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CAS Research Group:
Andreas Kruck and Bernhard Zangl (LMU Munich)

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Starting Point and Research Objectives

The Research Group “Power Shifts and Institutional Change”, which was hosted and funded by the CAS in the academic year 2018/19 and whose results will be published in a 2020 special issue of *Global Policy*, studies how international institutions adjust to a changing distribution of power among their members. Shifts in the global distribution of power put the international order and its underpinning institutions under the pressure to adjust. As powers such as China and India rise and powers such as the US or the UK decline, international institutions such as the United Nations Security Council (UNSC), the World Trade Organization (WTO) or the International Monetary Fund (IMF) come under the pressure to adapt their policies or procedures to new power realities. This pressure can stem from both emerging and established powers.

In contrast to existing International Relations research on power shifts, the CAS Research Group recognizes that the strategies through which challengers – be they emerging or established powers – try to bring about institutional adaptation to global power shifts vary. In some cases, challengers engage in *power bargaining*, issuing threats to force defenders of the institutional status quo to compromise. For example, in 2012 China threatened to disengage from the IMF’s efforts of financial crisis containment to make the US agree on more even-handed IMF surveillance (Zangl et al., 2016). In other cases, emerging or established powers engage in *rhetorical coercion*, using arguments that target existing institutions’ lack of legitimacy in order to shame defenders of the status quo into accepting adjustments. An example

is Brazil’s shaming of the US for its opposition to the 2001 revision of the WTO’s regime of intellectual property protection with regard to essential drugs (Daßler et al., 2019). In yet another set of cases, challengers engage in *strategic cooptation*, making material promises in order to buy the defenders’ agreement to institutional adjustments that upgrade their common interests. For instance, in 2008 India offered to accept International Atomic Energy Agency safeguards in return for de facto recognition as a nuclear power under the nuclear non-proliferation regime (Kruck and Zangl, 2019). Finally, emerging and established powers sometimes challenge the institutional status quo through *principled persuasion*, arguing that adjustments will lead to improved legitimacy or efficiency of the institution to convince defenders that they have a joint interest in institutional adjustments. The US tried to convince NATO partners to increase their military spending to a level of 2.0% of their GDP for the benefit of the organization as a whole.

Traditional power transition theories (PTTs; see e.g. Gilpin, 1981; Modelski, 1987; Organski, 1968), as well as more recent power shift theories (PSTs; see e.g. Lipsky, 2017; Paul, 2016; Schweller and Pu, 2011) largely ignore this variation. They simply assume that challengers of existing institutions always resort to power bargaining. They claim, for instance, that challengers’ ability to issue credible threats, their options outside of the institution in question and the support they receive from (regional) allies are crucial conditions for institutional adjustment. However, the same conditions are less relevant if a challenger seeks institutional adjustments through rhetorical coercion,

strategic cooptation or principled persuasion. Therefore, an adequate understanding of institutional change in the wake of global power shifts should take differences in challengers' strategies into account. To contribute to a better understanding of institutional adjustments of this kind, the CAS Research Group asks three questions: *What strategies are used by challengers of the institutional status quo to push defenders to accept institutional adjustments? What are the conditions under which challengers opt for a particular strategy? And what are the strategies through which challengers are most likely to achieve institutional adaptation?*

To provide answers to these questions the CAS Research Group brings together scholars with a strong record of research on institutional change. The underlying rationale is that power-focused analysis of institutional adjustment to global power shifts could benefit from more general insights into processes of institutional change in international institutions. The common assumption of all members of the research group is that power shifts often create an impetus for institutional adjustment, but they do not automatically lead to institutional adaptation. In other words, institutional adjustments are not a mere reflection of shifts in the overall global distribution of power. Moreover, the members of the CAS Research Group bring in expertise on a wide variety of different international institutions ranging from the realms of security (Martin Binder & Monika Heupel) to the economy (Lora Viola) and the environment (Alexander Thompson). They also cover historical eras ranging from the 19th (Stacie Goddard) and early 20th (Paul MacDonald) to the late 20th and early 21st centuries (Duncan Snidal & Felicity Vabulas, Matthew & Kathrin Stephen, Phillip Lipsky). Finally, the members of the CAS Research Group draw on a variety of both qualitative (Orfeo Fioretos) and quantitative methods (Jonas Tallberg & Soetkin Verhaegen).

