy has clearly become more assertive and ambitious (Zhang 2015). As Economy (2018, 187) puts it, Xi "…has a stated and demonstrated desire to shape the international system, to use China's power to influence others, and to establish the global rules of the game." The days of the CCP "laying low" in foreign policy are gone (Poh and Li 2017; Doshi 2021).

The most publicized initiative in China's foreign policy under Xi is the BRI. At its most basic, the BRI is a web of loosely connected economic and infrastructure projects backed by significant Chinese lending. A report published in 2017 suggests that Chinese investments related to BRI projects had reached $60 billion since 2013.[7] However, the size of BRI is hard to measure because it is "a moving target, loosely defined and ever expanding" (Hillman 2018). Moreover, the scope of BRI activities includes not only investment in hard infrastructure, but also soft infrastructure such as trade deals, tourism, and other "people-to-people" ties such as education and cultural exchanges (Hillman 2018).

For these reasons, assessments of what the BRI is vary. Some see it as essentially a domestic political project resulting in fragmented design and implementation (Jones and Zeng 2019; Ye 2019). These analyses focus on the scattered implementation, domestic jockeying, and the ways in which companies and provinces latch onto the BRI for their own purposes. Others focus more on the ambitions of the BRI to argue that it is the foundation of China's grand strategy under Xi (Wang 2016; Rolland 2017a; Vadlamannati and Jung 2023). Callahan (2016, 228) sums up the strategy as follows: "to use economic leverage to build a Sino-centric 'community of shared destiny' in Asia, which in turn will make China a normative power that sets the rules of the game for global governance." This suggests a more expansive ambition than previous interpretations of China's grand strategy which emphasize reducing external vulnerability by safeguarding domestic cohesion (Khan 2018), the imperative to modernize without being perceived as threatening by others (Goldstein 2005; Buzan 2014), or the lack of a grand strategy all together while focusing on sovereignty, security, and development (Wang 2011).

Regardless, Beijing stresses the importance of the BRI. In November 2013, the Third Plenary Session of the 18th Central Committee of the CCP, a pivotal meeting of the Central Committee, called for the BRI to further open up inland and border areas.[8] In May 2015, China's 13th five-year plan emphasized the BRI.[9] Premier Li Keqiang has highlighted the necessity of building and accelerating BRI in his annual

[7] https://www.uobgroup.com/assets/pdfs/research/FN_170518A.pdf accessed 27-10-2018

[8] http://www.china.org.cn/china/third_plenary_session/2014-01/16/content_31212602.htm accessed 27-10-2018

[9] Sidney Leng, "How the next five-year plan will change China: blueprint for nation's development explained," South China Morning Post, November 3, 2015.

government work report every year since 2014.[10] China in 2014 set up a sovereign wealth fund, the Silk Road Fund, to focus on funding projects along BRI routes.[11] In 2017 the BRI was included in the CCP constitution.[12] At the sub-national level most provinces and state-owned enterprises have incorporated the BRI into their strategic planning (Economy 2018, 193).

The BRI consists primarily of the Silk Road Economic Belt (SRB) and the 21st Century Maritime Silk Road (MSR). The former, first announced by Xi during his visit to Kazakhstan in September 2013, aims to connect China, Central Asia, Russia, and Europe, linking China and the India Ocean with the Persian Gulf and the Mediterranean Sea through central Asia (Nordin and Weissmann, 2018). One month later, when Xi visited Indonesia, he called for the establishment of the 21st Century MSR, which is designed to run through a vast sea area spanning from Europe to the Pacific (Du and Zhang 2018). The overland route aims for Central Asia and Eastern Europe to be both a transhipment hub and commodities supplier, while the maritime route links the world's most populous areas (Baker 2017).

The BRI has global implications. A 2016 Chinese state report indicates that it covers 64 countries excluding China (see Appendix 3 for the detailed list and the joining dates) along the routes.[13] The report suggests that Russia, Kazakhstan, Thailand, Pakistan, and Indonesia are the five most cooperative countries in advancing the BRI, particularly in the automobile, construction materials, iron and steel, railway, and information communication sectors.[14] It is estimated that China and the 64 BRI countries jointly comprise 62% of the world's population, 30% of its GDP and 24% of its household consumption (Chin and He 2016). As the Chinese government claims that the BRI is an open platform for all parties that are willing to contribute to global connectivity, the scope of BRI can expand and some other 48 countries are, or will be, active participants in BRI (Chin and He 2016). A 2018 report suggests that the BRI coverage had expanded to 71 countries excluding China.[15]

China is placed squarely at the geographical and economic centre of these routes, potentially enabling it to use that position to increase its regional and international influence (Yu 2017). Infrastructure connectivity is the dominant idea behind the BRI, as Xi stressed in May 2017.[16] The core idea is for Beijing to provide loans and implementation capacity for pipelines, roads, ports, and other infrastructure projects. This has domestic benefits for Beijing insofar as it can alleviate problems of overcapacity in areas like cement, steel, and aluminium and ideally provide financial returns when the loans are repaid (Ferdinand 2016, 951–952; Eisenman and Stewart 2017; Economy: 2018, 190–196). This would allow China to decrease its economy's dependence on domestic infrastructure investment and help its domestic enterprises seek new markets abroad. Furthermore, by upgrading infrastructure along BRI routes, China can reduce the costs of transporting goods for itself and other countries.[17]

By promoting a strategic program of infrastructure projects, China aims to strengthen its economic and political leadership in its neighboring regions, and ultimately globally (Cai 2017). The BRI allows China to bolster its position in the US-led international order, perhaps with the ultimate aim of displacing it (Doshi 2021) or at least by to creating exit options from elements of the American order for dissatisfied states without replacing the order entirely (Cooley and Nexon 2020).

[10] https://www.yidaiyilu.gov.cn/xwzx/gnxw/49561.htm accessed 27-10-2018

[11] http://www.silkroadfund.com.cn/enweb/23775/23767/index.html accessed 27-10-2018

[12] https://china.usc.edu/chinese-communist-party-2017-resolution-amending-ccp-constitution-oct-24-2017 (accessed 12-10-2022).

[13] http://www.sic.gov.cn/News/553/7057.htm accessed 27-10-2018

[14] https://eng.yidaiyilu.gov.cn/qwyw/rdxw/2248.htm accessed 27-10-2018

[15] http://www.sic.gov.cn/archiver/SIC/UpFile/Files/Default/20180509162109827517.pdf accessed 27-10-2018

[16] http://www.xinhuanet.com/english/2017-05/14/c_136282982.htm accessed 27-10-2018

[17] https://www.worldbank.org/en/topic/regional-integration/brief/belt-and-road-initiative accessed 27-10-2018

While recognizing that the United States will remain a superpower, China aims to secure its interests, particularly those in Asia-Pacific region, and looks forward to gaining international influence (Chan 2014; Callahan 2016). China thus advances the BRI as a strategy to deal with its competition with the United States (Chan 2018). It is clear then, that China has ambitious plans with the BRI, but other countries have agency to respond to the strategies of powerful states.

Decisions about the BRI by recipient states do not unfold in a geopolitical vacuum. The BRI is not the only source of aid or financing available to states weighing their options. As mentioned in the introduction to this article, in addition to pre-existing sources of resources like the World Bank or Asian Development Bank, the United States has announced significant new initiatives to spend via the aforementioned USIDFC. The United States, Japan, and Australia have also announced a joint initiative to invest in Asian infrastructure.[18] The question of the response to BRI remains. Is a global competition emerging in the realm of foreign aid in response to China's BRI? The following two sections turn to the theoretical and empirical contours of this question.

