

Exploring G-77 Unity through Two-level Games

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Introduction

The longevity of the Group of 77 and China coalition in the climate negotiations has been described for many years as a puzzle.¹ The G-77, more formally known as the G-77/China,² is a coalition of 133 developing countries that cooperate within the United Nations and negotiate together in the climate regime.³ Despite its size, it kept its original name. With so many members, it is a diverse group, including oil producers, least developed states and island nations, to mention just a few of its many groupings. Why so many countries with such diverse interests would continue to negotiate together defies normal explanations of international coalitions and alliances. In most accounts, the ‘glue’ that ties countries together is a common cause. But when it comes to the G-77, there are doubts as to whether its many and diverse members really have common cause around which to unite and how strong the glue is compared to the forces that tear the coalitions’ members in different directions. Commentators have noted for a while that the purported glue of the G-77 appears to be losing its adhesive power, yet there are no signs that countries will defect or the coalition break apart as a result of its crumbling common position.

There is not yet a satisfactory explanation of the G-77’s endurance. Other analyses have been empirically rich but theoretically indeterminate, relying on multiple, partial explanations.⁴ This paper uses a qualitative version of Robert Putnam’s theory of two-level games to study the dynamics of cooperation within the G-77, with a goal of understanding effects on the unity of the

¹ Barnett, “The Worst of Friends”; Williams, “The Third World and Global Environmental Negotiations”; Vihma, Mulugetta, and Karlsson-Vinkhuyzen, “Negotiating Solidarity?”; Kasa, Gullberg, and Heggelund, “The Group of 77 in the International Climate Negotiations.”

² Technically, China is only an associated member of the G-77, hence it is officially designated the G-77 and China. For simplicity’s sake, this paper refers simply to the G-77.

³ <http://www.g77.org/doc/members.html>

⁴ E.g. Vihma, Mulugetta, and Karlsson-Vinkhuyzen, “Negotiating Solidarity?”.

coalition.⁵ The two-level games approach performs the function of combining domestic level and international level analysis. Specifically, the paper examines the relationship between two of the most prominent members of the coalition, China and the Alliance of Small Island States (AOSIS). AOSIS is a coalition in itself, but is closely aligned with the G-77 and is often considered a subgroup. The relationship between China and AOSIS within the G-77 is not well understood. The two cases were chosen because of their disparateness; China, a large, powerful and economically successful, and AOSIS, representing a smattering of mostly small and marginalized developing countries. An explanation of G-77 must account for both.

The paper explores the dynamics between these two actors on two levels. In the first section, at the level of domestic politics, it investigates how constraints on each member's bargaining space and decision-making define their available options. In the second section, it integrates the analysis at the domestic level with the international level. Here it proposes a new explanation for the G-77's cohesion, based on its internal dynamics and power structure. It proposes that G-77 unity can be understood through an institutionalist explanation based on two elements: path dependency and side payments/issue linkages. This section is the exploration of an idea rather than a complete argument. The conclusions of this paper should be treated as provisional.

A two-level game

The climate negotiations are often recognized as a two-level game, at least metaphorically.⁶ Domestic restraints can limit what countries are able and willing to commit to in international negotiations. Perhaps the best example of this is how the American government must consider what kind of international commitments it would be able to push through Congress. Any treaty the country signs must be ratified by the Senate. Hence the climate negotiations involve not only what nations want but also what they will or can accept, and why they accept some things and not others. Understanding this process of compromise could be the realm of domestic interest-formation theory, international relations theory, bargaining theory or even psychology.⁷ These theoretical approaches are usually narrow in scope, circumscribing great swathes of empirical reality to home in on some area or other considered causally relevant. Everything else is considered irrelevant or epiphenomenal. Thus the dominant international relations theories have tended to assume, at least theoretically, that everything required to understand the behaviour of states is found at the international level. States are assumed to be unitary, rational actors pursuing their interests within the constraints of their environment—that

⁵ Two-level games were developed in Putnam, "Diplomacy and Domestic Politics." The original theory required formal analysis. A qualitative version of two-level games theory was developed in Moravcsik, "Introduction: Integrating International and Domestic Theories of International Bargaining."

