

To Reform or to Replace? Institutional Re-contracting and the Succession of International Organizations*

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When and why are international organizations replaced? Given high costs of negotiating international agreements, states are widely expected to hang on to existing institutions rather than invest in creating new ones. Nevertheless, examples of institutional replacement abound: the Organization for European Economic Cooperation (OEEC) was replaced by the Organization for Economic Cooperation & Development (OECD); the Conference on Security & Cooperation in Europe (CSCE) was superseded by the Organization for Security & Cooperation in Europe (OSCE) and the WTO replaced the GATT. In total, 61 IOs created since 1900 have one or more legal predecessors from which they have directly inherited their mandate and functions. We explain IO replacement as result of a strategic bargaining process through which dissatisfied parties trigger extra-institutional mechanisms of institutional change when reform routes are blocked. Replacement is likely when dissatisfied parties are well organized, when reform costs are high, and when scale-economies marshal against creating rival institutions. We illustrate with three case studies and touch briefly on further illustrative examples.

In 1970 the International Bureaux for Protection of Intellectual Property (BIRPI) was replaced by the World Intellectual Property Organization (WIPO) which took over BIRPI's functions, liabilities, and assets. This institutional replacement is no isolated incident. The Organization for European Economic Cooperation (OEEC) was replaced by the Organization for Economic Co-operation and Development (OECD). The Organization for Security and Cooperation in Europe (OSCE) replaced the Conference on Security and Cooperation in Europe (CSCE), and the WTO succeeded the GATT. In total, 61 IOs created since 1900 have one or more predecessors from which they have directly taken over their mandates and functions.¹

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¹ Eilstrup-Sangiovanni 2018.

IO replacements are *a priori* puzzling. A large literature theorizes international institutions as the products of “bargaining processes over rules and design that are far too costly to change drastically.”² Scholars cite a combination of sunk costs,³ increasing returns,⁴ learning and coordination effects,⁵ socialization mechanisms,⁶ and bounded rationality⁷ as reasons to expect inertia or, at most, *incremental* changes to the contractual foundations of international institutions.⁸ To be sure, institutions may periodically be reformed to cope with new problems or accommodate power shifts among states, but the decision to replace an existing institution with a new one that fulfils a similar function is not generally foreseen in extant institutionalist scholarship.

When and why are IOs replaced? We explain institutional replacement as the result of a strategic bargaining process through which dissatisfied state parties seek to alter the status quo. Replacement is one among several bargaining strategies that dissatisfied states can pursue when institutional reform is blocked. Others include ‘regime-shifting’,⁹ ‘forum-shopping’,¹⁰ ‘outside options’,¹¹ and ‘competitive regime creation’.¹² Unlike such strategies, replacement (also labelled institutional ‘succession’ by institutional lawyers) does not lead to multiple institutions with overlapping mandates, but cleanly wraps up an existing institution before unfolding a successor. We argue that institutional replacement is likely when i) an institution is subject to an unexpected exogenous shock that leaves a subset of members dissatisfied, ii) reform costs are high, iii) dissatisfied parties are well organized, and iv) scale economies marshal against the creation or use of parallel, competing institutions. Under such conditions, replacement can advance the interests of both traditionally powerful and traditionally weak players.

Our analysis advances existing theories of institutional bargaining and change in three directions. First, we advance recent work on regime shifting and competitive regime creation by pointing to an additional mechanism of institutional contestation: succession. Second, our

² Cotrell 2014:21.

³ Stinchcombe 1965; Keohane 1984.

⁴ Keohane 1984; North 1990; Stein 1990.

⁵ Pierson 2000, North 1990.

⁶ March and Olsen 1998; Barnett and Finnemore 2001.

⁷ March and Olsen 1998; Jupille et al. 2013.

⁸ North 1990; Fioretos 2017.

⁹ Helfer 2004, 2009.

¹⁰ Bush 2007.

¹¹ Voeten 2001; Vabulas and Snidal 2013; Lipsky 2015, 2017; Pratt 2017.

¹² Morse and Keohane 2014; Urpelainen and van de Graff 2014; Jupille et al. 2013; Vabulas and Snidal 2016.

analysis contributes to understandings of institutional path-dependence by identifying mechanisms through which seemingly entrenched institutional equilibria can be unraveled through extra-institutional bargaining mechanisms. Third, by highlighting numerous cases of institutional replacement which have been either overlooked in extant scholarship or treated as generic cases of reform without attention to the distinctive process through which institutional change is achieved in these cases, we generate new theoretical and empirical insights into dynamics of institutional change.

This paper is organized as follows. Section 1 defines the concepts central to our analysis. Section 2 outlines a theory of institutional replacement focused on exogenous shocks, reform costs, and relative capacity for organizing by institutional challengers and defenders. Section 3 illustrates our theory through three case studies: the replacement of the International Sugar Council in 1967, the replacement of the OEEC in 1969, and the substitution of the International Vine & Wine Office in 2001. These cases are explicitly selected because they display the main dependent outcome of interest: institutional succession. However—like most IOs—all three organizations have also seen periods of continuity and reform prior to replacement. Each case thus features significant within-case variation in dependent outcomes. In conclusion, we seek to generalize from these cases through a preliminary discussion of other cases of institutional succession and institutional change more broadly.

I. Definitions

Institutional succession occurs when an international institution is formally dissolved and replaced by a successor that takes over its main functions, assets, and liabilities.¹³ As a legal act, succession implies the substitution of *formal* international institutions, founded by international charter or treaty. Since such institutions are generally endowed with organizational apparatus, succession thus implies the substitution of formal intergovernmental organizations (FIGOs).

Two important distinctions follow from this definition. First, institutional replacement qua succession must be clearly distinguished from instances in which deeply embedded norms and practices lose their prescriptive status and are replaced by new norms. Such cases have been the focus of previous studies centered on how normative de-legitimation may trigger institutional

¹³ Schermers and Blokker 2003:145.

change.¹⁴ As defined in this article, institutional replacement refers narrowly to *de jure* substitution of *formal* IO, not to *de facto* substitution of *informal* rules, norms, or conventions. Second, institutional successions must be distinguished from scenarios in which an incumbent IO is unofficially superseded by another organization that fulfils a similar purpose.¹⁵ For example, the creation of the Union of African States in 1963 resulted in the gradual disuse of the Conference of Independent African States.¹⁶ Since there was no legal transfer of mandate or functions between the two organizations, this is not a case of succession but rather of general institutional rivalry resulting in the gradual demise of one IO and the eventual assimilation of its functions by another.

When successful, succession may deliver sweeping institutional changes that go far beyond what could be achieved through reform. The replacement of the GATT by the WTO on 1 January 1995 is such an instance. But whilst succession entails institutional change *by definition*, sweeping change is not a necessary feature of succession. Rather than representing varying degrees of departure from the status quo, the difference between reform and succession boils down to the *process* through which change is enacted. IO founding treaties generally grant all state parties the right to participate in negotiating and approving treaty amendments.¹⁷ Reform is thus an inclusive process, typically requiring some form of (super)majority or even unanimous approval. By contrast, succession—as an extra-institutional strategy—can be initiated by a subgroup of members who can subsequently present a new agreement as a ‘take-it-or-leave-it’ deal to others.

II. Theorizing Institutional Replacement

Why do states (sometimes) dissolve existing IOs only to replace them with new organizations that fulfil a similar purpose? Under what conditions are IOs likely to be replaced? Existing literature offers limited insights on these questions.¹⁸ Institutionalist scholars of all

¹⁴ Panke and Peterson 2012, Cottrell 2009, 2014.

¹⁵ Schermers and Blokker 2003.

¹⁶ Wessels 2011.

¹⁷ Article 40(2) of the 1969 Vienna Convention on the Law of treaties provides that “any proposal to amend a multilateral treaty [...] must be notified to all the contracting states, each one of which shall have the right to take part in (a) the decision as to the action to be taken... (b) the negotiation and conclusion of any agreement on amendment. See Klabbers 2002.