The Politics of Strategic Aid

Scholarship on the political economy of foreign aid has long debated if development efforts are driven by altruism or are instead part of broader foreign policy strategies (McKinlay and Little 1977). While evidence has emerged on both sides of the debate, it is nearly universally held that the foreign aid politics during the Cold War era was driven by strategic considerations (Bearce and Tirone 2010). Development assistance was another tool in the war chest as the United States and Soviet Union battled for supremacy. The end of this ideological confrontation marked a decided turn in the rhetoric, if not behavior, of the Western development partners. While more recent foreign aid efforts are not entirely devoid of self-interested motivation, the lack of a great power game turned foreign aid into a tool for targeted development aims rather than a simple payoff to increase one's geostrategic coalition (Bermeo 2017).

We investigate whether the United States and China may be returning to an older form of strategic aid competition. The reasons great powers may wish to do this are manifold and may include garnering support for positions in international organizations like the United Nations General Assembly or Security Council (Dreher et al. 2008; Alexander and Rooney 2019), developing ties which may permit preferential access in trade, investment, or resources (Baccini and Urpelainen 2012), cultivating military allies and/or improving relations with countries amenable to hosting military facilities (Carter and Stone 2015), and/or increasing "soft power" and the country's image vis-à-vis a rival (Blair et al. 2022).

To make theoretical sense of foreign aid competition and the BRI, we borrow concepts from debates prevalent in contemporary Asian international relations and deploy the categories of bandwagoning, balancing, and hedging (Lim and Cooper 2015; Ikenberry 2016; Kuik 2016). This literature tries to make sense of strategic alignment by Asian states that want to cooperate with China economically but that do not want to see Beijing emerge as a security threat. Echoing early neorealist scholarship, some states may see their best strategy as to strategically align themselves with a rising China (bandwagoning), while others may prefer to protect themselves against the prospect of future Chinese dominance by allying closer to the United States (balancing). Many states, however, choose a "hedging" strategy of avoiding becoming overly reliant on either great power. They may cautiously join initiatives by either state but without fully aligning with either one.

[18] https://www.japantimes.co.jp/news/2018/07/31/national/politics-diplomacy/japan-u-s-australia-plan-infrastructure-push-counter-china-indo-pacific/#.W9hTMieYTOQ. accessed 27-10-2018

These categories are broad and leave out much complexity, but as a heuristic device they are helpful in generating expectations about foreign aid competition. Thinking from the perspective of the United States responding to the BRI, we surmise that if the United States is responding to the BRI with a competitive strategy, then it will focus on the countries that have cautiously engaged with the BRI but that have not embraced it entirely; in other words, the hedgers. Attempting to woo countries that have already bandwagoned with China using foreign aid is likely to be prohibitively costly. Likewise, if a state is firmly in the US orbit then there is little need to compete with the BRI by granting more aid. As such, strategic foreign aid competition is likely to focus on those countries who are sufficiently ambiguous in their underlying affinities; the "hedgers". These countries attempt may play donors off one another, and likewise great powers may try to compete for their loyalty through aid (e.g., Lundborg 1998).

The BRI provides an interesting context for examining this strategic logic. While dozens of countries have joined the BRI, or are on the proposed BRI economic corridors, there is substantial variation in the extent to which different countries have received financing under the initiative. This variation presumably derives from the tension that while China would like to expand its sphere of influence as much as possible, in the face of resource constraints, it may prioritize relations based on geographic proximity, economic potential, or resource access. Accordingly, this variation allows for identification of states that are either (a) aligned with China's BRI project (bandwagoners) and (b) those who China is signaling it would like to bring into its sphere of influence but has not yet been able to expend the resources to do so (hedgers). Balancers are likely to not sign onto the BRI in the first place. As such, based on the reasoning above, the most likely strategic response by the United States to the BRI would be directed toward hedging states to bring them into the balancing coalition or at least to prevent them from joining the bandwagoners.

Tactically, the United States has two avenues to respond to Chinese BRI flows. First, the United States can engage directly via bilateral programs, such as the IDFC. However, Vaubel (1986) and more recently Dreher et al. (2022) have argued that the United States has incentives to use international organizations to conduct its "dirty work" when using aid strategically. The logic of this behavior is that using these organizations will reduce audience costs in instances where the foreign aid intervention might be viewed unfavorably.[19] As many of the (potential) BRI countries are those to whom US domestic audiences might not be favorable, international organizations such as MDBs become a useful instrument for countering the BRI. The United States has been shown as the "power behind the throne" of a number of major MDBs, and, accordingly, Western MDBs are often seen as the agent of a powerful US principle (Andersen et al. 2006; Kilby 2006; Dreher et al. 2022).[20]

United States involvement in MDBs comes via the US Treasury Department. While the Treasury has at times voiced cautious optimism about cooperation with China and the BRI,[21] in other instances the language has been skeptical if not denigrating. Then US Treasury undersecretary, and current World Bank president, David Malpass repeatedly maligned the BRI noting the "concerns and the problems caused by their One Belt, One Road initiative, which often leaves countries with excessive debt and poor-quality projects"[22] and "China has invited the CELAC group to join the One Belt One Road initiative, yet this would likely have more benefit for

[19]We also test an interaction model in the robustness checks which we us the ratio of US bilateral aid to GDP as the dependent variable.

[20]With a notable counter being Strand and Zappile (2015) who suggest that the level of US influence in MDBs may be overstated.

[21]Where then Treasury Secretary Jacob Lew remarked "Signs are encouraging that China is ready to shoulder greater responsibility and contribute more resources to address global trade, development, and climate change challenges." https://www.treasury.gov/press-center/press-releases/Pages/jl0488.aspx

[22]https://home.treasury.gov/news/press-releases/sm555

China than for the people in those countries."[23] Obama era Treasury Secretary Jacob Yew also expressed scepticism over the BRI, noting "It is also critical that China be willing to embrace these same high standards of governance and transparency in its own initiatives, such as the "One Belt One Road."[24] These public statements give reasonable grounds to suspect that Treasury officials view engagement with China cautiously if not suspiciously and we assume that these views carry over into US positions (via the Treasury) on lending packages in the MDBs. Thus, to keep BRI states from moving into China's sphere of influence, we hypothesize a straightforward strategic competition scenario:

H1:*The US will be more likely to support MDB programs in countries which are in the BRI.*

An alternative hypothesis, however, is that MDBs are *coordinating* with China in BRI countries. Indeed, the World Bank and other MDBs have both voiced support for cooperation with BRI projects via Memoranda of Understanding, but also engaged in co-financing (Wilmsen et al. 2020).[25] Importantly, however, our outcome variable is not the presence (or amount) of MDB projects in a BRI country but, rather, US support for those projects. However, MDB coordination with BRI countries could make it difficult to disentangle strategic US responses from cooperative MDB efforts. Accordingly, we posit a further, conditional, hypotheses which more directly tease out these effects. If US support for MDB engagement in BRI countries is about cooperation, or if the United States is indifferent to the BRI, then we would expect support to be as strong for projects in BRI countries regardless of the level of Chinese financing. However, if support is about *competition*, and attempting to woo hedging states, then we would only expect to see the United States supporting MDB projects in BRI countries where there are currently low amounts of Chinese financing.