⁶ E.g. Agrawala and Andresen, "Two Level Games and the Future of the Climate Regime."

⁷ Moravcsik, "Introduction: Integrating International and Domestic Theories of International Bargaining."

is, the geopolitical landscape. Anything below the level of the state is ignored: statesmen⁸ are assumed to recognize the national interests and the external landscape of threats and opportunities just as readily as any international relations scholar and act accordingly, thus becoming unimportant for analysis.

Two-level games theory supplies an analytical toolset that can be used to analyze outcomes of negotiations and to understand the behaviour of different actors. Putnam's theory received a lot of attention in the early 90s and continues to be used, but has perhaps not quite lived up to its promise. As will be seen from this paper, the approach is not a perfect fit with reality, but it can nevertheless offer another perspective on the research puzzle. The two-level games approach introduces a systematic, theoretically informed way to understand how the domestic and the international interact.⁹ It proposes that in international negotiations (or any kind of international relations), governments must negotiate on "two tables"—both with their international counterparts and with their own domestic constituents. Decision-makers must somehow harmonize outcomes at the two levels, getting international acceptance for their own demands and getting domestic acceptance for external demands. In international treaty-making, which require formal ratification, the importance of this is demonstrated most dramatically. If constituents refuse to ratify an agreement the government has negotiated, as the US Senate did after the Kyoto Protocol was negotiated in 1997, the country will not be party to the treaty, possibly resulting in lost benefits and loss of reputation.¹⁰ Domestic interest groups, on the other hand, may refuse to sign off on an agreement that does not benefit them sufficiently. Before or during the course of negotiations, they may try to influence the government to protect their interests. The government, then, must try to find a way to reconcile its own interests or beliefs with those of its constituents.

This is a significantly more sophisticated theory of international negotiations than is often used in the study of international politics. Analysis using two-level games requires an account of domestic politics, the international negotiation environment and the preferences of statesmen,¹¹ corresponding to the levels of analysis.¹² The first element calls for a specification of an actor's 'win-set'; their preferences and constraints. The second element calls for integrated analysis of domestic and international factors. A win-set is the conceivable space of agreements that would be acceptable by domestic constituents. Putnam postulates that international outcomes reflect the size of actors' win-sets and the distribution of gains from the bargaining.¹³ Thus actors with large win-sets must move to satisfy actors with narrow win-sets. Rather than being paralyzed by inaction, these actors may have an advantage. The win-set is one of the most important

⁸ A statesman, without prejudice to gender, is a politician like a head of state or minister representing their country internationally.

⁹ Putnam, "Diplomacy and Domestic Politics"; Moravcsik, "Introduction: Integrating International and Domestic Theories of International Bargaining."

¹⁰ Hovi, Sprinz, and Bang, "Why the United States Did Not Become a Party to the Kyoto Protocol."

¹¹ Moravcsik, "Introduction: Integrating International and Domestic Theories of International Bargaining."

¹² The levels of analysis are the international, domestic and individual levels. In this paper, the individual level of analysis is not used.

¹³ Putnam, "Diplomacy and Domestic Politics."

theoretical devices from two-level games for the purposes of this paper, as a method of within-case analysis. As is seen below, their win-sets are then used to understand the power differential between the two. Moravcsik conjures up an image of statesmen balancing domestic and international concerns in a process of ‘double edged’ diplomacy.¹⁴ In this model, leaders are neither passive reflections of their constituents, a sort of Venn diagram of domestic interest groups, nor merely billiard balls reacting to external conditions. Instead, domestic and international factors both affect the behaviour of states. In addition, political leaders have their own interests, values and perspectives on what they want or can accept in an agreement (known as their acceptability set). To further their own interests enterprising statesmen can use domestic or international conditions to their advantage, for example by exaggerating their inability to act to force concessions from others.