¹⁸ An exception is Cottrell (2009, 2014) who theorizes informal replacement of international security institutions as result of legitimacy challenges. Previous studies have explained the GATT’s replacement by the WTO as the result of a strategic bargaining sequence. E.g., Gruber 2000, Steinberg 2002, Helfer 2004,

stripes have cited high costs of institution building, self-reinforcing ‘lock-in’ mechanisms and cognitive biases to ground the expectation that states prefer to “stick with the institutional devil they know” rather than embark on new and uncertain cooperative ventures.¹⁹ Recently, scholars have begun to theorize institutional choice under conditions of ‘institutional complexity’, when multiple separate but partially overlapping institutions exist in an issue-area. For example, Jupille, Mattli and Snidal (2013) introduce a taxonomy of institutional choice focused on the alternatives of ‘usage’ of an existing focal institution, ‘selection’ of an existing alternative institution, ‘change’ via reform, and ‘creation’ of a novel institution. Given bounded rationality and risk-aversion they argue that ‘usage’ is always the default choice, whereas states will engage in institutional creation “only when all other options are exhausted”.²⁰ Other recent studies have honed in on the conditions under which states transfer activities from one institution to another,²¹ or create de novo institutions to challenge the status quo.²² Unlike such strategies which may cause previously integrated legal regimes to ‘fragment’ into overlapping, rival institutions,²³ our focus is on instances in which an existing IO is directly replaced by a successor that has been created for the explicit purpose of supplanting the incumbent. Given the high transactions costs, risk and uncertainty associated with creating new international institutions, such cases demand further analysis.

2.1. Three Bargaining Strategies

Succession is one of several bargaining strategies that aggrieved parties can use to alter the status quo. Other strategies include reform, regime-shifting and competitive regime creation. These strategies are all *institutional* in the sense that they aim to permanently alter payoff distributions from cooperation. As such they differ from the day-to-day decision-making that governs standard rulemaking and compliance within IOs. Our question is under what circumstances each of these strategies will prevail over the status quo, and who initiates change.

Our starting point is an IO that is hit by an exogenous shock which leaves a subset of members dissatisfied. This shock must be unexpected in the sense that it could not have been

Jupille et al. 2013). However, they have generally failed to recognize this case as a specific instance of a broader phenomenon of institutional succession.

¹⁹ Jupille et al. 2013. See also Fioretos 2017.

²⁰ Jupille et al. 2013:7, 39.

²¹ Helfer 2004; Urpelainen and van de Graaf 2014.

²² Morse and Keohane 2014:387; Vabulas and Snidal 2017; Pratt 2019.

²³ Benvenisti and Downs 2007; Alter and Meunier 2009.

foreseen and accommodated through ex-ante flexibility mechanisms such as limited duration or escape clauses.²⁴ The shock must also be *asymmetrical*. One could imagine an exogenous shock that affected all member states similarly, leading to unanimous demand for institutional change. In this case, amending the institution in the desired direction should be relatively easy. By contrast, when dissatisfaction is limited to subgroup, party states effectively divide into institutional ‘challengers’ who desire change and ‘defenders’ who prefer the status quo to the changes demanded by challengers.²⁵

In the wake of an exogenous shock, dissatisfied challengers face four choices. They can either accept the new status quo (‘stasis’), demand reform (‘reform’), transfer cooperation to an alternative venue, whether pre-existing or new (‘shifting’), or charter a successor institution (‘succession’). As we illustrate in a moment, each option is subject to different costs and constraints. Regime-shifting incurs inefficiencies through lost cooperation gains. Both reform and succession are also inefficient although in different ways. Reform is vulnerable to veto players and may involve high transaction costs. Succession, by moving negotiations outside an extant institution, bypasses veto players. However, succession suffers from scale diseconomies, while reform does not. Therefore, depending on which shortcoming prevails, we find that reform will be preferred to succession or vice versa.

i. Reform

Whenever an institution is broken by an exogenous shock, one remedy is to reform it. Compared to other strategies of institutional renegotiation (e.g., competitive regime creation or succession), a reform process has the benefit of taking an existing institutional treaty as a blueprint and using an existing forum to convene state parties, thereby reducing transaction costs.²⁶ Nevertheless, institutional reform processes often entail significant costs relating, *inter alia*, to information-gathering, diplomacy, formal negotiation and re-drafting of treaty documents, and, in some cases, domestic ratification.

Reform costs are partly a function of the internal rules governing treaty amendments.²⁷ Some institutions provide for considerable flexibility in the reform process, permitting any member to

²⁴ Rosendorf and Milner 2001; Koremenos 2001.

²⁵ Morse and Keohane 2014; Pierson 2004:62, Colgan et al. 2012

²⁶ Koremenos 2001.

²⁷ Lipsy 2017:34-7; Shepsle and Weingast 1987.

table a reform proposal, and allowing a simple majority to adopt amendments, meaning that holdouts can be more easily bypassed. Others set the bar higher, requiring a supermajority to even place a proposal on the agenda and unanimous consent to adopt any changes.

Another transaction cost stems from the potential for delay. IO constitutions rarely set a time limit for the acceptance of treaty amendments. As international lawyers lament, this leaves entry into force to the mercy of the least keen reformers—often resulting in considerable delays and uncertainty.²⁸ For example, the first amendment to the International Civil Aviation Organization (ICAO) took 14 years to enter into force. The Additional Protocol to the NPP’s Safeguards Agreements (INFCIRC/540) agreed in 1997 has yet to be brought into force by many state parties, with resulting reductions in collective benefits.

Although it is common to model the limits of reform by means of a transaction cost,²⁹ this arguably misrepresents as a deadweight loss what is really a redistributive issue. Reform typically fails, when it does, not because it destroys value, but because veto players demand excessive rents. The difficulty and cost of reform is therefore in some measure a function of the degree to which states’ preferences diverge (and hence endogenous). Internal rules governing institutional reform thus interact with preference heterogeneity to affect the prospects for reform: (i) the more restrictive the rules, the higher the cost of reform; and (ii) the greater the distance between the ideal points of institutional challengers and defenders, the more costly it is for either side to satisfy the other’s demands under any given decision rule.

Table 1: Reform Costs

		Distributive Conflict	
		<i>Low</i>	<i>High</i>
Decision constraints	<i>Low</i>	Low reform cost	Medium cost
	<i>High</i>	Medium cost	High cost

ii. Shifting

²⁸ Frowein 1998, Yee 2000:185-6, Klabbers 2002.

²⁹ See e.g. Lipsy 2017.

The term ‘regime-shifting’ was coined by Laurence Helfer (2009:42) who argued that shifting deliberations from one existing institution to another with a more favourable mandate or decision rules can serve to “decrease the clarity of international law” and introduce strategic inconsistencies which loosen the compliance pull of existing agreements. Imprecision and inconsistencies, although legal, de facto mean the suspension—in whole or in part—of the initial agreement. While regime-shifting can serve to reduce cooperation costs for some states, it can also be used to impose cost on partners to spur renegotiation.³⁰

Next to regime-shifting, another strategy of contestation is ‘competitive regime creation’; when a coalition of dissatisfied states creates a new institution that more closely represents its interests in order to challenge the status quo.³¹ Since regime-shifting utilizes a pre-existing institution, whereas competitive regime creation does not, the two strategies incur different bargaining and transaction costs. However, their effect on a status quo institution is similar. All noncompliance—whether in the form of rule violations or exit—withholds benefits of cooperation from other states and can therefore be used to build pressure for renegotiation.³² Importantly, insofar as multilateral institutions exist to solve collective action problems that states cannot effectively address alone, both strategies of ‘shifting’ also erode collective payoffs from cooperation.³³ Given network effects or scale-economies (which exist in many areas of international cooperation), two coalitions cooperating on the same issue but abiding by different rules could theoretically both be made better off through some form of institutional ‘accommodation’ aimed to reduce rule inconsistencies and harness economies-of-scale. While regime-shifting and competitive regime creation incur different bargaining costs, both strategies are therefore suffer from ‘inconsistency costs’ in the form of lost cooperation gains. Unlike previous models,³⁴ we therefore do not treat competitive regime creation as a separate strategy to regime-shifting, but rather as a *costly instance* of regime-shifting.

iii. Succession: The King is Dead, Long Live the King!

Succession has one clear advantage compared to ‘institution-shifting’: by *replacing* rather than duplicating a status quo institution, succession avoids inconsistency costs. Succession also has a

³⁰ Meyer 2010.

³¹ Morse and Keohane 2014

³² Opcit.

³³ Verdier 2020. See also Alter and Raustialla 2018; Faude and Parizek 2019.

