



## CAS International Research Group

### „Power Shifts and Institutional Change in International Institutions“

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#### 1. Abstract

Shifts in the international distribution of power create an impetus for institutional change. As powers such as China rise and powers such as the US decline, international institutions come under pressure to adapt to new power realities. Yet, the pathways to institutional adaptation vary considerably. What is more, sometimes attempts of institutional adaptation are successful and sometimes they fail. The proposed project therefore asks: what are the conditions under which different pathways to institutional adaptation are chosen, and what are the pathway-specific conditions for the success or failure of institutional adaptation? The project initial proposition is that differences in power shifts translate into differences in pathways to institutional adaptation. Depending on whether power shifts involve revisionist or reformist powers and depending on whether power shifts imply hard or soft power, the resulting pathways to institutional adaptation will take the shape of power bargaining, strategic co-optation or strategic persuasion, which in turn feature specific conditions for the success or failure of institutional adaptation. Taking this “power shift proposition” as a starting point, the project seeks to develop a “theory of institutional adaptation” which will be assessed in case studies on institutional (non-)adaptation to international power shifts.

#### 2. Proposed Research

Shifts in the international distribution of power create an impetus for institutional change. In fact, the adaptation of international institutions in the wake of global power shifts can evolve via a variety of pathways. Consider the following examples:

- In the late 19<sup>th</sup> and early 20<sup>th</sup> century, the UK as declining hegemon and Germany as rising power engaged in *power bargaining* over adaptations of the global order. Germany pushed for adjustments by threatening to undermine the European order, while the UK resisted these demands, but ultimately had to make concessions to appease German ambitions.
- In the early 19<sup>th</sup> century, the US as rising power and Spain and Portugal as declining powers engaged in *strategic persuasion* to find agreement on institutional adaptation. The US drew on anti-colonial sentiments to “convince” Spain and Portugal to withdraw from their colonies in Latin America and to accept US supremacy in the region.
- In the late 19<sup>th</sup> and early 20<sup>th</sup> century, the UK as a declining hegemon was engaging in *strategic co-optation* of rising US power. The UK was willing to trade institutional

privileges for US support of the international institutions it once created and still dominated.

Existing theories do not capture this variation in pathways to institutional adaptation to a shifting global distribution of power. Earlier power transition theories (PTTs) focused on whether institutional adaptations to power transitions are possible without great power war (Organski 1968; Organski and Kugler 1980; Gilpin 1981; Modelski 1987; 2005). These earlier PTTs have recently been replaced by power shift theories (PSTs) (Ikenberry 2009, 2011; Schirm 2010; Schweller 2011; Schweller and Pu 2011; Stephen 2012; Hopewell 2015; Zangl et al. 2016; Paul 2016; Paul and Shankar 2016). Power shift theories (PSTs) give up the PTT focus on full-blown power transitions, but study institutional adaptations to power shifts, where some powers such as China and India in the last decade have gained, while established powers such as the US and the UK have lost in relative power.<sup>1</sup> These recent PST contributions also give up the PTT focus on the international order as a whole, but analyse the adaptation of specific institutions such as the World Trade Organization (WTO), the International Monetary Fund (IMF) or the United Nations Security Council (UNSC) that underpin issue area-specific sub-orders of the global order. Moreover, and most importantly, these more recent PSTs try to identify the conditions under which institutional adaptations are likely to succeed or fail, rather than assuming – as PTTs generally do – that institutional adaptations are bound to failure. However, just as traditional PTTs, these more recent PSTs do not theorize different pathways to institutional adaptation.

This neglect of acknowledging a variety of pathways to institutional adaptation in the wake of shifts in the global distribution of power is unfortunate. It is unfortunate in itself, as we are generally interested in the pathways through which emerging and established powers may adapt institutions to changing power realities. But it is all the more unfortunate as the conditions for success or failure of institutional adaptations are likely to depend on the pathways to institutional adaptation. The conditions for success or failure of adaptation via power bargaining will be different from those accounting for successful or failing strategic co-optation or strategic persuasion. We are, thus, unlikely to make progress in identifying the conditions for success or failure of institutional adaptations unless we study the underlying conditions under which different pathways to institutional adaptation are taken. The project therefore addresses, with regard to shifts in the global distribution of power, the following question: *what are the conditions under which different pathways to institutional adaptation are taken (pathway conditions), and what are the pathway-specific conditions for the success or failure of institutional adaptation (success conditions)?*

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<sup>1</sup> For an assessment of the current shift in the global distribution of power, see Brooks & Wohlforth (2015/16), who demonstrate that the current power shift does not amount to a power transition.