H2:*As the amount of Chinese financing increases, the US will be less likely to support MDB programs to countries in the BRI.*

Data and Methods

Data

To evaluate our claims, we use panel data on 162 countries (see Appendix 1 for list of countries) covering over 7,850 project/loan packages from 10 MDBs (see Appendix 2 for list of MDBs) for the period 2013–2018. We estimate the probability of US support for loan package of country ***c*** in Bank ***b*** in year ***t*** as

$$P(support_{cbt} = 1) = \varphi_c + \beta BRI_{ct} + \beta Z_{ct} + \lambda_t + \omega_{cbt}, \quad (1)$$

where $\boldsymbol{support_{cbt}}$ is a discrete variable taking the value 1 if United States supports the loan package put forth by country ***c*** for approval in MDB ***b*** in year ***t*** and 0 otherwise. We measure US support by examining the voting record on the Executive Board (EB) of each MDB made available by the US Treasury Department on its website since 2004. An EB member country can exercise the choice of "yes" vote which denotes approval for that project under consideration, while a "no" vote means disapproval. We interpret the choice of "abstaining" from voting as a sign of disapproval. Therefore, our dependent variable is US support for a loan package, i.e., "yes" vote = 1 and 0 otherwise.

Under the US law, the President of the country holds the power to direct the US policy in MDBs via its representatives. This authority is delegated to the US Treasury

[23] https://home.treasury.gov/news/press-releases/sm0413

[24] https://www.treasury.gov/press-center/press-releases/Pages/jl0488.aspx

[25] http://pubdocs.worldbank.org/en/664251560539547566/BRI-FAQ.pdf

Department, which oversees the US participation in the MDBs. The President, with the consent of the Senate, appoints the US representatives on the EB of the MDBs. The Treasury Department coordinates with the Working Group on Multilateral Assistance (WGMA) and National Advisory Council on International Monetary and Financial Policies (NAC) to ensure the US participation in the MDBs. The WGMA is tasked with reviewing every loan application, which will be put for voting in MDBs to ensure the loan package complies with the US policy. Based on the discussions with the WGMA and NAC, the US Treasury instructs the direction of voting to its representatives on the EBs (Sanford 2001). The role of Congress cannot be overlooked either. Though the Treasury has often claimed free hand in determining US voting preferences in MDBs, the influence of the US Congress on the direction and formulation of US policy is well documented in the literature (Broz 2008, Babb 2009, Braaten 2014, Braaten et al. 2019). It is the Congress which authorises the US involvement in MDBs by approving the funds for contribution to an MDB. Thus, the Congress has used the power of its purse to formulate US policy toward the MDBs (Sanford and Weiss 2003). From time to time, the Congress enacted numerous laws specifying what the US stand should be on issues related to environment, drug trafficking, war, human rights, and among others when voting in the MDBs (Sanford and Weiss 2003). For instance, Braaten et al. (2019) show how over 65 legislative mandates adopted by the Congress stipulates the US voting preference at MDBs. Most prominent among them is the Pelosi Amendment. This is an Amendment introduced by Nancy Pelosi in 1989 under the International Financial Institutions Act, which is a set of broad policy guidelines on issues ranging from how the United States must vote on projects which do not comply with environmental assessments to urging MDBs to be more transparent with their documentation and operations in general. Often, the Pelosi Amendment is invoked by the US representatives at the MDB to not to support a project which does not meet the disclosure requirement on environment assessment (Braaten et al. 2019). Likewise, it was the Congress which amended the International Financial Institutions Act in 2003 which required the US Treasury Department to put the information on the voting decisions of the US in various MDBs in the public domain (Strand and Zappile 2015). Thus, since 2004, the US Treasury publishes the data on the US voting record on its website along with additional details on several dimensions. Thus, we make use of this US voting data which is made available only from 2004.

One limitation of our dependent variable could be that the United States may express its opposition to the loan package outside the EBs of MDBs through informal channels thereby preventing the loan proposal from coming up for a vote (Momani 2004). This could create potential bias as projects opposed by the US via informal channels are not likely to be in the dataset. Though this might rise a selection issue, unfortunately there is no information available on if and how many loan proposals at various MDBs were withheld by the United States through informal channels before coming up for a vote. However, even assuming that United States withheld the entry of loan packages it opposes into MDBs, Strand and Zappile (2015) find that US support for loan packages in MDBs is not universal. This allows us to be moderately confident that with considerable amount of voting power, US support for loan packages in MDBs could serve as a signalling device to countries that have signed on to the BRI.

Our main explanatory variable is an indicator, $\boldsymbol{BRI_{ct}}$, which is a dummy coded 1 if country $\boldsymbol{c}$ is a member of the BRI at year $\boldsymbol{t}$ and 0 otherwise. We use a three-step approach and relied on several sources to construct this BRI membership measure. First, we checked if a Memoranda of Understanding on BRI, SRB or 21st Century

MSR has been signed between a country and China. This information is made available by China's Foreign Affairs Ministry,[26] under the BRI section.

In the second step, we rely on the joint statements issued by the recipient country and China emanating from the meetings of leaders of both countries (heads of the state or government) or senior leaders, and official documentation from China's Foreign Affairs Ministry,[27] in which a country either expresses strong support for the Chinese BRI, SBR, or MSR programs or is a signatory to allowing contracting and sub-contracting of various projects under BRI. We cross-check these activities under each country's profile in the Ministry of Foreign Affairs of China,[28] to see if a country has joined BRI but was not mentioned in official documentation.

In the final step, we reviewed all the articles made publicly available at the Ministry of Foreign Affairs of China, The State Council, the Ministry of Commerce of China, and the Department of National Development and Reform Commission. Appendix 3 provides further details and a list of 65 countries with BRI membership.

The vector $\boldsymbol{Z_{ct}}$ includes controls for several potential determinants of US support for loan packages gleaned from the existing literature on donor influence in MDBs (Andersen et al. 2006a; Kilby 2006; Braaten 2014). We also avoid a "garbage can" approach by limiting our control variables (Achen 2005). Our controls include per capita GDP (log) (Morrison 2011), population (log) (Andersen et al. 2006), Freedom House's measure of civil liberties and political freedom (Demirel-Pegg and Moskowitz 2009, Braaten 2014), US exports (Braaten 2014), UNGA voting alignment (Andersen et al. 2006a), and US aid (Kilby 2006; Montes-Rojas 2013). Details on summary statistics and data sources of all variables can be found in Appendices 4 and 5, respectively.

To evaluate hypothesis 1, we use a logit estimator with heteroskedasticity consistent robust standard errors. One drawback of the logit estimator is that we cannot control for country-fixed effects for two reasons. First, the time-invariant regressors will be correlated with two-way fixed effects (Beck 2001). For BRI member countries, e.g., the data do not vary over the time-period once they enter into the BRI program. Second, including two-way fixed effects in non-linear logit estimations may be difficult due to the incidental parameter problem (Wooldridge 2002). The standard approach is a conditional logit method. But it is not free from limitations. The first problem is that it estimates the 1 s and 0 s for each country conditioned by total number of 1 s for each country. Thus, if country $\boldsymbol{i}$never reports an event (no 1 s) or only reports events (only 1 s) then the conditional probability of observing the data for country $\boldsymbol{i}$ is 1, which means that country $\boldsymbol{i}$ is automatically dropped from the analysis. Second, unlike a univariate logit estimator, the coefficients from conditional logit fixed effects are hard to interpret because it does not allow for computation of marginal effects making it difficult to derive the substantive effects. To bypass these problems, we pursue two approaches. First, we estimate logit models controlling for geographic regional dummies along with year fixed effects. Second, along with controlling geographic regional dummies and year fixed effects, we also include MDB specific dummies thereby depicting a fixed effects model.