³⁴ E.g., Jupille et al. 2013; Morse and Keohane 2014, Urpelainen and van de Graff.

one clear advantage over reform; it is not hostage to veto-players. In most institutional settings, reform involves collective bargaining between coalitions of states which are either challenging or defending the status quo. If either coalition is paralyzed by internal veto players, bargaining stalls. Succession naturally helps to circumvent institutional veto players by not requiring collective acceptance by any coalition. Instead, bargaining takes place between a core group of proposers and other states individually. If enough states individually decide to join the new organization and sink the old, succession proceeds. Crucially, given that a successor institution *replaces* an existing organization in its entirety, joining the new organization and leaving the old is a single undertaking.

Succession has other advantages compared to reform. As discussed, reform processes are often slow and cumbersome. Succession helps circumvent this dilemma by allowing proposers to set a clear deadline for states to opt in or out. Furthermore, by replacing a pre-existing agreement in its entirety, *succession* ensures that stalwarts “automatically cease to be parties, as the instrument to which they were committed is no longer deemed in force”.³⁵ Rather than a choice between reform/no reform of an existing institution, they now face a choice between joining a successor or exiting the regime altogether.

However, succession has problems of its own: it only works if enough members are willing to leave the old organization and invest in the new. This is because the type of IOs we are interested in have built-in network effects or scale economies: the more members (of a relevant kind), the more benefits the organization produces. We believe this is a realistic assumption for many (but not all) international institutions. Although some policy problems can be adequately resolved through unilateral, bilateral, or small group initiatives, many are subject to network effects, whereby the marginal utility of joining increases with the total number of participating actors.³⁶ Many IOs also benefit from more traditional ‘scale-economies’ arising from pooling of scarce technical knowledge and scientific information.³⁷

³⁵ Helfer 2005:1611, 2020:634. Article 59 of the 1969 Vienna Convention on the Law of Treaties stipulates that a treaty ‘shall be considered as terminated if all the parties to it conclude a later treaty relating to the same subject matter’.

³⁶ The benefits to states from entering international agreements are not only given by the terms of the rules, but also by the number of other actors that adopt those rules. In institutions subject to network effects, benefits increase with each additional member. See Meyer 2010. Development aid can be pursued effectively through small-scale initiatives (Lipsy 2017:28) whereas a cartel designed to manipulate oil prices is more effective with every oil producing country that joins.

³⁷ Lipsy 2017: 27-28.

An implication of high network effects or scale-economies is that only *one* organization of a certain kind is viable: the successor IO either draws every party to it, or it does not materialize at all. This is the institutional equivalent of a ‘tipping’ game in game-theoretical terms. The need to reach a minimum threshold size increases the cost of succession. Assuming that a replacement institution is proposed by a core group, this group is either large enough to tip the scales in favor of the new organization on its own, or, if not, must sway enough other members’ allegiance away from the incumbent organization to the successor. Buying members off individually increases the price of succession.

To sum up, aggrieved members of an IO whose internal equilibrium has been shattered by unanticipated circumstances have three institutional strategies at their disposal in addition to simply accepting the status quo. The first is ‘shifting’ through which they renege on all or part of an existing agreement by shifting their focus to a competing institution—whether new or pre-existing; the second is reform; the third is to create a successor to replace the incumbent organization. The following section introduces a simple bargaining sequence to explain when each outcome can be expected. Assuming scale-economies, to which we believe most institutions are subject, we show that shifting is rarely an equilibrium strategy whereas reform, stasis, and succession all present optimal strategies under different circumstances.

2.2. The Reform and Succession Game

[has yet to be fine-tuned]

We introduce a simple, two-player bargaining game which illustrates the three bargaining strategies (reform, shifting, replacement) and associated institutional outcomes (stasis, reform, replacement). We assume that states are rational actors who make choices based on cost/benefit expectations, using all available information. Existing models of institutional choice often invoke Simonian bounded rationality,³⁸ Knightian uncertainty³⁹ and risk-aversion to ground expectations of a strong institutional status quo bias.⁴⁰ Given a highly institutionalized bargaining setting where states have a prior history of cooperation, where expert negotiators meet regularly and nothing gets decided except after long periods of deliberation, we find it more realistic to assume that

³⁸ Barnard and Simon 1947.

³⁹ Knight 1921.

⁴⁰ E.g., Jupille et al. 2013

information is plentiful and decisions therefore approximate rational decisions, considering all available options.⁴¹ Nevertheless, institutional choices remain subject to an element of uncertainty due to unforeseen obstacles at the domestic level and risks of unexpected exogenous shocks. This assumption is standard in bargaining models.

Our starting point is a pre-existing multilateral institution that partitions collective gains from cooperation G ($G > 0$), such as each player receives a benefit of Gz . N countries are divided into two coalitions; N Defenders and $N-1$ Challengers (with $0 < N-1 < N$).⁴² In this simple two player game, N Challengers receive G_x and $N-1$ Defenders receive $G - G_x$. We now assume that the initial payoff distribution is disturbed by an unpredictable exogenous shock which reduces payoffs to N states. The coalition, N , now face four choices. It can either accept the new status quo, demand reform, shift to another institution, or charter a successor. Bargaining unfolds according to a well-structured sequence of moves (the tree is drawn in Fig.1).

For completeness, we note that outcomes will depend firstly on the ‘Strength of Initiative’ among institutional Challengers. Strength of initiative can be conceived as a continuous variable along two dimensions. The first is the severity of the exogenous shock and hence the level of dissatisfaction among N . The second is the proportion of the combined power, X , of the N state parties that demand change. Following Lipsy (2017:36), we conceive of X in terms of the sum of the contributions that each challenging state makes to the cooperative arrangement ($X = x_i + x_{ii} + x_{iii}$ etc.). These contributions reflect the issue-specific material resources or power that each state brings to the cooperative arrangement, and thus also equals its potential exit power. Weak initiative (resulting from either low dissatisfaction or limited exit power on the part of N) is expected to result in no institutional change. By contrast if dissatisfaction is intense and challenging states powerful (Strong Initiative), institutional change through reform or extra-institutional means becomes more likely.

Assuming a significant exogenous shock to an institution which significantly degrades payoffs to one side, what can the losing side from an exogenous shock do to rebalance the

⁴¹ Indeed, if boundedly-rational and risk-averse policymakers were prone to ‘satisfying’ by always privileging existing institutional frameworks (Jupille et al. 2013), the many cases of institutional replacement we observe empirically would be hard to explain.

⁴² The value of N varies according to the type of IO: for universalist ones in the UN family, N is effectively every UN member. For commodity cartels, in contrast, it is every major importer and exporter of the commodity. For regional organizations, the bounds of N are set geographically.

payoffs? One option is to demand reform. Given that our model builds on a simplified version of an IO comprising of two coalitions each acting ‘as one’, Challengers can collectively propose reform measures which Defenders can collectively block or approve. In an institutional context of this kind the outcome is both predictable and simple: Defenders will offer reform measures that yield low payoffs to Challengers—roughly equal to their reservation value (what they would receive absent an agreement). If Challenging states have an outside option (Strong Initiative’), we expect Defenders to offer reform measures matching the value of Challengers’ outside option since all members will be adversely affected by shifting.⁴³

Nevertheless, reform may be blocked for various reasons. One reason could be that restrictive decision rules give a few disgruntled members of either coalition a tight lock over proceedings (High Reform costs). In this case, the only way to bypass veto players and break deadlock may be to create a replacement institution to which willing participants can commit afresh.

If Challengers pursue a succession this means that an organized subset (a ‘core group’) of challengers offers an alternative organization to all other members who *individually* decide whether to abandon the existing organization and join the new or stick with the status quo. We define a core group as the smallest subset of states that are capable of spontaneously organizing in the absence a pre-existing organization. The core group proposes a new organization to other countries who individually decide whether to join it or stick to the old one. Assuming that a core group successfully negotiate a replacement institution, and that enough other states agree to join, the strategic situation changes: Defenders no longer hold a veto but face a take-or-leave-it choice between joining the new organization and sinking the old, or staying aloof and isolated. Some Defenders will take the deal, but preference outliers may prefer to exit cooperation altogether.