### ***Previous work***

The spokesperson of the Research Group Bernhard Zangl has already published work that engages with the above question. He has published one (co-authored) article in a high-ranking journal (Review of International Organization) on the power bargaining pathway (Zangl et al. 2016). He has also written papers on the pathways of strategic co-optation (Zangl et al. 2017) and strategic persuasion (Dassler et al. 2017) which are currently under review with high-ranking journals (International Organization and Review of International Political Economy). Each of the papers covers at least one case on each pathway. Drawing on these case studies he is currently working on a paper that studies the conditions under which different pathways to institutional adaptation are taken (Kruck & Zangl 2017). While this latest paper provides provisional answers to the first part of the question (i.e. the pathway conditions), it leaves the second part of the question (i.e. the success conditions) largely un-addressed. By addressing both parts of the question simultaneously, the Research Group offers the unique opportunity to develop an integrated theory of institutional adaptation to global power shifts and to assess it empirically through a set of case studies of institutional (non-) adaptation.

### ***Pathway Conditions***

The first task of the research group is to identify the conditions under which a specific pathway is taken to adapt international institutions to a shifting distribution of power. As a starting point, the research group can draw on the “power shift proposition” Bernhard Zangl is developing in his current work. The proposition suggests that the pathways of institutional adaptation are contingent on the kinds of power shifts that create an impetus for institutional adjustment. Depending on whether emerging powers are *revisionist* or *reformist* powers and depending on whether they have *hard power* only or can rely on *soft power* too, four kinds of power shifts are distinguished:

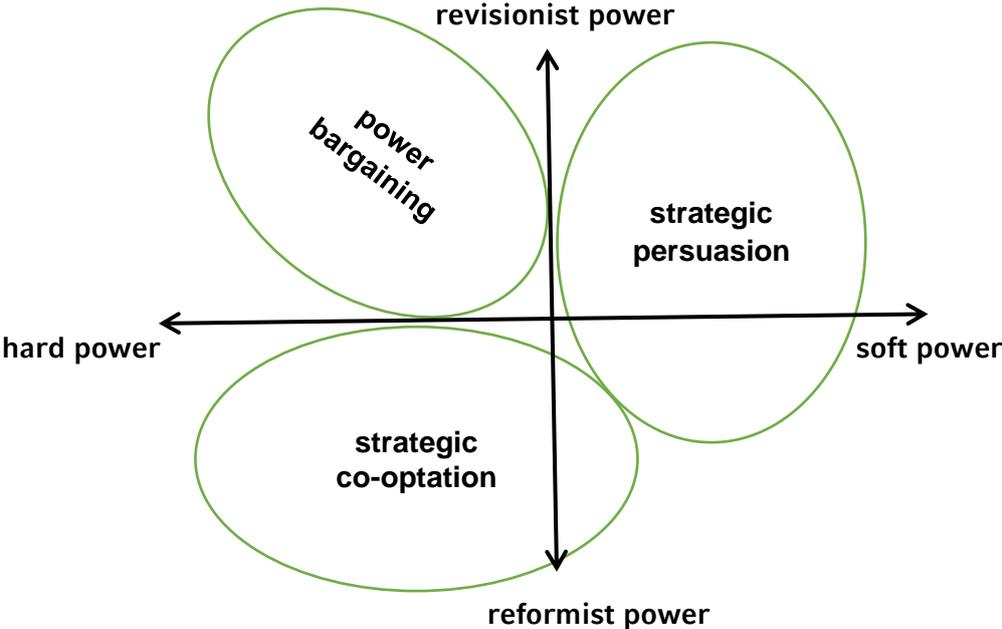
(1) *Revisionist versus reformist powers*: Emerging powers can be either revisionist or reformist powers (Schweller & Pu 2011). Revisionist powers aim at radical changes of the existing order. They typically challenge the social purpose of its institutions (Buzan 2010: 17–8). By contrast, reformist powers are, in principle, willing to support the existing order. While aiming at modifications, they accept the social purpose of these institutions.

(2) *Hard versus soft power*: Emerging powers can have hard power only or also possess soft power to push for institutional reforms. Sources of hard power are the control over material resources such as a strong economy or a capable military (Waltz 1979, Morgenthau 1948).

Soft power, by contrast, stems from sources such as persuasion or attraction. Soft power is thus the ability to mobilize support through persuasion and attraction (Nye 2004: 256; 1990).

The power shift proposition claims that the four different kinds of power shifts that result from the combination of the above dimensions of power are associated with different pathways of institutional adaptation. First, if established powers confront emerging powers that pursue revisionist ambitions with hard power resources, they are likely to embark on a pathway of *power bargaining*. Second, if established powers deal with emerging powers that can pursue an equally revisionist agenda with soft power too, a pathway of *strategic persuasion* is likely to unfold. Third, if established powers confront emerging powers that pursue a reformist agenda with hard power resources, a pathway of *strategic co-optation* is likely. Finally, if an emerging power with a reformist agenda draws on soft power resources to promote reforms this usually translates in pathways of *strategic co-optation* or *strategic persuasion* (Figure 1).