This toolset can be used to analyze the international climate negotiations, in this case specifically the behaviour of China and AOSIS in the G-77 coalition. Because ‘G-77 policy’ as such is an abstract and technocratic issue, it is assumed that G-77 membership is a function of the actors’ overall approach to climate policy. G-77 membership, in other words, is a functional or rational decision rather than an ideational one. Other authors have argued that G-77 unity is based mostly on the concept of southern solidarity and identity.¹⁵ This paper proposes that although there may be elements of solidarity in the coalition, it has not been successfully demonstrated that the identity connection rather than self-interest is what keeps China inside the G-77. The discussion proceeds with a within-case analysis of China and AOSIS aided by the theoretical blueprint of two-level games, analyzing the win-set and acceptability set of each case. Two challenges with this application of two-level games theory: China is an authoritarian state, with an opaque government without the ‘normal’ channels for constituent pressures. AOSIS is a coalition, not a country. The complications that ensue when discussing these actors through the metaphor of two-level games is discussed further below; but, all in all, both are suitable candidates.

China’s win-set

It is conventional wisdom that international climate change policy is a sensitive topic because it impinges on the country’s development priorities and penchant for national autonomy.¹⁶ International commitments are not allowed to interfere with these sacred goals. At the same time, the consequences of climate change threaten China’s long-term prospects for prosperity and stability and its intransigence in the climate talks threaten China’s reputation. This has created the paradoxical situation where China takes climate change seriously as a domestic policy priority while stridently refusing to assume international duties to cut its emissions. Many attempts have been made to understand this behaviour, but usually only at one level of analysis

¹⁴ Moravcsik, “Introduction: Integrating International and Domestic Theories of International Bargaining,” 30.

¹⁵ Williams, “The Third World and Global Environmental Negotiations”; Vihma, Mulugetta, and Karlsson-Vinkhuyzen, “Negotiating Solidarity?”; Najam, “Why Environmental Politics Looks Different from the South.”

¹⁶ Wu, “China’s Pragmatic Tactics in International Climate Change Negotiations”; Heggelund, “China’s Climate Change Policy.”

(domestically or internationally). For many purposes, international-level analysis treating China as a unitary actor with a single set of preferences, goals and principles will suffice. But it is also possible that for deeper understanding of China's behaviour is only possible through combined analysis of aspects of both international negotiations and domestic policy-making. The contention here is that there *is* a link between domestic policy-making and international negotiations, and that the link affects China's bargaining space and bargaining power; in other words, its freedom to act and the tools it has to bargain with.

Naturally, China's size and place in the international economy confers bargaining leverage against other states in the climate negotiations. But two-level analysis demonstrates that its negotiation power comes not only from its structural properties in the international system (its power), but also from its own political system and its domestic situation. If we follow Putnam's theory of two-level games, then the ability of the government to win acceptance for—or ratification of—the decisions it makes among its constituents are crucial. But China's unelected and highly centralized political leadership do not face the same constituent pressures as do western democratic governments. For this reason, the two-level games approach is more commonly used to analyze the behaviour of democracies.¹⁷ Not only is it more likely that domestic interest groups are able to exert pressure on their government, affecting the country's win-set, but it is also easier to study in more transparent systems. As aforementioned, the win-set is the combined space of potential agreements that domestic constituents would ratify. In China, the authority to negotiate and ratify agreements is at least theoretically located in the same place. A proper understanding of how policy is created and managed in China demonstrates that the country is, in fact, a suitable candidate for two-level analysis. China's particular kind of authoritarianism is central to understanding its win-set. There are three aspects of its authoritarianism that affect its international actions.