Estimation Approach

Our BRI membership measure may well be affected by endogeneity problems if BRI membership, e.g., is an outcome rather than cause of US voting pattern in the MDBs. This issue is not inconsequential because those who suggest that the BRI

[26]中国外交部—新闻/重要新闻/一带一路专栏下的重要新闻 For an English version, see: http://www.fmprc.gov.cn/mfa_chn//ziliao_611306/zt_611380/dnzt_611382/ydyl_667839/zyxw_667918/

[27]中国外交部—声明公报, An English version: http://www.fmprc.gov.cn/web/ziliao_674904/1179_674909/

[28]中国外交部—国家地区—该国家的重要文件或者重要新闻

provokes a US response also make causal claims that BRI projects are an outcome to challenge the economic and international world order dominated by the United States (Wang 2016). Moreover, endogeneity could be an issue if country membership in the BRI resulted in the US approving a loan package for that country in an MDB to placate Chinese influence (Shi & Churchill 2018). Furthermore, the BRI could be caused by other factors, which could also explain US voting pattern at the MDBs, such as China using the BRI to stimulate trade surpluses (Bastos 2018), promote outward FDI (Du and Zhang 2018), build regional influence thereby undercutting US influence (Meltzer 2017), increase international use of Renminbi (Shen and Chan 2018), foster strategic divisions among US allies (Shen 2016), and/or create new economic world order as an alternative to the US led pro-market capitalist model (Shen and Chan 2018).

To address this problem, we employ an instrumental variable estimator. Following a strategy similar to Dreher et al. (2018, 2021) we use the *probability* of a recipient country receiving Chinese aid weighted by capacity utilization rate of steel production in China, which captures not just the steel production but the actual demand for steel in the economy and by the Chinese government, $iv = [\frac{1}{15}\sum_{y=1}^{15} p_{it} \times (steel\ u.rate)_t]$, lagged by two-years. While the data for the capacity utilization rate of steel production in China comes from the OECD statistical yearbook (2019), the *probability* of getting Chinese aid is the percentage share of years during the 2000–2014 period that a recipient has received Chinese aid. Interacting these two variables tell us whether a higher *probability* of obtaining Chinese aid is driven by excess steel production capacity in China.

We believe that China can use the BRI to foster new economic opportunities that could propel its slowing economic growth. As noted above, connective infrastructure is a crucial element of the BRI (Huang 2016). Construction of these types of projects increases demand for products like steel resulting in a higher capacity utilization rate in China (Baltensperger and Dadush 2019). In fact, Chinese steel producers invested in new capacity and employed several workers at the time when Chinese economy was growing faster (Lu 2016). This led to a doubling of the capacity for steel production in China during 2005–2016 period resulting in an excess capacity problem (Hart-Landsberg 2018). BRI infrastructure projects help mitigate the problem by creating new markets for Chinese steel producers (Baltensperger and Dadush 2019).

Our identifying assumption is similar to that of Nunn and Qian (2014), which is also adopted by Brazys and Vadlamannati (2020), and Dreher et al. (2021) wherein the interaction of a time-varying exogenous variable with an endogenous variable varying across countries produces an instrument that varies across years and countries. The excludability assumption is that the US voting pattern in MDBs for countries with divergent levels of exposure to Chinese aid in the past will not be affected differently by changes in the capacity utilization rate of steel production in China, other than its impact on BRI membership.

We employ a linear probability model—the *Two-stage Least Squares* (2SLS-IV hereafter) estimator which enable us to control for both year-specific and country-specific fixed effects (Wooldridge 2010). It is noteworthy that we also estimate a model which includes country, year, and MDB specific fixed effects. Controlling for country-specific fixed effects is important in this instance because it is plausible that cross-sectional variation in the probability of receiving Chinese aid (after interaction with capacity rate) might covary with omitted variables that might influence US voting patterns at MDBs. Moreover, including country fixed effects would control for the effect of the probability of receiving Chinese aid on US voting, making our instrumental variable exogenous.

Our instrument's validity relies on two conditions. First is the selected instrumental variable must correlate with the endogenous variable. According to Bound et

al. (1995), a rule of thumb suggests that the instrument is considered relevant if the joint *F*-statistics from the first stage of the regression model is higher than 10 (Staiger and Stock 1997). Otherwise, the instrumental variable has no power. The Kleibergen–Paap *F*-statistic offer consistent statistical inferences in a weak instrument setting (Kleibergen and Paap 2006). The second condition is that the instrument must not vary systematically with the error term in the second stage estimations, i.e.,$[\omega_{it} \mid IV_{it}] = 0$. Thus, the instrument must not explain the outcome variable of interest—US voting in MDBs. The instrument's excludability rests on the notion that US voting patterns in MDBs will not be influenced by changes in capacity utilization rate of Chinese steel production, other than through the impact on Chinese development aid. Following Dreher et al. (2021), we test this assumption by plotting capacity utilization rate of steel production of China over time, and the US voting in MDBs by *high* and *low exposure* group of countries. The empirical results, in Section 4, indicate no parallel trend between capacity utilization rate of steel production and US voting in MDBs in *high* and *low exposure* group of countries. In addition, we also apply the Hansen *J*-statistic test (Hansen 1982) to examine whether the instrument satisfies the exclusion restriction criteria.

Interaction Effects

To evaluate hypothesis two, if the effect of BRI membership on US voting in MDBs is conditional on the level of Chinese development aid, we estimate the following:

$$P(support_{cbt} = 1) = \varphi_c + \beta(BRI \times China)_{ct} + \beta BRI_{ct} + \beta China_{ct} + \beta Z_{ct} + \lambda_t + \omega_{cbt}, \quad (2)$$

where $(BRI \times China)_{ct}$ is an interaction term between BRI membership and a conditioning variable, $China_{ct}$ which is Chinese development aid as a share of total DAC aid in country ***c*** during year ***t***. We expect countries with a low ratio of Chinese aid to DAC aid (about 20% or lower) are those most likely to be "hedgers". While DAC aid data is sourced from the WDI (2018), we source Chinese aid data from AidData's global dataset on Chinese development activities, version 1.0 (AidData 2017) developed by Dreher et al. (2021). This data captures official Chinese state finance, which includes both foreign aid—which is akin to the Official Development Assistance (ODA), and other forms of state financing (concession and non-concessional)—which is similar to the OECD's Other Official Flows (OOF) with development or commercial intent. The dataset covers Chinese aid activities in 138 countries during the 2000–2014 period. As mentioned earlier, we use one-year lagged values of all our variables.[29] Once again, we employ a logit estimator with year fixed effects and produce marginal plots to assess the interaction effect.

Empirical Results

Table 1 reports the impact of the BRI on US voting patterns in the MDBs. Column 2 shows the results with controls. We then control for geographic regional dummies and fixed effects for MDBs in a stepwise manner in columns 3–5. Table 2 presents the results of the interaction effects between BRI and dominance of Chinese aid. Finally, Table 3 presents results from the 2SLS-IV estimator to address endogeneity concerns.