Contribution 1: What strategies do challengers use?

What strategies are used by challengers of the institutional status quo – be they emerging or established powers – to push defenders to accept institutional adjustments? Contrary to the assumptions of most existing PTTs and PSTs, the CAS Research Group shows that, besides power bargaining, challengers of the institutional status quo may also engage in rhetorical coercion, strategic cooptation or principled persuasion. To conceptualize these strategies, we draw on two distinctions, the one from the literatures on international negotiations in general and the other on negotiated institutional change more specifically:

(1) We distinguish between *arguing* and *bargaining* as negotiation strategies. Negotiating parties who adopt an arguing strategy direct their efforts towards convincing others of the legitimacy of their own position and the lack of legitimacy of their opponents' position. The parties may use arguments to persuade directly one another, thereby changing their respective positions, but they may also argue in order to convince critical audiences to change their views so that they can garner their support. By contrast, parties who adopt a bargaining strategy rely on threats or promises. By issuing threats and making promises, they try to identify the zone where their respective interests overlap, while at the same time forcing one another to accept an agreement that best serves each of their respective self-interests. In real-world negotiations, the parties may use a mix of bargaining and arguing. Nonetheless, their strategies can usually be classified as having their focus on either the one or the other.

(2) We also distinguish between *distributive* and *integrative* negotiation strategies. When making use of a distributive strategy, each negotiating party seeks to maximize its own interest through 'value-claiming' behavior, i.e. they seek to get as big a piece of the pie as possible. They primarily try to inflict costs on their

counter-party to force the latter to give in. In integrative strategies the negotiating parties seek to maximize their common interests through ‘value-creating’ behavior, i.e. they seek to make the shared pie as large as possible. They primarily point to potential benefits in order to nudge one another into a mutually beneficial agreement. Real-world negotiations often evolve as a blend between distributive and integrative strategies: some concern for joint gains may also figure in distributive strategies, and distributional concerns are often present in integrative strategies. Nevertheless, negotiating parties’ strategies can be classified as *predominantly* distributive (inflicting costs) or integrative (promising benefits).

Crossing the two distinctions, we arrive at four strategies on which challengers may draw to pursue institutional adjustments in the face of global power shifts: power bargaining, rhetorical coercion, strategic cooptation and principled persuasion (see Table 1).

Table 1: Strategies of Institutional Adjustment

	Distributive	Integrative
Bargaining	<i>power bargaining</i> (forcing defenders)	<i>strategic cooptation</i> (buying defenders)
Arguing	<i>rhetorical coercion</i> (shaming defenders)	<i>principled persuasion</i> (convincing defenders)

The work of the CAS Research Group shows that challengers of the institutional quo not only draw on power bargaining strategies to make defenders accept institutional adjustments, but also use strategies of rhetorical coercion, strategic cooptation and principled persuasion too. For example, Lora Viola finds that the US, facing hegemonic decline, increasingly uses ‘exclusive multilateral institutions’ such as the G7 as leverage in power bargaining to impose institutional adjustments on ‘inclusive multilateral institutions’

blocked by emerging powers. Matthew Stephen and Kathrin Stephen describe how China relied on strategic cooptation when it tried to buy itself observer status in the exclusive club of the Arctic Council by promising material support in return for the privilege of observer status. Martin Binder and Monika Heupel argue that, in the early 2000s, the G4 (Brazil, Germany, India, and Japan) used rhetorical coercion to gain permanent seats in the UNSC, arguing that withholding them would disregard their contributions to the Security Council and compromise its performance. And Paul MacDonald demonstrates that at the Hague Conferences in the late 19th and early 20th centuries, proponents of the codification of certain norms of war used principled persuasion to convince skeptical delegations that their proposed changes would correspond to the shared normative beliefs of all ‘civilized’ members of the ‘international society’.