First, China remains a non-democracy. International climate policy is a highly sensitive political and economic issue and authority regarding it is centralized within the Ministry of Foreign Affairs (MFA) and the powerful National Development and Reform Commission (NDRC).¹⁸ The NDRC has the main responsibility for creating and implementing social and economic reform, including the country's five year plans. The MFA's interests may be said to be less parochial, pursuing more strategic interests. The NDRC, on the other hand, represents economic actors, in particular the energy sector. As is discussed in more detail below, the two institutions have common interest in avoiding international obligations, but for different reasons. Together, they have jealously guarded international policy-making. It would therefore seem that other domestic actors have little input and influence. China's status in the G-77 is also hardly subject to plebiscite. Thus it could be that the preferences and calculations of within the decision-making circle are the only variables in the equation, supporting unitary actor analysis. A preference for national autonomy is a factor that seems to weigh heavily on China's calculations

¹⁷ Moravcsik, "Introduction: Integrating International and Domestic Theories of International Bargaining."

¹⁸ Held, Roger, and Nag, *The Governance of Climate Change in Developing Countries*; Heggelund, "China's Climate Change Policy."

in the climate talks. The leadership's preference for securing their own positions can also account for why the country is so reluctant to assume obligations to the international community and its emphasis on creating social stability. China's leaders appear to have assumed a very restrictive acceptability set (or preferences). In a top-down government, the leadership's acceptability set is more salient than in democracies, though it is difficult to determine its relative importance.

However, it does not appear that the leadership's preferences are the whole story. It cannot fully explain the particulars of China's climate change and energy policies or its changes in its international policies over time.¹⁹ That brings up the second point about authoritarianism. China's system has long been considered one of 'fragmented authoritarianism', meaning that the Beijing government has problems enforcing its decisions on lower rungs of the hierarchy and throughout the provinces.²⁰ The consequence of this is that resistance to central government policies come mainly from within the government hierarchy, rather than from without, as is more often the case in western democracies.²¹ Dozens of institutions and agencies compete over influence and ownership over issue-areas is contested in hot bureaucratic turf wars. Since China's economy still has strong elements of central planning, resistance to government regulation also comes from numerous state-owned enterprises, including in the energy field.²² State-owned companies are fairly autonomous and act more or less in their own parochial interest, even at the expense of national ones, yet enjoy authority at the ministerial level. It is not very surprising that one of the particular priorities for state-owned energy companies has been to prevent regulation.²³ In the western economies, fossil fuel companies have generally been opposed to policies that would impose costs, notably emission reductions. It would be surprising if this simple incentive mechanism was not also at work in China.

The third and final observation about China's political system is that it is also becoming less authoritarian and more pluralistic in a western sense; more tolerant of the expression of a diversity of views on many issues and more open to contestation by outside stakeholders.²⁴ A new plurality of inputs now includes more peripheral officials, journalists, civil society organizations and citizen activists. To an increasing degree, marginalized stakeholders do not accept being left out of the political discussion. One manifestation of the increasing social pressure from below manifests is the tens of thousands of street demonstrations throughout the country every year. But 'policy entrepreneurs' are finding increasing inroads into the policy-making process itself, enabled by the fragmented bureaucratic system. Examples of activism include efforts where outside officials, academics and activists have defied local party bosses and successfully shut down large planned hydropower projects. The media too is becoming less controlled and is able to cover government flaws and social injustice to greater extents. Where

¹⁹ A good overview is found here: Wu, "China's Pragmatic Tactics in International Climate Change Negotiations."

²⁰ Mertha, "'Fragmented Authoritarianism 2.0'"; Lieberthal and Oksenberg, *Policy Making in China*.

²¹ Downs, "China's 'New' Energy Administration."

²² Held, Roger, and Nag, *The Governance of Climate Change in Developing Countries*, 22.

²³ Downs, "China's 'New' Energy Administration."

²⁴ Mertha, "'Fragmented Authoritarianism 2.0.'"

this democratizing trend will lead remains anyone's guess. We should be cautious not to overstate the degree to which thousand flowers are again allowed to bloom, as government forces has demonstrated that it is still willing to crack down hard on opposition to the wrong issues. The point is, however, that an increasingly pluralistic process gradually transforms subjects into constituents, whose views will then gradually begin to matter.