As seen in Table 1, membership in the BRI is associated with an increased probability of a yes vote by the United States at the MDBs, with the results statistically

[29]However, it is noteworthy that the Chinese aid data is made available by AidData until 2014 while our study period extends until February 2018. Therefore, we use 2014 values of Chinese aid for the year 2016 and 2017. This is a limitation and hence these results must be interpreted with caution.

Table 1. Influence of BRI initiative on US voting patterns in MDBs

	(1) Yes vote	(2) Yes vote	(3) Yes vote	(4) Yes vote	(5) Yes vote
Belt Road Initiative membership	**0.340*** **	**0.767*** **	**0.537*** **	**0.579*** **	**0.495*** **
	(0.0839)	**(0.0922)**	**(0.112)**	**(0.0964)**	**(0.113)**
Per capita GDP (log)		−0.624***	−0.929***	−0.729***	−0.919***
		(0.0566)	(0.0711)	(0.0605)	(0.0722)
Population (log)		−0.318***	−0.284***	−0.280***	−0.269***
		(0.0402)	(0.0476)	(0.0435)	(0.0480)
Democracy Polity index		−0.311***	−0.359***	−0.305***	−0.356***
		(0.0249)	(0.0290)	(0.0255)	(0.0293)
Trade with US (log)		0.165***	0.182***	0.142***	0.171***
		(0.0297)	(0.0391)	(0.0336)	(0.0396)
UNGA Voting alignment index		1.301***	0.683**	1.035***	0.688**
		(0.269)	(0.304)	(0.283)	(0.307)
US Aid (log)		0.0254***	0.0261**	0.0312***	0.0300***
		(0.00903)	(0.0105)	(0.00963)	(0.0106)
Constant	1.773***	11.38***	12.83***	11.52***	12.75***
	(0.0763)	(0.846)	(0.995)	(0.904)	(1.010)
Estimator	Logit	Logit	Logit	Logit	Logit
Year fixed effects	Yes	Yes	Yes	Yes	Yes
MDBs fixed effects	No	No	No	Yes	Yes
Regional fixed effects	No	No	Yes	No	Yes
Number of MDBs	10	10	10	10	10
Number of countries	156	145	145	145	145
Total observations	8,067	7,694	7,694	7,680	7,680

Note: Standard errors in parenthesis. Statistical significance: $^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$.

significant at the 1% level in all models, including those with controls, MDB fixed effects and region dummies. Notice that the substantive effects are large.[30] Computing odds ratios suggests that BRI membership increases the yes vote probability by the United States in the MDBs by up to 98% (column 2) compared with non-members of BRI.[31] This supports our first hypothesis that United States is more likely to support MDB packages in countries which are in the BRI.

With respect to the results on control variables, the only variable which has a substantially higher impact on US voting in the MDBs relative to the BRI is the UNGA voting alignment index, a result in line with the existing literature on using aid to influence votes in the UNGA (Kilby 2013), and indeed the types of states most likely to be "balancers".

Next, we test hypothesis 2 in Table 2 by showing the interaction between BRI membership and Chinese aid dominance in recipient countries using the ratio of Chinese aid to total aid from countries belonging to the Development Assistance Committee (DAC). This helps us test the arguments developed above about "hedgers". Column 1 reports the results from an interaction term without including any control variables. While column 2 reports the interaction results controlling for other control variables, in column 3 geographic regional dummies are also included. As seen in column 1, the interaction term is negative and statistically significant at the 1% level.[32] Interestingly, when the BRI membership is 0, the Chinese aid to DAC aid measure has a negative significant effect on US yes vote in MDBs.

[30]The Table 1 reports coefficients instead of marginal effects usually reported for a logit estimator. $\frac{\vartheta P(y_i=1|\, x_i)}{\vartheta\, x_i} = \frac{\vartheta E(yi\,|\,xi)}{\vartheta\, x_i} = \phi(x_i'\beta)\,\beta$

[31]Estimating the model without BRI measure yield similar results on control variables as shown in column 2.

[32]These results remain robust to using Chinese aid as a share of recipient country's GDP in robustness tests.

Table 2. Influence of BRI initiative on US voting patterns in MDBs: interaction effects

	(1) Yes vote	(2) Yes vote	(3) Yes vote
Belt Road Initiative membership **X** Chinese aid/DAC aid	**-0.0604*** **	**-0.0281** **	**-0.0322** **
	(0.0131)	**(0.0124)**	**(0.0129)**
Chinese aid/DAC aid	−0.0274***	−0.0281***	−0.0270***
	(0.00693)	(0.00530)	(0.00564)
Belt Road Initiative membership	0.217**	0.470***	0.192
	(0.0966)	(0.106)	(0.141)
Per capita GDP (log)		−0.424***	−0.657***
		(0.0646)	(0.0801)
Population (log)		−0.268***	−0.204***
		(0.0426)	(0.0505)
Democracy Polity index		−0.130***	−0.190***
		(0.0303)	(0.0330)
Trade with US (log)		0.206***	0.171***
		(0.0319)	(0.0423)
UNGA Voting alignment index		0.816***	0.426
		(0.283)	(0.312)
US Aid (log)		0.0252	0.0246
		(0.0246)	(0.0247)
Constant	2.054***	8.191***	8.924***
	(0.0877)	(0.998)	(1.189)
Estimator	Logit	Logit	Logit
Year fixed effects	Yes	Yes	Yes
Regional fixed effects	No	No	Yes
Number of MDBs	10	10	10
Number of countries	143	136	136
Total observations	7,384	7,097	7,097

Note: Standard errors in parenthesis. Statistical significance: $^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$.

But the effect of BRI membership, when Chinese aid to DAC aid is 0, on US voting in MDBs is positive and statistically significant at the 5% level.

Notice that the interaction results remain robust even after controlling for control variables in column 2 and geographic regional dummies in column 3. However, it is noteworthy that interaction term's interpretation in non-linear models like the logit estimator is not similar to interpreting linear models. Therefore, a *t*-test on the coefficient of the interaction term is not enough to assess whether the interaction term is significantly different from zero or otherwise (Ai and Norton 2003). Thus, we use marginal plots.