These two parameters might suffice to explain the choice between reform and succession: Whenever Strong Initiative and High Reform Costs combine to make reform costly, members of an existing institution may find that only way to break deadlock is to propose a successor institution to which willing parties can accede afresh. Yet, this raises a question: assuming Challengers’ threat of chartering a successor is credible, this should prompt Defenders to

⁴³ See Urpelainen and van de Graaf 2014, Morse and Keohane 2014:390. This is consistent with Lipsky’s argument that “*ceteris paribus*...institutions in policy areas with attractive outside options will experience more frequent renegotiations” (2017:345). By contrast, institutional Succession is most likely when outside options are unattractive due to high inconsistency costs.

concede reform on terms marginally less favorable to Challengers than what's proposed qua succession.⁴⁴ So why wouldn't they?

A plausible answer is that some kind of bargaining failure is at play. Hypothetically, distributive conflict could be so deep that defending states would prefer *no* institution to both reform and succession (indivisibility of stakes). In this case they would refuse reform on grounds of unacceptable costs, while also declining to join a successor IO.

Another source of bargaining failure is uncertainty. As discussed, Succession abides by a *tipping dynamic*: it only succeeds if enough states join. Assuming that joining an institution entails substantial network externalities it would pay every country to join a Successor as soon as a critical group of other countries do. However, individual countries may be reluctant to join if they fear (or hope) that this critical group will never form. We have assumed a highly institutionalized bargaining setting where information and knowledge of other players' preferences is relatively abundant. Nevertheless, given that succession requires a critical subgroup to act collectively outside an existing institution (each of whom may be individually subject to third-party pressure or domestic constraints), 'succession power' (as a joint property of a group) may be harder to estimate than 'exit power' which is a property of single states. Thus, succession may be subject to uncertainty regarding (i) the specific bargain a core group can strike, and (ii) whether a critical mass can be persuaded to join replacement institution.⁴⁵ Given this uncertainty, Defenders may regard the threat of succession as non-credible and veto reform in the hope of successfully defending the status quo.⁴⁶

So far, we have assumed (for simplicity) that succession is engineered by institutional Challengers. However, a successor IO may also be offered by Defenders of the status quo who—faced with intolerable reform demands—find that succession provides a means to 'divide and conquer' a coalition of Challengers by drawing 'moderate' challengers to a new institution which grants limited concessions while excluding extreme reformers. In either case, succession involves a 'core group' agreeing on an alternative institution which is offered to other members

⁴⁴ Rationally, challengers can be assumed willing to pay a small prize in the form of moderating their demands to avoid the cost of creating a new institution.

⁴⁵ Urpelainen and van de Graaf (2014:806) argue that Regime-shifting depends on the 'expected success' of a new institution, which in turn reflects the anticipated "ability to garner the support of a critical mass of parties." I extend this argument to Succession.

⁴⁶ While either indivisibility or uncertainty regarding success of 'succession' is a necessary condition for Succession, expectations of success do not have a systematic effect on the probability of Succession since if expectations of success are high, Defenders will more likely concede reform, whereas if expectations are low, challengers may consent to lesser reforms, making agreement more likely.

individually on a take-it-or-leave basis. *Who* initiates a succession is thus mainly a question of relative aptitude for collective action outside a pre-existing institutional framework.

The Regime-Shifting Sub-game

Besides accepting the status quo, demanding reform, or chartering a successor IO, a fourth option open to institutional Challengers is to renege on their existing institutional commitments through ‘shifting’. By shifting cooperation to an institution with more favourable mandate or decision rules, Challengers may cut their own losses. However, they will be earning less than their reform preference (given network effects and scale-economies). Because they also inflict losses on defenders, challengers may use ‘shifting’ as a temporary strategy with the intent of forcing a renegotiation. In response (or to deter this move in the first place) Defenders may either concede reform or attempt to stage a succession. Importantly, given the presence of non-trivial network effects or scale economies, ‘shifting’ is rarely a stable equilibrium outcome, but rather a temporary bargaining strategy which is likely to (eventually) result in either succession or reform (with reform in some cases taking the form of an ex-post accommodation between the rules and procedures of a status quo institution and its ‘rival’). The higher the inconsistency costs incurred through institutional ‘shifting’, the more likely that challenging states will move directly to propose a successor organization to spur reform.

(The ‘Tree’ is outlined in Figure 1). Figure 2 provides a graphical illustration of preliminary hypotheses regarding outcomes.

Figure 1: Sequential Bargaining Game

1. Nature delivers an unexpected shock which breaks the equilibrium of an existing institution.
2. States adversely affected by the shock (institutional ‘Challengers’) either TOLERATE the new status quo or demand REFORM.
3. If Challengers accept the new status quo the game ends (=Stasis). If Challengers demand reform, institutional Defenders can either ACCEPT or REJECT (*the higher the cost of reform, C , the more likely that defenders rejects*).
4. If Defenders concede reform the game ends (=Reform).
5. If Defenders reject reform, Challengers can either SHIFT cooperation to a parallel institution or charter a SUCCESSION (*Higher inconsistency costs makes a succession more likely*).
6. If Challengers shift cooperation to a competing venue, Defenders either concede REFORM or charter a SUCCESSION.

7. If Defenders concede reform, the game ends (=Reform).
8. If either Challengers or Defenders attempt a SUCCESSION in step 5 or 6, the replacement IO either draws enough other states to itself to materialize (=Succession), or it falls short, returning the status quo (=Stasis).

This sequence can be summarized as follows. In the wake of a significant shock to an institution which leaves a subset of members dissatisfied, demand for change is likely to arise. If reform costs are low, challengers and defenders are likely to resolve their disputes through reform. If reform costs are high (due to some combination of distributive conflict and rigid rules), defenders may block Reform. In such instances of institutional capture, Challengers may seek to replace the captured institution with a Successor that better matches their preferences, or they may engage in (temporary) regime shifting to build pressure for reform or succession.

This yields the following hypotheses:

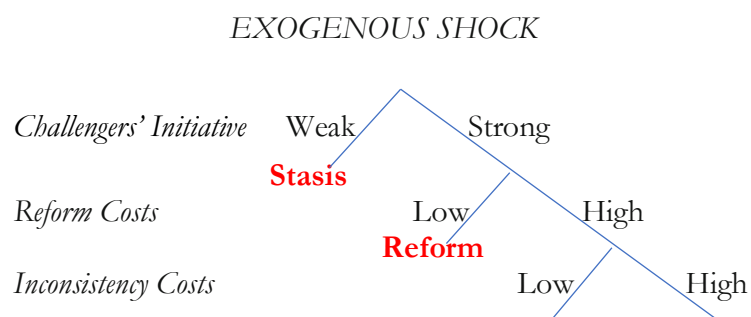
H1: Low costs of reform (due either to aligning preferences or flexible decision rules) increase the probability that IO will adjust to an exogenous shock through internal reform.

H2: All else equal, *high* reform costs (due to a combination of rigid decision-rules and clashing preferences) increase the probability that reform will be blocked, thus increasing the likelihood of either ‘shifting’ or ‘succession’.

H3: If reform is blocked, high inconsistency costs of increases the probability of succession rather than (temporary) institution shifting.

H4: Since succession requires capacity by a core group to organize outside an existing institution, *who* initiates succession (whether Challengers or Defenders) is mainly a question of relative aptitude for collective organization.

Fig.2. Graphical illustration of hypotheses





Our theory generates distinct observable implications about the processes leading to either reform or succession. A first implication is that institutional successions are likely to occur against a backdrop of exogenous change which leaves a subgroup of member states strongly dissatisfied with the status quo. For succession to materialize, this subgroup must have sufficient power to mount a strong challenge.⁴⁷

Second, given that succession involves greater uncertainty than reform, we expect to see a sequential pattern in which dissatisfied states first seek reform, and, if that proves unsuccessful, move to shifting or succession. The higher the inconsistency costs associated with shifting, the more likely that states will omit shifting and move directly to succession.

Third, given that succession presupposes an element of network effects or scale-economies, we expect successions to be most frequent among institutions whose fragmentation would result in substantial inconsistency costs, such as, for example, commodity organizations or institutions supplying ‘club goods’.

Fourth, who attempts a succession—whether it is challengers or defenders of the status quo—is mainly a product of the relative aptitude for collective organization.