Though the influence of these new constituents is small yet, this affects the country's win-set—the universe of outcomes constituents would agree to—and thus the government's negotiation freedom and power. In a purely despotic system, the leader's acceptability set would be all that mattered. The point of this is to demonstrate that policy-making does not happen in a vacuum at the top echelon, but is influenced by numerous agencies, officials and citizens with their own agendas. Constituent pressures can enable certain kinds of policy (e.g. decreasing energy intensity) while denying others (e.g. a national fuel tax).²⁵ This is precisely how constituents' win-sets affect the government's negotiation space.²⁶ Conventional wisdom dictates that China resists international pressures purely because of the imperative of creating economic growth to ensure social stability. Yet this is an inadequate explanation of why China has implemented successively stronger domestic legislation to deal with climate change while strongly resisting assuming more international obligations. If the reason for China's recalcitrance is that it fears binding itself to commitments it cannot be sure it will be able to satisfy, as suggested by Held, Rogers and Nag, then pushback from lower rungs of the hierarchy becomes a relevant factor.²⁷ In other words, the very narrow win-set of various constituents ties the government's hands. Thus, even though international policy is a closely guarded prerogative of the top echelon, it cannot promise to other countries something it cannot enforce domestically. Resistance has prevented previous climate regulation from being implemented, such as a national fuel tax.

The national interest is rarely born fully formed and without contestation, it necessarily has to come from somewhere. Subnational entities with power in the official hierarchy, whose cooperation is necessary to enforce climate and energy policy, deny higher-up decision-makers room to manoeuvre. This could explain in part explain why China's ardent opposition to international obligations has become so entrenched, as it may be difficult to get free of the restraints of fragmented authoritarianism. There is no doubt that the interests of the many constituents the Chinese government, both inside and outside the official hierarchy, constrain the country's negotiating space. To go from there to *proving* that this constraint has been decisive is more difficult, but even if China's leadership had wanted to, they lack room to manoeuvre. Because of secrecy, however, we cannot fully unpack the relative importance of the leadership's preferences (its acceptability set) versus its constituents' preferences (the win-set). It is fair to say that the leaders' acceptability set is important and that China has played a hawkish role in international negotiations. But it may also force leaders to be less flexible in negotiations than

²⁵ Held, Roger, and Nag, *The Governance of Climate Change in Developing Countries*; Downs, "China's 'New' Energy Administration."

²⁶ Moravcsik, "Introduction: Integrating International and Domestic Theories of International Bargaining."

²⁷ Held, Roger, and Nag, *The Governance of Climate Change in Developing Countries*, 43.

they otherwise would have been. The conclusion from this analysis, then, is that foreign policy and hence China's behaviour cannot be separated from the underlying domestic power hierarchy. China's relationship to the G-77 may in part be a function of this inflexibility, even when it may no longer be in the country's interest to remain. That could happen if the country's reputation started to suffer seriously as a consequence of its laggardness. If that point has not yet been reached, it may soon be.

AOSIS's win-set

Understanding the confluence of interests and acceptable outcomes within AOSIS is also complicated, but for different reasons. As a coalition, it bears resemblance to the European Union (EU), which negotiates as a bloc on behalf of all its member countries. Unlike AOSIS, the EU is a far more complex institution, acting both as a sort of coalition where member states negotiate among themselves and as an actor in its own right.²⁸ When it enters a negotiation meeting, the EU further has a more stable bargaining mandate and is more insulated from pressures from its constituents—EU member states—than AOSIS. For the EU, the fire wall between constituents and decision-makers has been a factor that has allowed EU negotiators to assume leadership in the process, sometimes going further than its members would agree with. For AOSIS, there is no such fire wall: members usually meet twice daily during negotiation rounds to discuss common positions and to delegate negotiation mandates. Individual countries themselves, however, are also engaged in a two-level game between their domestic constituents and other AOSIS members. In this situation states are also constituents, with a very short distance to decision-makers. EU negotiators go to meetings with a ready mandate they can operate within; AOSIS continually negotiates positions and the mandate of its delegated negotiators. This amplifies the ratification predicament.