The interactive variable in Table 2, column 2 can be assessed using margins plot in Figure 1, which shows the magnitude of the interaction effect. To calculate the marginal effect of BRI membership on US voting patterns in MDBs, we consider both the conditioning variable (Chinese aid/DAC aid) and the interaction term and display graphically the marginal effect conditional on Chinese aid/DAC aid. The *y*-axis of Figure 1 shows the marginal effect of BRI membership, and the marginal effect is assessed on the Chinese aid/DAC aid variable on the *x*-axis. Note that 90% confidence interval is included. As can be seen in Figure 1, and in line with our theoretical expectations, BRI membership increases the probability of the US supporting loan projects at various MDBs when the Chinese aid is lower than 20% of the total DAC aid in the recipient country, i.e., in "hedging" countries. So, the marginal effects are positive and statistically significant when the upper bound of the confidence interval is above zero. For instance, the marginal effects suggest

Table 3. Influence of BRI initiative on US voting patterns in MDBs: IV estimations

	(1) Yes vote	(2) Yes vote	(3) Yes vote	(4) Yes vote
Belt Road Initiative membership	**0.513*** **	**0.486*** **	**0.486*** **	**0.488*** **
	(0.168)	**(0.163)**	**(0.163)**	**(0.164)**
Per capita GDP (log)		−0.358**	−0.358**	−0.368**
		(0.162)	(0.162)	(0.163)
Population (log)		0.628	0.628	0.633
		(0.430)	(0.430)	(0.428)
Democracy Polity index		−0.155***	−0.155***	−0.157***
		(0.0225)	(0.0225)	(0.0224)
Trade with US (log)		−0.0106	−0.0106	−0.00920
		(0.0164)	(0.0164)	(0.0164)
UNGA Voting alignment index		−0.116	−0.116	−0.112
		(0.0730)	(0.0730)	(0.0736)
US Aid (log)		0.00666	0.00666	0.00724
		(0.0138)	(0.0138)	(0.0139)
Constant	0.797***	−6.938	−6.630	−6.981
	(0.0715)	(6.953)	(6.511)	(6.917)
Estimator	2SLS-IV	2SLS-IV	2SLS-IV	2SLS-IV
Year fixed effects	Yes	Yes	Yes	Yes
Country fixed effects	Yes	Yes	Yes	Yes
MDBs fixed effects	No	No	No	Yes
Regional fixed effects	No	No	Yes	No
First-stage *F-statistics*	52.13***	63.49***	63.49***	62.83***
Cragg–Donald Wald *F-statistics*	31.86***	37.81***	37.81***	37.41***
Kleibergen–Paap rk LM statistic	78.05***	89.62***	89.62***	88.76***
Hansen *J*statistic [*p-value*]	0.7080	0.3029	0.3029	0.3037
Number of MDBs	10	10	10	10
Number of countries	156	145	145	145
Total observations	8,059	7,687	7,687	7,687
First Stage Regressions				
Steel capacity utilization Rate **X** Probability of China aid	**0.0237*** **	**0.025*** **	**0.025*** **	**0.025*** **
	(0.002)	**(0.002)**	**(0.002)**	**(0.002)**
Probability of China aid	−1.234***	2.248***	2.482***	2.484***
	(0.254)	(0.679)	(0.679)	(0.679)
Control variables	**Yes**	**Yes**	**Yes**	**Yes**
Year fixed effects	Yes	Yes	Yes	Yes
Country fixed effects	Yes	Yes	Yes	Yes
MDBs fixed effects	No	No	No	Yes
Regional fixed effects	No	No	Yes	No
Number of countries	156	145	145	145
Total observations	8,059	7,687	7,687	7,687

Note: Standard errors in parenthesis. Statistical significance: $^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.1$.

that BRI membership increases the likelihood of the US voting for a project at an MDB by 5% when the Chinese aid is less than 20% of total DAC aid. However, the margins plot also show that the effect of BRI membership on US voting in MDBs is negative once Chinese aid is 40% or more of the total DAC aid in the recipient country. At the maximum bound of Chinese aid to DAC aid, which is around 100%, the odds of the US voting in favor of a project at an MDB is reduced by 40%, which is statistically significant at the 1% level. We take this as evidence that the United States is much less likely to support projects in strongly "bandwagoning" countries.

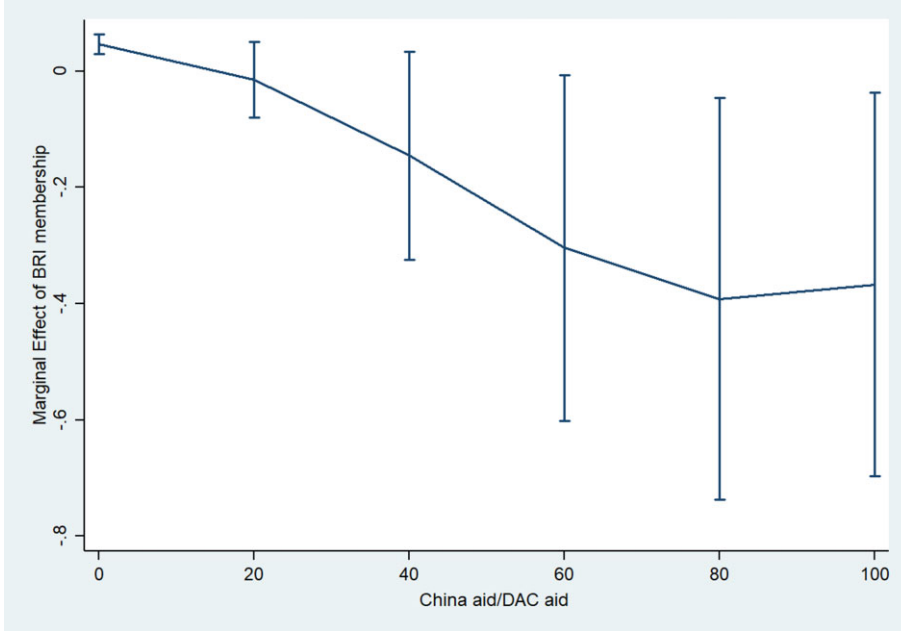

Figure 1. BRI membership, China aid/GDP & Marginal Effect on US voting in MDBs. *Notes*: The plot shows the marginal effects of BRI membership on US voting in MDBs conditional upon Chinese aid/GDP in recipient countries. The estimates are based on logistic regression models with controls reported in Table 2.

Collectively, these results suggest the BRI prompts the largest positive US response when China is engaged with the target country but not yet dominant.

In Table 3, we present the results with instrumental variable estimations. In columns 1–2, we include country and year fixed effects. In column 3–4, along with country and year fixed effects, we also plug in region dummies and MDB fixed effects, respectively. Once again, the impact of BRI membership on the probability of US "yes" votes in MDBs is positive and statistically different from zero at the 1% level in all models. The key finding evident from the IV estimation is that the results remain robust even after correcting for endogeneity and controlling for country, regional, and MDB fixed effects.

To examine the validity of our identification strategy, we report the results from the first-stage regression predicting the BRI membership in the bottom-end of the Table 3. As can be seen in columns 1−4, there is a positive effect of the instrumental variable, which suggests that more countries are likely to participate in BRI when the probability of receiving Chinese aid in the past driven by the capacity utilization rate of steel production in China is high. The interactive effect of the instrumental variable can be best assessed with a conditional plot that displays the magnitude of the interaction effect in Figure 2. As seen there, the probability of receiving Chinese aid in the past increases the likelihood of BRI membership when the capacity utilization rate of steel production in China tends to increase.

Furthermore, the additional statistics on instrument relevance namely, the *joint F-statistic* from the first stage regressions suggest that the selected instrument is relevant. In fact, we obtained a *joint F-statistic* as well as *Kleibergen–Paap F-statistics* of above 10 which remain significantly different from zero at the 1% level.