Our model also generates clear expectations regarding the design of a successor IO. While governing the same domain as its predecessor, a successor IO is likely to be structured in a way that reflects the preferences of dissatisfied states. Succession is expected to leave at least some members worse off than under the existing agreement (since amendments that left all states better off would presumably have been agreed ‘internally’ through reform), but better off than they would be ‘outside’ the regime.⁴⁸

{NOTE: Our model assumes the centrality of states in driving institutional change. This assumption has been criticized by scholars emphasizing the role of IO secretariats in shaping institutional tasks, mandates, and design.⁴⁹ We recognize that IO secretariats may be important

⁴⁷ Hall 2016:11, Morse and Keohane 2014.

⁴⁸ Gruber 2007:6-7, Meyer 2010:401

⁴⁹ Barnett and Coleman 2005:594, Manulak 2017:498.

agents of institutional change (e.g., the GATT Secretariat played an important role in proposing blueprints for the WTO), ‘masterminding’ Succession. But whilst Secretariats may propose reforms or produce blueprints for Succession, both forms of institutional change must ultimately be approved by states. Thus, regardless of who proposes change, the outcome will depend on the preferences of challenging and defending states}

3. CASES

To illustrate our theory, we offer three case studies. Cases are chosen according to two criteria. First, an institution must be subject to a significant and *asymmetrical* random shock which leaves a subset of parties unhappy with the status quo. One could envisage a shock leading to reduced payoffs for *all* parties lest some technical fix was implemented. But since no state would presumably object to reform, such a case would be trivial from our perspective.

A second criterion is a *tipping dynamic* which marshals against the parallel creation of functionally equivalent IOs. Tipping dynamics obtain whenever countries resent isolation from the group. Such is the case in the presence of either network effects or scale economies. Tipping dynamics ensure that any *permanent* rival creation takes the form of succession, rather than competitive regime creation. Commodity agreements are good candidates, for there is room for only one cartel at a time. Network effects and scale economies are also present in most regulatory regimes, such as the various BASEL committees. A second cause of tipping dynamics is the search for legitimacy in numbers. In areas such as human rights or peacekeeping, the need for legitimacy often militates against competition between rival organizations, although it does not always exclude it.

One method of case-selection would be to sample randomly from the universe of cases that meet the above two criteria. Yet this would cast the net too wide. Our theory does not predict that asymmetrical exogenous shocks will *always* result in institutional change. In some instances, the status quo will prevail. Although these instances might also confirm our theory, they would fail to document the mechanisms leading to the dependent outcome of greatest interest: succession. Since sampling randomly would risk choosing cases with no succession events, we

opt instead for a method of overtly selecting on the dependent variable.⁵⁰ Our cases—the International Sugar Council/International Sugar Organization, the OEEC/OECD and the International Wine and Wine Office—all display the outcome of chief analytical interest: succession. However, each institution has also undergone periods of stasis and reform prior to being replaced, thus ensuring significant within-case variation in the dependent variable which allows us to illustrate all model predictions. In some, cases succession benefitted traditional powerful players, in other cases it benefitted the ‘weak’.

Dependent & Independent Variables

We have four dependent variables—stasis, reform, shifting or succession—each of which are easily identified as either present or absent. Our independent variables are exogenous shocks, reform costs, relative capacity for organization, and scale-economies/network-effects. While they depend on objective factors (such as voting rules or changing market conditions), each variable also has subjective dimensions that are not easily quantifiable. Hence the approximate values of these factors are best established through careful empirical analysis of policy-documents, negotiation briefs, and archival resources.

The International Sugar Council, 1939-1968.

In 1937, twenty-two states signed an agreement in London to regulate international sugar trade. The International Sugar Agreement (ISA) instituted a system of production quotas and export controls and created an International Sugar Council (ISC) to oversee implementation.⁵¹ Voting power was distributed according to members’ relative export and import shares. As the largest exporter, Cuba held 10 of 55 ‘exporters votes’, while the second largest producer, Holland, had 9 votes. The two main importers, the US and UK, held each 17 of 45 ‘importers votes.’ Under the agreement, each major importer granted special privileges to select producers (Britain to Commonwealth countries, the U.S. to Cuba) whereby imports from these countries were not counted against ‘free’ market quotas.⁵²

⁵⁰ As King and Zeng (2001) show, selection on the dependent variable is appropriate for the study of relatively rare events in which sampling randomly would entail a risk of choosing cases with no events.

⁵¹ International Agreement Regarding the Regulation of Production and Marketing of Sugar (London, May 6, 1937).

⁵² Swerling 1954, Mahler 1994:715, Viton 2004.

The 1937 ISA was agreed for a five-year period—subject to review after that. However, war soon intervened to make a review impractical, and in 1942 a protocol was signed extending the agreement until 1944.⁵³ In the following decades, the Sugar Council adapted to changing market conditions: votes were redistributed towards emerging producers and quotas adjusted in line with changing production patterns. Yet in 1968 the Council was replaced by the International Sugar Organization, ushering in a new commodity regime.

What triggered this replacement? The period 1937-1944 was one of *Stasis* thanks to broadly aligning preferences among major producers and importers (H1). However, the end of the war altered the UK's position. The outmoded, labour-intensive sugar industries of the British colonies now became the focus of new socioeconomic development policies.⁵⁴ As a result, London sought to negotiate a Commonwealth Sugar Agreement to replace imports from the global market with additional imports from Commonwealth producers.⁵⁵ To escape ISC limitations on sugar importations from the Commonwealth, Britain proposed terminating the ISC and replacing it with an international committee “with limited advisory powers”.⁵⁶ Non-Commonwealth producers objected vehemently, prompting the U.S. to insist on retaining the Council.⁵⁷ Under strong US pressure, London grudgingly agreed to extend the existing agreement, subject to suspending its operative clauses pending renegotiation after the war.⁵⁸

The temporary suspension of ISC quotas left Britain free to import chiefly from the Commonwealth thus breaking the spirit, though not the letter, of the ISA.⁵⁹ Cuba, who derived 80% of its foreign exchange earnings from sugar, retaliated against the closure of the British market through overproduction.⁶⁰ By 1951 Cuban sugar accounted for more than 30% of global output, suppressing world prices to about 1/3 of the pre-1950 level.⁶¹ Since falling prices harmed

⁵³ ‘Protocol to Enforce and to Prolong After August 31, 1942, the International Agreement Regarding the Regulation of Production and Marketing of Sugar, Signed in London on May 6, 1937’. (July 22, 1942).

⁵⁴ Viton 2004:6.

⁵⁵ Moynagh 1977, Mahler 1984.

⁵⁶ 561.35E1A/1424: *Telegram from Winant to Secretary of State*, London, Jan 15, 1944.

⁵⁷ US Secretary of State, Hull, warned the British that ‘termination would be viewed with great apprehension by the sugar exporting countries of this Hemisphere unless they had some assurance that their pre-war position in the international trade in sugar will be maintained.’ 561.35E1A/1424: *Telegram Hull to the Ambassador in the UK (Winant)*. Washington, March 25, 1944. Also 561.35E1A/1444: *Telegram: Ambassador in the UK (Winant) to the Secretary of State*, London, June 13, 1944.

⁵⁸ 561.35E1A/7–2944 Memorandum of Telephone Conversation, by Mrs. Jean Mulliken, of the Commodities Division, Washington, July 29, 1944; 561.35E1A/7–1844: *Telegram. Secretary of State to the Ambassador in the UK (Winant)*. Washington, July 24, 1944; ISA Protocol 1944.

⁵⁹ Mahler 1984:716; Swerling 1954.

⁶⁰ Viton 2004:270.