The analyses grown out of this CAS Research Group also underscore that these strategies are not only used by emerging powers, but also by established powers (such as the US) that challenge the institutional status quo in the wake of global power shifts. Moreover, several contributions indicate that different strategies are often used in combination, either simultaneously or sequentially.

Contribution 2: When do challengers use which strategy?

What are the conditions shaping challengers’ choice of a particular strategy? When do they opt for power bargaining, strategic cooptation, rhetorical coercion or principled persuasion? The work of the CAS Research Group indicates that challengers make these choices as bounded rational actors. While their expectations will hardly ever be entirely accurate, challengers will usually opt for the strategy that seems – according to

their expectations – to offer the best prospects for achieving the demanded institutional adaptations. From this perspective, the CAS Research Group identifies two conditions of utmost importance for challengers' choice of strategy:

(1) The choice of strategy is shaped by a challenger's outlook as revisionist or reformist power and thus the degree of alignment or misalignment with defenders' interests. Revisionist powers seek major adjustments to fundamental principles of existing institutions or even aim to alter their social purpose; reformist powers are basically in line with the principles and purpose of existing institutions and merely seek relatively minor institutional adjustments. Therefore, challengers with revisionist ambitions are likely to draw on distributive strategies such as power bargaining or rhetorical coercion. As their interests fundamentally diverge from those of the defenders of the status quo, institutional adaptation through integrative strategies such as strategic cooptation or principled persuasion seems almost impossible. By contrast, reformist challengers can be expected to opt for integrative strategies such as strategic cooptation or principled persuasion. As they have more common ground with the defenders, the distributive strategies of power bargaining or rhetorical coercion may well be unnecessary or even counterproductive. Accordingly, Orfeo Fioretos finds that developing countries' revisionist ambitions in the 1970s led them to engage in rhetorical coercion in their (ultimately failed) attempt to force established developed countries to accept a New International Economic Order. The same developing countries later turned to cooptation tactics as their demands for institutional adjustment of the global economic order became more reformist. Similarly, Paul MacDonald shows that challengers at the Hague Conferences relied on principled persuasion when their issue-specific interests were largely in alignment with defenders' interests, but turned to rhetorical coercion

when these interests diverged more fundamentally.

(2) The choice of strategy is also contingent on whether challengers possess soft power resources in addition to their hard power. Hard power stems from a challenger's material resources such as a strong economy or a capable military. Soft power derives from the challenger's authority among relevant audiences and its ability to make arguments that convince these audiences. The CAS Research Group finds that challengers that cannot combine their hard power with relevant soft power resources will be unable to engage in rhetorical coercion or principled persuasion. They will rely on power bargaining or strategic cooptation. However, if the challenger has soft power resources available as well, it will be able to seek institutional adjustment through rhetorical coercion or principled persuasion. Matthew Stephen and Kathrin Stephen suggest that, due to its limited soft power, China turned primarily to strategic cooptation to gain observer status in the Arctic Council. By contrast, Stacie Goddard demonstrates that in the late 19th century Japan relied on its soft power to pursue adjustments to the 'unequal treaties' with Western powers through a combination of principled persuasion and rhetorical coercion.

Contribution 3: Which strategies help challengers to succeed?

What are the strategies through which challengers are most likely to achieve institutional adaptation? Traditional PTT as well as more recent PST contributions suggest that institutional adjustments can only be achieved through power bargaining. Research done by the CAS Research Group confirms that sometimes challengers can, by means of power bargaining, force defenders of the institutional status quo to accept institutional adjustment. However, the CAS Research Group also finds that challengers can achieve their aims through other strategies, too; the 'success rate'

of power bargaining is not even particularly good. In some cases, power bargaining leads only to limited adjustment, as Felicity Vabulas and Duncan Snidal suggest with regard to BRICS' efforts to increase their voice and representation in international financial institutions. Power bargaining can also fail outright, as Phillip Lipsky demonstrates in the case of Japan's attempt to force the International Whaling Commission (IWC) to lift its ban on commercial whaling.