**Figure 1: Power Shifts and Pathways to Institutional Adaptation**



(1) *Power Bargaining*: If emerging powers are revisionist, i.e. challenging the social purpose of the order, and draw on hard power resources to push for institutional reforms, the power shift proposition expects attempts at institutional adaptation to take the form of power bargaining. As the emerging powers do not subscribe to the social purpose of the institution dominated by established powers, the latter try hard to resist the formers’ demand for institutional adaptations. Therefore, emerging powers are likely to use their growing hard power to demand institutional adaptations while established powers draw on their hard power to resist them. Typically, emerging powers will *threaten to undermine* the institution’s functioning, if their counterparts are unwilling to cater to their demands for institutional

adaptation, while established powers will *threaten to retaliate* in order to fend off such demands (Gilpin 1981; Schweller and Pu 2011; Krasner 1991). Recent examples of power bargaining in the wake of a power shift include the negotiations between the US and China on more even-handed IMF surveillance and the negotiations leading to the inclusion of India and Brazil in the WTO core negotiation group – the so-called Quad (Zangl et al. 2016).

(2) *Strategic persuasion*: If emerging powers are revisionist but lack hard power to push for institutional adaptations, they are likely to use soft power resources to achieve institutional adaptation. Under these conditions, the power shift proposition expects claims of institutional adaptation to lead to a pathway of strategic persuasion. Established powers try to resist institutional change because emerging powers do not accept the social purpose of the institutional status quo. However, since emerging powers can draw not only on hard power, but also on soft power they do not mainly rely on threats to undermine the current institution to push for institutional reforms, but rather challenge the legitimacy of the institutional status quo. Therefore, established powers cannot simply issue threats to retaliate, but have to argue in favor of the legitimacy of the institutional status quo. Negotiations are, thus, not only shaped by threats, but mainly by the *strategic use of arguments* to legitimize one's own institutional preferences (Schimmelfennig 2001). To be sure, while the main cleavage in the negotiations is between established and emerging powers, neither side really argues to convince their counterparts. They rather argue in order to gain global civil society support for the legitimacy of their respective demands. They seek to forge coalitions with transnational "advocacy networks" (Keck and Sikkink 1998). Take the reform of the WTO intellectual property rights regime as a recent example of this pathway to institutional adjustment. In this case India and Brazil were able to push for the reform by arguing that the WTO regime prevented essential medication for HIV/AIDS treatment (Dassler et al. 2017).

(3) *Strategic co-optation*: If emerging powers are reformist rather than revisionist (Schweller and Pu 2011; Ikenberry 2011), but have the hard power to push for institutional adaptations, the power shift proposition expects attempts at institutional adaptation to unfold in a pathway of strategic co-optation (Selznick 1964: 135-136) of emerging powers by their established counterparts.<sup>2</sup> In this pathway, emerging powers demand institutional adaptations and established powers typically do not resist them, as in power bargaining or strategic persuasion, but promote them from early on. In the face of an ongoing power shift, the established powers seek support to stabilize the institution and the more encompassing order they still dominate. As the emerging powers are – as reformist powers – in conformity with the social purpose of the institution and as they have the (hard) power to support the

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<sup>2</sup> Through co-optation either the wielding of power or the burdens of power, or both, are shared between power holders and other centers of power in order to stabilize an institution against threats to its stability (Selznick 1964: 135-136).

institution, established powers turn to them for institutional support. The ensuing negotiations will neither see the threats typical of power bargaining nor the arguments typical of strategic persuasion, but rather material *promises*. Established powers promise institutional privileges and emerging powers promise in return to support the institution the established powers seek to maintain in the face of fundamental challenges.<sup>3</sup> Recent examples of strategic co-optation in the wake of a power shift include the co-optation of the BRIC states into global economic governance by upgrading the G20 and the co-optation of India into the nuclear non-proliferation regime by recognizing its nuclear power status (Zangl et al. 2017).

Drawing on its encompassing theoretical and empirical expertise, the research group will engage in a thorough review of this power shift proposition as a result of which the proposition is likely to be revised and will certainly be refined. This refinement has to include, among other things, the specification of operational criteria for the distinction of the three pathways to institutional adaptation as well as a reflection on potential feedback effects of the taken pathway on the revisionist or reformist stance of emerging powers.

### ***Success Conditions***

The second task of the research group is to specify the pathway-specific conditions for the success or failure of institutional adaptation. While the research group can still draw on some preliminary thoughts from Bernhard Zangl's previous work, it mainly has to develop its own propositions on the pathway-specific conditions for success or failure of institutional adaptation. For this endeavour the profound knowledge of theories of institutional change from different theoretical traditions in International Relations is of utmost importance. As they shape the three pathways, the group will derive these pathway-specific conditions from the traditions of power-based, interest-based and norms-based theories of institutional change. Candidate conditions the group will consider include the following.