⁶¹ *Opcit*.

all exporters, including Commonwealth countries, Cuban overproduction increased pressure on London to agree to reinstate an operative quota system. Nevertheless, London was resolved to finalize a Commonwealth sugar agreement before returning to the ISC negotiation table.⁶² The UK thus became a Defender of the new status quo (featuring an indefinite suspension of export quotas), whereas non-Commonwealth producers—Cuba, Holland, and Poland especially—continuously pushed for reform by way of a negotiation of operative quotas.⁶³

Given the UK's large blocking vote, negotiations remained deadlocked from 1944 (when quotas were temporarily suspended) until 1958. During this period, the existing ISA was extended yearly by protocol. Effectively, UK imports during this time were no longer part of the 'global market'.⁶⁴ Indeed, the global market was largely 'residual', as British and American preferential agreements accounted for more than 50% of global sugar trade.⁶⁵

Prolonged *Stasis* despite growing dissatisfaction among major producers is easily explained by a combination of high reform costs (Art.43 of the ISA stated that 75% both importers and exporters votes were needed to amend the existing agreement, handing Britain an outright veto) and low capacity for organization by both Challengers and Defenders. Although a typical commodity regime in most respects, the sugar regime was unique in that its two main players—the U.S. and the UK—did not see eye to eye.⁶⁶ Although both were leading importers, for political reasons they favoured rival exporters; in the Western Hemisphere and the Commonwealth respectively. Exporting countries were likewise divided between Commonwealth and Western Hemisphere producers. As a result, deadlock could not be relieved through succession, as neither Defenders nor Challengers were sufficiently likeminded to propose a viable rival regime.

Gridlock was eventually unblocked by a second shock to the regime: Castro's unexpected ascent to power in Cuba in 1959 prompted Eisenhower to redistribute Cuba's U.S. sugar quota to other Western Hemisphere countries.⁶⁷ Facing a U.S. embargo, Havana turned to the Soviet Government which agreed to buy a large portion of Cuba's annual production and reexport it to

⁶² Viton 2004.

⁶³ Between July 1948 Cuba and 1958 Cuba, Holland, and Poland each made repeated calls for reform, all of which were rebuffed by the UK. See Moynagh 1977:10, IBRD 1968, Viton 2004:4, 8, 270-1.

⁶⁴ Mahler 1984:716.

⁶⁵ *Opcit.*

⁶⁶ See Jopson July 1944, Hull July 1944.

⁶⁷ Berman and Heineman 1963, IBRD 1968.

the global market, thereby causing further downward pressure on world prices.⁶⁸ Attempts to renegotiate quotas in 1961, 1963, 1965 came to nil as the UK and U.S. refused Cuba's demands for an increase in her global export quota.⁶⁹ However, a breakthrough came in 1964 as Cuba, supported by other major developing producers like Brazil, vested initiative within the newly created UNCTAD where a stronger developing country vote existed.⁷⁰ Between 1965 and 1968, some fourteen meetings were held at the UNCTAD to agree a new sugar regime,⁷¹ and in December 1968, an agreement was concluded proposing an International Sugar Organization (ISO) to replace the existing Sugar Council.⁷² The agreement, which was supported by a wider group of LDCs, would come into force when ratified by governments holding 60% of exporters and 50% of importers' votes (rather than the 75% required to reform the ISC). Commonwealth exporters and developed importers (UK, US, EEC) derided UNCTAD's approach to political economy as 'utopian' and called for continued reliance on the ISC.⁷³ Yet, since scale-economies strongly marshalled against the operation of two parallel, rival sugar regimes, by lowering the threshold for acceptance, the proposed ISO treaty effectively removed developed importers veto over reform and presented them with a *fait accompli*: either join the new ISO or be left isolated. The US refused to join, whereas the UK—divided between domestic interests and its Commonwealth obligations—signed on, seeing its share of importers' votes reduced to 15%.⁷⁴

The case confirms our theoretical expectations regarding stasis, reform, and succession. From 1937 to 1944 broadly aligning preferences produced *stasis*. From 1944-1958, growing dissatisfaction coincided with high reform costs and lack of capacity by either Challengers or Defenders to organize as a core group, leading to further stasis. By the late 1950s the newly created UNCTAD boosted the capacity of developing country producers to organize outside the existing regime. By using UNCTAD to negotiate a successor to the ISC, Cuba and Brazil, supported by the USSR, managed to bypass powerful veto-players like the UK and US.

⁶⁸ IBRD 1968

⁶⁹ IBRD; Viton 2004:271; Bermann:129.

⁷⁰ Fakhri 2014:186.

⁷¹ Australian Government 1968, Fakhri 2014

⁷² 1968 International Sugar Agreement, New York, Cpt, III, Art.3.1.

⁷³ Bermann:186.

⁷⁴ New exporting members including Argentina, Bolivia, Columbia, Congo, Equador, El-Salvador, Fiji, Paraguay, Romania, Swaziland, Thailand, Turkey, Uganda, Venezuela, West-Indies, Antigua, Barbados, Guyana, Jamaica, Trinidad, Tobago, while Bulgaria, Cameroon, Car, Chad, Ethiopia, Ivory Coast, Lebanon, Liberia, Malawi, New Zealand, Nigeria, Spain, Switzerland, Syria, and Vietnam joined as importers.

Concluding a new sugar agreement within UNCTAD but leaving the ISC in place (i.e., ‘regime-shifting’) would have been unattractive as it would have preserved a competing venue to undercut the power of developing producers. Instead, by stipulating that the ISO would *replace* the ISC, Challengers presented developed Defenders with a *fait accompli*; either accept the new terms or exit the regime altogether. As our theory predicts, the new ISO entailed better terms of cooperation for institutional Challengers compared to the ISC. The new agreement improved access for developing producers to developed importers’ markets and introduced a special fund to stimulate economic development.⁷⁵ Developed exporters also consented to confine their production to a fixed percentage of domestic consumption, thus reducing exportable surpluses in favor of developing country exporters.⁷⁶ The case thus illustrates how succession can allow states who are not conventionally powerful to improve their lot.

The International Office of Vine & Wine, 1924-2003

The *Office International du Vin* (French Acronym, ‘OIV’) was created in 1924 by eight European wine-producing countries. Dominated by ‘old wine’ countries, France, Spain, Italy, and Germany, it adopted common production standards based on the French *appellation d’origine contrôlée* (AOC) protocol which narrowly specified the geographic area (or ‘terroir’) and production standards a wine must fulfill to trade under a designated name.⁷⁷

Between 1927 and 1990, membership grew from 8 to 47 as new wine producing countries emerged within and outside Europe. During this period the OIV adapted to changing market conditions through incremental adjustments to its regulations, and through flexible application of existing rules. However, in 2001 members agreed to replace the OIV with a new International Organization of Vine & Wine (also using the acronym ‘OIV’).

As often in commodity regimes, the main impetus for change came from changing balances of market power.⁷⁸ By the 1980s, old wine countries were rapidly losing market power to ‘new world’ producers, Chile, Argentina, Australia, New Zealand, and the US. Quick adopters of new production technologies, these countries made more consistent high-quality wine, at lower cost.⁷⁹

⁷⁵ Art.28, 1968-ISA, IBRD 1968.

⁷⁶ Thus, the UK and Japan committed to a certain volume of annual imports, Canada and Switzerland to a maximum production/consumption ratio, while New Zealand and Norway pledged not to produce sugar at all.

⁷⁷ Hannin et al. 2006, Bingen et al. 2006:75; Simpson 2011:70

⁷⁸ Bingen et al. 2006:79.

⁷⁹ Meloni and Swinnen 2013; Hannin et al. 2006:81.

Given a doubling of global wine production (from 4.8 million kiloliters/year in 1920, to 9 million/year during the 1980s),⁸⁰ the latter group wished to take advantage of an explosive growth in global wine trade. During the 1990s, ‘new world’ producers grew increasingly dissatisfied with the OIV’s emphasis on traditional production methods and its insistence on ‘terroir’ as the basis for wine classification. They demanded reform.⁸¹ Yet, since Europeans held a majority of votes in the OIV, they blocked change. High reform costs combined with low capacity for organization by new world producers—many of whom, like Australia, depended strongly on export to the European market—to ensure that *stasis* prevailed.

The eventual catalyst for change came from the Uruguay Round Final Act of 1994 which threatened to discredit core OIV standards. While the TRIPS agreement recognized geographical indications as a form of intellectual property (thus reinforcing existing AOV designations), a general onslaught on technical trade barriers meant that certain OIV regulations (e.g. the ban on using oak chips which were popular among new-world producers) and restrictions on using or mixing particular grape varieties, would not be permitted under WTO rules.⁸² In 1997, the OIV General Assembly called for a review conference to adapt the 1924 Treaty to a WTO world.⁸³ New world producers, backed by major wine importing countries such as the UK and U.S., pushed for wide-ranging reforms which would abolish existing restrictions on production and marketing, whereas European producers sought the minimum adjustments necessary to comply with WTO rules. Yet given a combination of inflexible decision rules and widely diverging preferences, preliminary negotiations ended inconclusively.

