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POLITICS

U.S. Works to Pave Way for Its Pick to Lead World Bank

David Malpass, a Treasury Department official, has been a critic of the World Bank, particularly over its lending to China



David Malpass has been undersecretary for international affairs at the Treasury, Department. PHOTO: ANDREW HARRER/BLOOMBERG NEWS

By Josh Zumbrun

Feb. 5, 2019 2:07 p.m. ET

The Trump administration is moving swiftly to shore up support for the candidacy of David Malpass to be the next president of the World Bank, hoping to head off potential challengers as the nominating process gets under way.

An official announcement of Mr. Malpass's nomination is expected Wednesday, and U.S. Treasury Secretary Steven Mnuchin has been speaking with foreign counterparts to rally support for Mr. Malpass's candidacy, according to a senior administration official.

The World Bank presidency is formally open to candidates from other countries, but no other country has moved with the same urgency as the U.S., no other candidates have been announced, and so the U.S. may get its way in appointing a sharp critic of the institution to lead it.

The U.S. traditionally has picked the World Bank president as part of an arrangement in which Europe gets to pick the managing director of the International Monetary Fund.

This arrangement has been in place since World War II and remains popular in many European capitals, but it isn't formal and has been challenged in recent years by other countries. The final decision rests with the World Bank's board of executive directors, which begins considering nominations this week.

Mr. Mnuchin spoke last week with Italian finance minister Giovanni Tria, who said in an interview after their meeting that Italy was unlikely to fight a World Bank nomination. "There's a tradition the U.S. can propose a candidate for the World Bank," Mr. Tria said. "For Italy, this is okay because we expect a good candidate."

The U.S. has moved quickly after the World Bank's previous president, Jim Yong Kim unexpectedly announced his resignation last month. Within a week, Mr. Mnuchin and the president's daughter Ivanka Trump were looking to select a candidate, and Mr. Malpass emerged as one of the leading contenders almost immediately.

Despite a strong international desire for the bank to have its first female head and a number of strong potential candidates, no country has yet stepped forward to nominate an alternative to America's pick.

"The Trump administration seems to be bulldozing its way to having its nominee accepted as the next World Bank president," said Eswar Prasad, a professor at Cornell University and former head of the China division at the IMF. "Even if Malpass is unlikely to receive resounding endorsements from traditional U.S. allies, it appears that no country wants to take on the Trump administration frontally and challenge its presumptive nominee at this stage."

In the nearly 75 years since the World Bank and IMF came into existence, emerging market countries have grown rapidly. But despite many expressing a desire to appoint people of other nationalities to the leadership, these countries have struggled to agree on candidates.

"The emerging markets... have had a hard time really finding cohesion and having the willingness to put forward a forceful, unified position," said Mark Sobel, a former U.S. Treasury official who is now the U.S. chairman of the Official Monetary and Financial Institutions Forum, a London-based financial think tank.

The emerging-market economies have few unifying interests to rally around. Some, like Argentina and Turkey, are relatively wealthy but have faced recent currency crises; China is in the midst of tense trade negotiations with the U.S. and an economic slowdown; Brazil has just had an abrupt change in its presidency, swinging control from left to right; and India is enjoying some of the world's fastest growth amid looming elections.

In his role as Treasury undersecretary for international affairs, Mr. Malpass has been a critic of the World Bank, particularly over its lending to China. But he also has worked closely with World Bank officials. He is said to have a good working relationship with Kristalina Georgieva, the bank's chief executive officer who became acting president earlier this month.

A senior administration official said that Mr. Malpass's nomination is meant to signal a focus on more economic growth in the developing world. Despite some of Mr. Malpass's critical statements about the World bank, the official said Mr. Malpass was instrumental in pushing through a capital increase for the World Bank in 2018, which U.S. officials supported.

"He knows the institution because he's been working with the World Bank in his job at Treasury, and knows how it works," said Stephen Moore, an economic adviser to the Trump campaign and an economist at the Heritage Foundation who is a longtime friend of Mr. Malpass.

"I think the change he'll bring will be not radical, but gradual," said Mr. Moore, who said Mr. Malpass would bring a "supply-side, pro-growth, pro-tax cut vision to the World Bank."

Such a focus from Mr. Malpass wouldn't be at odds with all the World Bank's work. One of the bank's flagship economic reports is its "Doing Business" rankings, which pressure companies to improve their business environments and lessen regulatory burdens to free enterprise.

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