(1) For the *power-bargaining* pathway: the credibility of emerging powers' threats to undermine the institution in question, if their demands for institutional adaptation are rejected by established powers.

(2) For the pathway of *strategic persuasion*: the ability of emerging powers to forge coalitions with transnational "advocacy networks" that help them to legitimize their threats to undermine the institution and to de-legitimize established powers' threats of retaliation.

(3) For the pathway of *strategic co-optation*: the ability of established powers to offer emerging powers significant institutional privileges to prevent them from free-riding on the

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<sup>3</sup> In negotiations leading to strategic co-optation, we thus expect integrative, rather than distributive bargaining strategies (Odell 2000; Scharpf 1997).

existing order and the joint ability of emerging and established powers to overcome middle power resistance against the extension of privileges.

Engaging with and expanding on these preliminary propositions, the research group will identify pathway-specific conditions for the success or failure of institutional adaptation which also need to be consistent with the pathway conditions of the (revised) power shift proposition. Only if consistent, the two sets of propositions can serve as building blocks of an integrated theory of institutional adaptation to shifts in the global distribution of power.

### ***Empirical Assessment***

However, the research group will not only engage in theory-building! In fact, a lot of energy will be devoted to its third objective of assessing empirically of both the pathway conditions as well as the success conditions. To do so, the research group will conduct in-depth studies of cases in which emerging powers demanded established powers' agreement that international institutions adapt to shifting power distributions. This will also serve to retrace the complex causal mechanisms through which the pathway and success conditions lead to specific case outcomes. From its current work, the Bernhard Zangl brings already four in-depth case studies to the project. They cover the adaptation of the WTO core negotiation group, the reform of the IMF's surveillance regime, the adjustment of the WTO protection of intellectual property rights and the changes of the NPT regime. These case studies show that different pathways to institutional adaptation exist which display fundamentally different process features. However, evidence from more systematically selected cases is needed to assess the pathway conditions of the power shift proposition, and in particular to identify the pathway-specific conditions for the success or failure of institutional adaptation. The research group will thus engage in case study work for which the input from experts on the relevant institutions is crucial. Cases that could be analyzed include: the struggle over voting rights in the IMF, the call for a permanent seat in the UNSC, the conflict over the composition of the IMF currency basket, the enlargement of the G7/8 to the G20, the call for membership in the Basel Committee on Banking Supervision (BCBS), the struggle over human rights and environmental standards in World Bank projects, etc.

While the case studies cannot possibly provide a rigorous test with a high risk of falsification for the theory, they will provide more than just illustrations with no risk of falsification. The case studies provide a plausibility probe by investigating whether on the one hand different power shifts co-vary with the different pathways of institutional adaptations and whether on the other hand the pathway-specific conditions co-vary with the success or failure of institutional adaptation. The variation analysis will be supplemented with process evidence. Moreover, together with the case studies the Bernhard Zangl has already conducted, the number of case studies the group can draw on allows for a Qualitative Comparative Analysis

(QCA), at least for the pathway conditions of the power shift proposition, albeit not for the pathway-specific conditions for the success or failure of institutional adaptation. Based on Boolean algebra, QCA helps to identify necessary and sufficient conditions for certain pathways.

The results of the Research Group will be published in a special issue of a high-ranking International Relations journal or in an edited volume with a distinguished University Press.

### ***Composition of the Group***

The description of the project should have made clear that it requires expertise of experienced scholars with different theoretical and empirical backgrounds. The group will comprise Bernhard Zangl and Andreas Kruck (LMU) as well as five scholars which will be selected based on an international call. *Two* of these five scholars might be *senior* colleagues who could stay at the CAS for about *three months* each. Bernhard Zangl would select colleagues from different theoretical traditions that have done important research on theories of institutional change. As most of these theories deal with institutional change triggered by institutional dysfunctionalities, and rarely consider power-driven change, the project thus gives these scholars the opportunity to transfer (and adapt) their ideas on dysfunctionalities-driven change to power-shift-driven change. At the same time, it would be of the utmost benefit to the project if their expertise on institutional change triggered by institutional dysfunctionalities can be adapted to better understand institutional change triggered by shifting power constellations. In addition the group might consist of *three junior* international colleagues who could stay for about *six month* each. Bernhard Zangl would select these colleagues based on their expertise regarding theories of institutional change, but also, and perhaps even more importantly, with regard to their expertise on specific international institutions which have been pushed to adapt to new global power realities. Their expertise should thus allow the Research Group to firmly ground theoretical development on in-depth empirical knowledge and analysis via detailed case studies. It will thus be crucial for the achievement of both the theoretical and empirical objectives of the project.

## Literature

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