In 1998, a group of seven ‘new world’ wine countries (Argentina, Australia, Canada, Chile, New Zealand, South Africa, and the U.S) adopted a new initiative, the World Wine Trade Group (WWTG) to promote “unsubsidized wine production and free export markets”, mainly through lobbying the WTO (wwtg.org).⁸⁴ The WWTG, which accounted for 1/3 of global wine production and exports, was large enough to threaten to degrade the existing OIV regime but failed to reach the critical mass that would have allowed it to eclipse the OIV through succession. By contrast, old wine countries were better organized. In June 2000 France convened a conference of 36 of the OIV’s 47 members to negotiate a new agreement. In April the following

⁸⁰ Hannin et al. 2006:79, Silverman et al. 1999.

⁸¹ NW 2001, Australia, Hannin et al., 2006:78.

⁸² Hannin et al. 2006:85; Bingen et al.?

⁸³ Resolution COMEX 2/97.

⁸⁴ New Zealand 2001, Smith 2016:77.

year, 35 countries signed an agreement to create a new International Wine Organization to replace the incumbent. In a typical succession move, the new founding treaty made consent to terminate the 1924 OIV treaty a precondition for joining the new OIV. To reinforce tipping dynamics, the core group specified that countries failing to ratify the 2001 treaty by that treaty's entry into force would be granted only observer status.⁸⁵

Designed to derail demands for more wide-ranging reforms, the 2001 OIV founding treaty introduced several changes which addressed the concerns of new world producers.⁸⁶ The most important of these was a shift to consensus decision-making in the General Assembly and Executive Committee where each member state was given two basic votes plus a smaller number of adjustable votes based on average production and consumption. This represented a substantial re-balancing of institutional power in favor of non-European members.⁸⁷ At the same time, the new organization remained protective of AOC standards, "insofar as they do not call into question international agreements relating to trade and intellectual property" (OIV Treaty 2001, Art.2.2.b.ii). The institutional compromise introduced via succession led to a gradual, but limited, redistribution of gains from cooperation. Thus 'old' Europe's share of global wine production decreased from >70% in the early 1990s to <60% in the 2000s, while 'new world' producers increased their share from 15 to 30%.

The 31 ratifications required for the new OIV to replace the old were soon obtained. However, institutional Defenders made only enough concessions to attract the new wine countries that, like Chile and Australia, depended on European market access. The U.S., which consumes most of the wine it produces, remained aloof along with 11 other existing members⁸⁸ who declined to join the new OIV possibly gambling that it would fail to gain critical mass. Many of these 'hold-outs' have since joined, but a small group have remained aloof. As testament to the incentives to reduce inconsistency costs cited in Part I, there has been a subsequent process of institutional reconciliation between these countries and OIV members. E.g., in May 2006, the U.S. and the EU signed an agreement on Trade in Wine by which "Each Party recognizes that the laws, regulations and requirements of the other Party relating to wine-making fulfil the objectives of its own laws, regulations and requirements."

⁸⁵ Resolution Comex 2/2002.

⁸⁶ New Zealand, Dept. of Trade, 2001

⁸⁷ *Opcit.*

⁸⁸ Argentina, Bolivia, Brazil, Canada, Chile, Georgia, Lebanon, Netherlands, Tunisia, Turkey, UK.

European Free Trade

In 1961 the Organization for Economic Cooperation and Development (OECD) replaced the Organization for Economic Cooperation in Europe (OEEC). Essentially, this formal succession also allowed the EEC to effectively replace the OEEC as the focal institution for European trade liberalization and economic integration, resulting in a double succession; one formal; one de facto.

The OEEC was created in April 1948 with the short-term goal of administering the U.S. Marshall Plan for Europe and a longer-term goal of promoting European free trade and financial stability (OEEC Convention 1948). The organization had 18 West European founding members. The U.S. and Canada had observer status.

European founding members were divided from the outset: France, eager to promote European unification, wanted to endow the OEEC with supranational powers, while Britain, backed by the Scandinavians, viewed a supranational OEEC as “a dangerous idea”.⁸⁹ Initially, the limited intergovernmental model favoured by London won out. Yet the regime came under pressure in 1952 as growing Cold War tensions led the US to cancel European Marshall Aid and demand immediate progress on internal trade liberalization to speed up economic and military recovery. To promote trade liberalization, France (backed by other pro-Europeanist countries) called for deeper economic integration within the OEEC, whereas Britain favoured a looser scheme anchored within NATO. A string of proposals known as the ‘Stikker’, ‘Petsche’ and ‘Pela’ plans were put forward by the Dutch, French, and Italians to redesign the OEEC as a single market (OEEC-293). Yet, confident that a European FTA would never succeed without the UK, London (enabled by unanimous decision-making in the OEEC) blocked all such proposals.⁹⁰ Thus, in a by now familiar story, high reform costs blocked process, resulting in temporary stasis.

British obstructionism soon led pro-Europeanists to shift their focus to the Schuman Plan. As Jean Monnet, observed, “the OEEC is nothing; it’s only a watered-down British approach to Europe--talk, consultation, action only by unanimity. That’s no way to make Europe”.⁹¹ Thus pro-Europeanist OEEC-members—France, Germany, Italy and the Benelux countries, aka

⁸⁹ OEEC-280.

⁹⁰ Griffith 1997.

⁹¹ Quoted in Leimbruger and Schmelzer 2017.

‘The Six’—agreed in March 1957 to establish a rival organization: the European Economic Community (EEC).

The unexpected (from London’s perspective) conclusion of the Rome Treaty establishing the EEC meant that Britain now faced the threat of a discriminatory bloc in the heart of Europe.⁹² To neutralize this threat, London made a counteroffer: the OEEC would after all be reformed to create a pan-European FTA that would unite The Six and other OEEC members and, in so doing, make superfluous the EEC (which had yet to be fully ratified). By bringing the initiative on a European FTA back within the OEEC where Britain held the rotating chair, London hoped to control the agenda, orchestrating a looser FTA in lieu of the supranational EEC (OEEC-0205).

The unsuccessful negotiations are too tedious to recount. In essence, the British offer was too little too late. After a brief spell of uncertainty caused by de Gaulle’s return to power in November 1958, France reaffirmed its support for the EEC, putting an end to London’s plans.⁹³ OEEC members thus faced the unwelcome prospect of discrimination within their ranks when The Six implemented their first tariff cuts on 1 January 1959.⁹⁴

What happened next was a single succession in formal terms, though with *de facto* dual effect. In March 1959, non-EEC members of the OEEC (‘The Seven’),⁹⁵ led by Britain, began negotiations of a separate European FTA (the ‘EFTA’) with the aim of bringing The Six back to the negotiation table to agree an inter-governmental OEEC-based, pan-European FTA (OEEC-203). Thus, both Challengers and Defenders of the incumbent (intergovernmental) OEEC engaged in institutional shifting qua competitive regime creation. This move raised the question of how to reconcile the two blocs. Besides the obvious loss of scale-economies, the division of West European countries into rival economic blocs was seen by Washington as an acute threat, both to the EEC (which the U.S. favoured for political reasons) and to U.S. commercial interests.⁹⁶ Thus, an alliance formed between Paris and Washington which would lead eventually to succession.

The first move was made by the U.S. In 1960 Washington proposed turning the OEEC into an Atlantic organization with the U.S. and Canada as full members and also including Australia

⁹² Griffith 1997:236.

⁹³ Ellison 2000:198; Griffith 1997:239

⁹⁴ Griffith 1997:239.

⁹⁵ ‘The rest’ except Turkey, Iceland, Greece, Ireland, Trieste.