Yet, power bargaining is not the only strategy with a mixed 'success rate'. Strategic cooptation can be successful, as Alexander Thompson shows for the US' and EU's efforts to nudge emerging powers into accepting carbon emission reduction commitments. It may also result in failure, as Phillip Lipsky testifies in the case of Japan's bid for a permanent seat in the UNSC. Rhetorical coercion was – as indicated by Paul MacDonald – successful during the first Hague Conference in 1899, but failed to bring about institutional adjustment during the second in 1907. It failed again, as highlighted by Orfeo Fioretos, when developing countries pushed for a New International Economic Order. Finally, whereas Stacie Goddard indicates that principled persuasion contributed to the adjustment of the 'unequal treaties' which disregarded Japan's sovereignty up to the late-19th century, Phillip Lipsky shows that Japan's persuasion attempts failed to convince the IWC that its 1982 ban on commercial whaling was inconsistent with its constitutional principles.

Thus, the members of the CAS Research Group do not find a simple relation between a particular type of strategy and the success or failure of an attempt at institutional adjustment. Nevertheless, some contributions suggest that smart combinations of strategies relying on both carrots and sticks (i.e. distributive and integrative strategies) are promising:

(1) *Divide and conquer*: The contributions of Lora Viola, Orfeo Fioretos, and also – to some extent – Felicity Vabulas and Duncan Snidal point to a combination of strategic cooptation and power bargaining which can be used as an effective 'divide and conquer' strategy. In a first step, challengers divide the coalition of defenders by coopting some of them into their own coalition. Then, with the power of their enhanced coalition, they force the remaining defenders to accept their demands. This is how, according to Lora Viola, the US pushed its trade-in-services agenda in the WTO. In addition, this is also how, according to Orfeo Fioretos, the US and its allies managed to defend the Bretton Woods institutions against developing countries' demands for a New International Economic Order.

(2) *Resolve and restraint*: The contributions of Stacie Goddard and Paul MacDonald indicate that a combination of rhetorical coercion and principled persuasion can be effective. Through this combination, challengers signal both their resolve and their restraint at the same time. Rhetorical coercion forces defenders to take the challengers' demands seriously; principled persuasion reassures defenders that they can trust challengers will not go on asking for ever more far-reaching institutional reforms. This, in Stacie Goddard's analysis, is why Japan was able to overcome the 'unequal treaties' in the late 19th century and become a fully sovereign state.

4. Implications

A key implication of these findings is that there is no general answer to the question of the future of the international order in the wake of the current global power shift. Rather, the future of the international order is likely to differ from issue area to issue area, perhaps even from institution to institution. Current debates on how the US and other established powers should deal with emerging powers, most importantly

China, seem, therefore, to be fundamentally misplaced. Drawing on realist arguments, some of these analysts (e.g. Mearsheimer, 2014) suggest that the US needs to pursue the containment of China wherever possible, whereas others (e.g. Ikenberry, 2011), drawing on liberal ideas, advocate engagement with China and its integration into the leadership of international institutions. However, with their respective general recipes for how the US and other established powers should cope with the rise of China, *both* perspectives ignore important issue-area-specific differences.

Realist containment policies may be adequate where China pursues institutional adjustments through the distributive strategies of power bargaining or rhetorical coercion. Nevertheless, containment is likely to be counterproductive where China seeks institutional adjustment through integrative strategies such as strategic cooptation or principled persuasion. The reverse might be true for liberal engagement policies. They may work in issue areas where China seeks institutional change through an integrative strategy such as strategic cooptation or principled persuasion. However, they may be misplaced when China draws on distributive strategies such as power bargaining or rhetorical coercion. The issue-area-specific strategies used by challengers to pursue institutional adjustment call for strategy-specific policy responses from the defenders of the institutional status quo rather than a uniform policy response across all issue areas. And these strategy-specific policy responses may apply not only to challenges stemming from emerging powers such as China, but also to challenges from established powers such as the US. After all, the latter may be just as consequential for the international order as the former.

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