With respect to the instrumental variable's excludability, we examine the parallel trends in the US voting pattern in MDBs in countries with high and low exposure

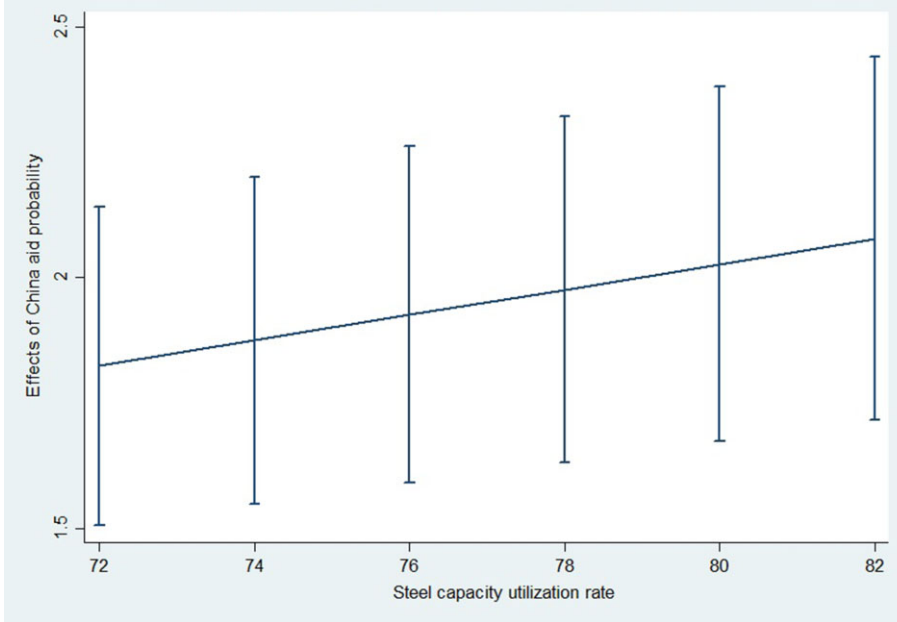

Figure 2. Visualized Effect of the Instrumental Variable in the BRI program.
Notes: The plot shows the marginal effects of Chinese aid probability on BRI membership conditional upon steel capacity utilization rate in China. The estimates are based on logistic regression models with controls reported in Table 3.

to Chinese aid vis-à-vis the exogeneous variation in the capacity utilization rate of steel production in Figure 3. The left-side graph in Figure 3 shows the temporal progression of capacity utilization rate of steel production in China and the right-side graph captures the US voting pattern in MDBs across states with high and low exposure of Chinese aid in the past. The figure suggests no trend similarity between capacity utilization rate in China and US voting pattern in MDBs in high and low exposure states. Furthermore, the Hansen *J-statistic* shows that the overidentification restrictions are valid in our 2SLS-IV models.

Robustness Checks

We put our main findings to robustness tests in several ways including: (a) using alternative definition of BRI membership; (b) a variety of alternative estimation techniques including OLS random effects, Ordered logit, and multinomial logit; (c) alternative interaction effects by replacing Chinese aid/DAC aid with Chinese aid/recipient country GDP; (d) interaction effects replacing total Chinese aid with Overseas Development Assistance (ODA) flows from China as a share of DAC aid; (e) include range of other control variables; (f) estimate a 2SLS-IV estimator with a new set of instruments; (g) models dropping one control variable at a time; (h) dropping variables which are statistically insignificant; (i) including only the World Bank projects, (j) excluding other MDBs from the sample; (k) dropping China from the sample; and (i) using the US bilateral aid/GDP as the dependent variable in our interaction model. Our results remain firmly robust to applying alternative

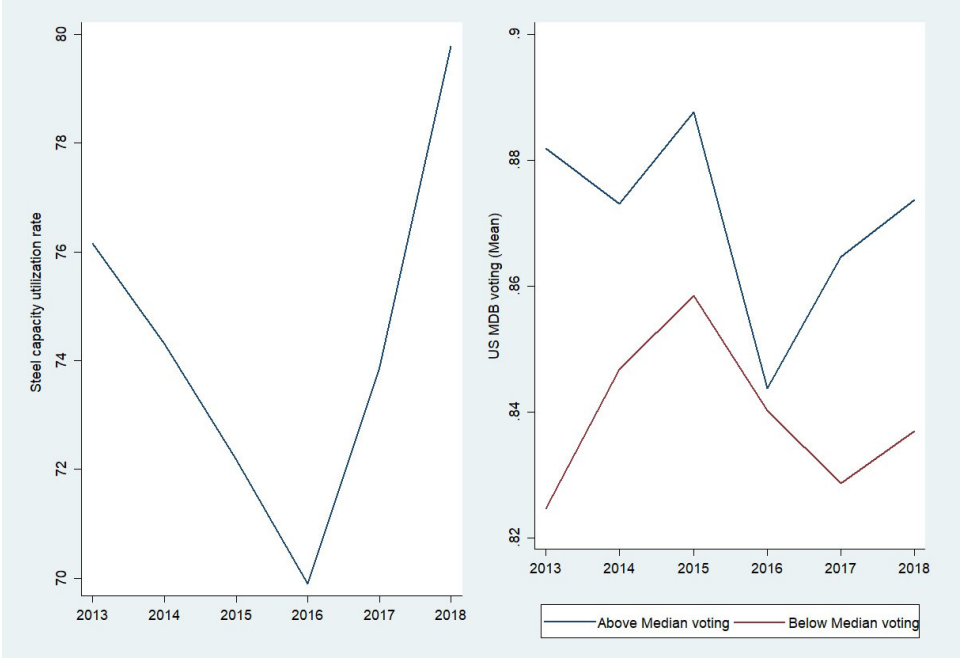

Figure 3. Parallel Trends of US MDB voting in High & Low exposure states & steel capacity utilization rate.
Notes: The plot shows the capacity utilization rate of steel production in China over time, and the US voting in MDBs by *high* and *low exposure* group of countries. The estimates are based on logistic regression models with controls reported in Table 3.

data, estimations, and sample size.[33] We present a detailed discussion on robustness checks and output tables in the online appendix supplementary file.

Conclusion

Our findings strongly support that the United States backs country programs in multilateral banks that directly respond to countries in China's BRI. This response is most pronounced in countries which are targeted by the BRI but where China is not (yet) the dominant financier. These results are robust to several different variable formulations, specification choices, and estimators. That the US response is to focus on these "hedging" countries suggests the competitive, rather than cooperative, nature of the US efforts. Thus, rather than the USIDFC episode described at the outset of this paper heralding the *start* of the China/US strategic aid rivalry, it was merely the escalation of a dynamic that had already been years in development. That said, our results are not a definitive finding of strategic aid behavior, but merely are consistent with that interpretation. Uncovering latent motivations, which are likely to be multifaceted, is difficult, if not impossible, without candid and direct access to decision makers. Future work which can more directly interrogate these findings would be a useful step forward.

If our findings signal a return to strategic aid, they have implications both for the political economy of development, but also for the broader international relations

[33]Future research can also focus on exploiting the sectoral differences in loan projects of BRI member states to explain the variation in US voting patterns in MDBs. In other words, do project specifics focused on infrastructure, environment, human rights matter in explaining US voting in MDBs.

literatures. More narrowly, a return to strategic aid policies would likely undermine the efficacy of contemporary development efforts. There is nearly universal consensus that the effectiveness of foreign aid to foster development and alleviate poverty are hampered by self-interested motivations of aid allocation. The emergence of these practices is especially concerning as the world grapples with the challenge of achieving the Sustainable Development Goals by 2030.

More broadly, our findings speak to the growing body of international relations scholarship casting light on the presence and nature of a systemic shift from a US-led order to a multi-polar world of competing political and social visions. A strategic US response via MDBs to China's BRI would make evident that the former has seen the latter as a revisionist power with whom to compete, if not confront, as opposed to an accommodating, cooperative partner. This dynamic will shape the future of global politics for decades.