⁹⁶ Leimbruger and Smelzer 2017:34; Griffith 1997:324.

and Japan.⁹⁷ Instead of a narrow focus on European trade-liberalization, a reformed OEEC would promote *global* trade and coordinate trans-Atlantic policy vis-a-vis LDCs, leaving the EEC in charge of European economic liberalization. By contrast, Britain insisted on retaining the OEEC's existing membership and trade competencies, thus preserving a basis for a looser pan-European FTA as an alternative to the EEC. To win the battle, the U.S., Canada, and France (acting as a core group) proposed replacing the OEEC with a new organization: the OECD. Whereas reform of the OEEC would require unanimous consent, succession meant that all existing OEEC rules and acts would automatically expire and only those functions unanimously agreed upon would become part of the new organization. Instead of persuaded all existing OEEC members of the benefits of stripping the OEEC of its existing European trade competencies, a new OECD could start from a narrower basis.⁹⁸ OEEC Deputy General Secretary, John Cahan, summed up the logic: "The brand-new Convention would, of course, have...the advantage of enabling us to get rid of certain activities...which are not strongly supported by the majority of Delegations, but which cannot now be abolished, except by unanimous vote—this never being possible" (OEEC-0240-JFC/3280. also -FC/3235, -RS-2765).

With no hope of achieving a pan-European FTA to outflank the EEC, Britain consented in December 1960 to dissolve the OEEC and replace it with the OECD. Thereby it also effectively accepted that the EEC would replace the OEEC as the focal institution for European trade liberalization. A decade later Britain would join a flourishing EEC leaving a marginalized EFTA to be increasingly harmonized and integrated within the expanding Community of the Six.

Further Case Illustrations

Before concluding, we briefly consider two additional cases, which we compare and contrast with the case-studies above. The first is the well-known transition from the GATT to the WTO. According to our model, the Uruguay Round, which created the WTO as successor to the GATT, is a synthesis of several types of institutional change depending on the issue at stake. With respect to intellectual property, foreign direct investment, and agriculture, the change took the form of regime-shifting initiated by developed countries. With respect to trade, however, the GATT/WTO transition was a case of succession, in which the quad countries overcame

⁹⁷ FO 371/134422, 9 Jan. 1960, FO 371/134422(M 551/7), letter to Sir Paul Gore-Booth, 4 Jan. 1960.

⁹⁸ Griffith 1997:246.

deadlock over negotiations through staging a succession. Powerless to reform the GATT's dispute settlement mechanism, they engineered a replacement: the WTO. Enough carrots were offered to less-developed countries for them to individually break ranks and join the WTO. With respect to non-trade related issues, these were subsequently wrenched out of their 'regimes of origin'---all of which UN-based and thus controlled by developing countries---and collected in the new WTO whose agenda developed countries controlled. The issues in question and their respective 'organizations of origin' were copyrights (UNESCO), intellectual property (WIPO), competition and foreign investment (UNCTAD), and food standards (FAO). The WTO became the de facto, if not the de jure, successor to these organizations in respect to the issues in question. Although no legal transfer of mandates took place, the formation of the WTO redrew the formal boundaries between theirs and the WTO's mandate.

In contrast to all the cases reviewed so far, the Nuclear Non-proliferation Treaty (NPT) and its implementing organ, the IAEA, provide an example of a regime that has been 'static' since its creation in 1970. To be sure, limited reforms have been instituted to strengthen monitoring and safety standards, and informal agreements have been struck to allow nuclear-weapon states to bypass consensus decision-making in regard to export controls (e.g., the Nuclear Suppliers Group and the Missile Technology Control Regime). However, the regime as such has undergone no major reform, nor have any direct rivals or successors been created.⁹⁹

The NPT treaty which became effective in 1970 commits the official five Nuclear Weapons State (NWS) to refrain from transferring nuclear weapons or related technology to the 186 non-Nuclear Weapons States (NNWS) members of the regime (NPT Article 1). NNWSs in turn agree not to acquire nuclear weapons in exchange for access to peaceful nuclear technology, subject to safeguard measures applied by IAEA. NWS further agreed to "pursue negotiations in good faith" toward nuclear disarmament (Article 6).

Over time, and especially in the wake of the end of the Cold War, NNWS have expressed growing discontent with NWS' lack of progress on nuclear disarmament. They have demanded, *inter alia*, wider access to civilian nuclear technology and progress on disarmament through the conclusion of a Comprehensive Test Ban Treaty and a Fissile Materials Cut-Off Treaty.¹⁰⁰ Yet,

⁹⁹ The 2017 treaty banning nuclear weapons is not a direct rival to the NPT as it does not govern nuclear safety and fails to include any nuclear weapon state (but see FCO 2019, 396-7 for a negative assessment of its impact on NPT compliance). Limited regime-shifting has occurred through means such as UNSC Resolution 1540 on preventing acquisition of WMD by non-state actors.

¹⁰⁰ Grotto 2010, HOL 2019.

despite growing calls for reform, change has been limited. The 1995 NPT Review Conference extended the treaty indefinitely. Subsequent calls for reform have elicited only limited gestures.¹⁰¹ In protest, many NNWS have chosen to withholding cooperation on so-called ‘NPT-Plus measures’ introduced to strengthen the NPT Safeguard regime in an effort to pressure top dogs to concede more ground.¹⁰² Nevertheless, institutional change has remained limited as NWS have preferred to tolerate an element of ‘footdragging’ by NNWS over granting reform.

Institutional stasis in this case is easily explained by weak initiative on the part of NNWS. Despite growing discontent with the NPT regime, dependence of many NNWS states on access to peaceful nuclear technology leaves them few options for institutional shifting, nor do they have any basis for organizing a successor organization. The cost of reform is high on account of the complex voting rules requiring the consent of all five NWS and all current members off the IAEA Council. The prediction is therefore stasis. This prediction is validated by the history of the NPT which provides a textbook example of how growing discontent in the absence of opportunities for shifting or succession may produce stasis despite growing discontent and frequent exogenous shocks.

Conclusion

Institutional succession is a recurrent feature of international cooperation. Nevertheless, it has attracted limited scholarly attention, being either overlooked as an empirical phenomenon or subsumed under other forms of institutional change, such as reform or competitive regime creation.

Given growing dissatisfaction by a subset of members of an IO in the wake of an exogenous shock, we ask; what paths of institutional change are states likely to pursue. Drawing from extant literature, our list of possibilities includes reform and institutional shifting in the form of either regime-shifting or competitive regime creation. To this list we add succession.

¹⁰¹ Squassoni and Behrens 2005. The 2000 NPT Review Conference agreed to “13 Practical Steps” towards meeting Article 6 commitments on disarmament. These included early entry-into-force of the CTBT; creating a subsidiary body of the CD to address nuclear disarmament and beginning negotiation of an FMCT. However, the Bush Administration in 2001 introduced policies that renounced several of these steps.

¹⁰² A decade after the Additional Protocol was agreed, only 50 states had signed the Protocol <https://www.iaea.org/topics/safeguards-agreements>. As of 2020, 136 have done so.

Succession differs from other mechanisms of non-incremental institutional change in important ways. First, whereas reform involves negotiations between established coalitions and are thus vulnerable to blackmail by veto players, succession allows governments to bypass veto players by moving negotiations out of the collective format of an established IO to an informal setting, where decisions are individual. This superiority is, however, offset by a weakness; the inability to exploit the network effects and scale economies (assuming any) that pertain to large groups, making succession akin to a tipping game, in which everyone sticks to the old organization or joins the new one. Unlike reform, succession may not be able to reach a scale that makes it efficient.

Second, unlike regime-shifting and rival regime creation, succession does not trigger a proliferation of rival institutions or practices but clearly wraps up an existing institution before unfolding a new one. In so doing a successor draws all willing participants to it.

Our model accounted for key historical changes in three international institutions governing wine, sugar and intra-European trade.

Our theoretical analysis offers two main contributions to existing literature on international cooperation. First, it explains why states sometimes resort to the costly strategy of replacing existing institutions. Based on the premise that institutions are easier to maintain than to create institutionalist scholarship has traditionally assumed that states are willing to tolerate suboptimal institutions or, if necessary, prefer to repair them through reform –treating institutional creation as a last resort.¹⁰³ Our model suggests otherwise: new institutions are sometimes easier to create than old institutions are to reform.

Second, our analysis explains mechanisms of institutional change other than reform, regime-shifting and succession. By bringing attention to an understudied empirical phenomenon, and by anchoring our model within existing literature on contested multilateralism, we hope to have opened new avenues for research on alternative mechanisms of institutional change. A logical next step in this research agenda would be to further test and refine the model through application to a wider set of cases including both institutional stasis, reform, rival regime creation and succession

¹⁰³ E.g., Keohane 1984, Stein 1990, Pierson 2002; Jupille et al. 2013.

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