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Appendix 1: List of countries

Afghanistan	Dominica	Macedonia	Serbia
Albania	Dominican Republic	Madagascar	Seychelles
Algeria	Ecuador	Malawi	Sierra Leone
Angola	Egypt	Malaysia	Slovakia
Antigua & Barbuda	El Salvador	Maldives	Slovenia
Argentina	Equatorial Guinea	Mali	Solomon Islands
Armenia	Eritrea	Malta	Somalia
Azerbaijan	Estonia	Marshall Islands	South Africa
Bahamas	Ethiopia	Mauritania	South Sudan
Bangladesh	Fiji	Mauritius	Sri Lanka
Barbados	Gabon	Mexico	St. Lucia
Belarus	Gambia	Micronesia, Fed. Sts.	St. Vincent & Grenadines
Belize	Georgia	Moldova	Sudan
Benin	Ghana	Mongolia	Suriname
Bhutan	Greece	Montenegro	Swaziland
Bolivia	Grenada	Morocco	Sao Tome and Principe
Bosnia & Herzegovina	Guatemala	Mozambique	Tajikistan
Botswana	Guinea	Myanmar	Tanzania
Brazil	Guinea-Bissau	Namibia	Thailand
Bulgaria	Guyana	Nauru	Timor-Leste
Burkina Faso	Haiti	Nepal	Togo
Burundi	Honduras	Nicaragua	Tonga
Cambodia	Hungary	Niger	Trinidad & Tobago
Cameroon	India	Nigeria	Tunisia
Cape Verde	Indonesia	Oman	Turkey
Central African Republic	Iraq	Pakistan	Turkmenistan
Chad	Jamaica	Palau	Tuvalu
Chile	Jordan	Palestinian Territories	Uganda
China	Kazakhstan	Panama	Ukraine
Colombia	Kenya	Papua New Guinea	Uruguay
Comoros	Kiribati	Paraguay	Uzbekistan
Congo - Brazzaville	Kosovo	Peru	Vanuatu
Congo - Kinshasa	Kyrgyzstan	Philippines	Venezuela
Cook Islands	Laos	Poland	Vietnam
Costa Rica	Latvia	Romania	Yemen
Croatia	Lebanon	Russia	Zambia
Cuba	Lesotho	Rwanda	Zimbabwe
Cyprus	Liberia	Samoa	
Cote d' Ivoire	Libya	Saudi Arabia	
Djibouti	Lithuania	Senegal	

Appendix 2: List of MDBs in study

International Bank for Reconstruction and Development
International Development Association
International Finance Corporation
Multilateral Investment Guarantee Agency
European Bank for Reconstruction and Development
Asian Development Bank
African Development Bank
Inter-American Development Bank
The Global Environment Facility
The International Fund for Agricultural Development

Appendix 3: List of countries with BRI membership year

Country	Year	Country	Year
Afghanistan	2014	Malaysia	2015
Albania	2017	Maldives	2014
Armenia	2015	Moldova	2015
Azerbaijan	2015	Mongolia	2014
Bangladesh	2016	Montenegro	2017
Belarus	2014	Myanmar	2014
Bhutan	2015	Nepal	2014
Bosnia & Herzegovina	2017	Pakistan	2014
Bulgaria	2015	Palestinian Territories	2017
Cambodia	2016	Philippines	2017
Croatia	2018	Poland	2015
Cyprus	2015	Romania	2015
Egypt	2016	Russia	2015
Estonia	2017	Saudi Arabia	2014
Georgia	2015	Serbia	2015
Hungary	2015	Slovakia	2015
India	2014	Slovenia	2017
Indonesia	2015	Sri Lanka	2014
Iraq	2015	Tajikistan	2014
Jordan	2015	Thailand	2017
Kazakhstan	2013	Timor-Leste	2014
Kyrgyzstan	2014	Turkey	2015
Laos	2016	Turkmenistan	2014
Latvia	2016	Ukraine	2016
Lebanon	2017	Uzbekistan	2014
Lithuania	2017	Vietnam	2015
Macedonia	2015	Yemen	2016

Appendix 4: Descriptive statistics

Variables	Mean	Standard Deviation	Minimum	Maximum	Observations
US Yes vote	0.86	0.35	0.00	1.00	8,067
Belt Road initiative	0.26	0.44	0.00	1.00	8,070
Per capita GDP (log)	8.02	1.07	5.35	10.26	8,028
Population (log)	17.05	1.92	9.28	21.05	8,047
Freedom House index	3.77	1.65	1.00	7.00	8,065
Trade with US (log)	7.82	2.74	−0.43	13.36	7,916
UNGA voting alignment index	0.35	0.19	−0.23	1.00	7,907
US Aid (log)	19.39	4.42	0.00	24.28	7,982
Chinese aid/DAC aid	1.31	5.84	−0.01	113.46	7,387
Steel capacity utilization Rate	74.34	3.07	69.89	79.78	8,070
Probability of China aid	0.52	0.31	0.00	1.00	8,062

Appendix 5: Data sources and definitions

Variables	Data definition and sources
US Yes vote dummy.	Takes the value 1 if US votes in approval for the project under consideration in the Executive Board of each MDB and 0 otherwise. The information on US voting pattern in each MDB is sourced from the US Treasury Department, which is available in public domain on its website since 2004.
Belt Road Initiative dummy	Takes the value 1 if country *i* in year *t* joined the BRI program and 0 otherwise. The information on BRI membership is sourced from three different sources namely, official declarations and communiques of China's Foreign Affairs Ministry, i.e., 中国外交部—新闻/重要新闻/一带一路专栏下的重要新闻, each country's profile in the Ministry of Foreign Affairs of China, i.e., 中国外交部—国家地区—该国家的重要文件或者重要新闻, and, The State Council (chaired by the Premier and includes the heads of each of the cabinet-level executive departments), Ministry of Commerce of China, and Department of National Development and Reform Commission (DNDRC)
Chinese aid/DAC aid	Aid flows including ODA and OOF-type flows measured in US$ constant prices and is sourced from the AidData's Global Chinese Official Finance Dataset, version 1.0 (AidData 2017) developed by Dreher, Fuchs, Parks, Strange, and Tierney (2017) which is divided with recipient country's aid from Development Assistance Committee (DAC) donors measured in US$ constant prices and is sourced from the World Development Indicators, 2019
Per capita GDP (log)	GDP per head in 2000 US$ constant prices sourced from the World Development Indicators (WDI) 2019, World Bank.
Population (log)	Count of total population (log) sourced from World Development Indicators 2019, World Bank.
Democracy Polity index	Polity IV, polity2 index coded on the scale of −10 to +10 where highest value implies full democracy lagged by a year sourced from Gurr (2002)
Trade with US (log)	US exports and imports to country *i* logged which is measured in US$ current prices and is obtained from the international trade statistics of the Bureau of Economic Analysis, 2019
UNGA voting index.	Codes votes in agreement with the US as 1, in disagreement as 3, and 2 for abstentions. The resulting numbers are divided by total number of votes in the UNGA, resulting in a measure coded between 0 and 1, sourced from Strezhnev and Voeten (2012) and is updated until 2019
US aid (log)	Total US aid to country *i* logged measured in US$ constant prices and is sourced from the World Development Indicators, 2019

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