It is important too to note that using two-level games to analyze international coalitions stretches the theory beyond the context where it was originally applied. AOSIS policy is determined by states negotiating together, not by a sovereign calculating how best to represent the diverse interests of its constituents. Countries are the constituents of the coalition. The constituents, or principals, create and empower agents of the coalition with a mandate to negotiate on its behalf. Unlike a sovereign, negotiators appointed by the coalition have far less leeway to choose which of its constituents' interests to represent; they are more accountable to their principals (country constituents). (The extent to which some countries' views are better represented is an important piece of analysis missing from this discussion.) However, the members of the coalition are also engaged in another two-level game, between the coalition and their own domestic constituents. Thus the principals are also agents representing domestic interest groups. This yields an arrangement where domestic interest groups are further removed from actual policy-making, but where governments, at least in democratic countries, are still at the mercy of constituents with ratification power. Effectively, negotiating within AOSIS is thus not very different from negotiating within the main negotiations. But there are benefits: the

²⁸ Schreurs and Tiberghien, "Multi-Level Reinforcement."

audience is smaller and consists of other countries more likely to be sympathetic or share the same interests.

AOSIS is also a principal and constituent within the G-77, which then negotiates as an agent in the main negotiations. Like a Russian nesting doll, the multiple levels can be perplexing. Notwithstanding these complications, using two-level theory in this instance is useful because enables more systematic comparison with the other case, China. In this context, the complexity of the additional levels is ignored; the interesting levels of the game are AOSIS and its actions within the main negotiations or within the G-77. Now that some of the complications of using two-level theory in this context have been acknowledge, the discussion can proceed, for the purposes of comparison, as if AOSIS is a country. Two issues in particular should be drawn from this discussion: to what extent the interests and tolerance of the country constituents of AOSIS—the alliance’s win-set—constrain its bargaining space and the implications it has for the coalition’s bargaining strength within the G-77 vis-à-vis the emerging powers.

One would expect AOSIS’s win-set on many issues in the climate negotiations to be quite narrow—its 39 voting members are diverse and have varying needs despite their shared self-identification as small island developing states (SIDS).²⁹ The core of is position is a climate treaty that is able to prevent catastrophic climate change.³⁰ Underneath this broad demand, it has two more specific provisions for SIDS in the climate regime, including support for adaptation, and that the industrialized countries must take the main responsibility for climate change mitigation and support to developing countries. Beyond that, on specific issues, the alliance has difficulty finding joint positions and the number of issues on which it has a common position has declined over time. Issues where AOSIS does not have a common interest include LULUCF and REDD. Unsurprisingly, the heavily forested nations in the group, such as Papua New Guinea and the Dominican Republic, would like to be rewarded for the preservation of forests while other are wary of reducing emissions merely by accounting tricks.

Nevertheless, although the scope of AOSIS’s win-set is narrow in terms of issues, it is overall quite broad in terms of what it will ultimately accept. It is so broad, in fact, that the alliance is almost content with any agreement at all. “Something is better than nothing,” stated delegates from Grenada and the Maldives; in other words, *an* agreement is better than *no* agreement.³¹ Copenhagen was the best test of how far countries within AOSIS were willing to go, and it was the only public display of disaffection within AOSIS to this day. Four AOSIS members—Cuba, Cook Islands, Nauru and Tuvalu— made it clear during the final hours of the Copenhagen Conference that they would not sign the accord.³² Copenhagen was supposed to lead to a new climate agreement, but ended instead in ignominious failure and the Copenhagen Accord to cover over the defeat. Although AOSIS did not prefer this outcome—far from it—most members nevertheless chose to continue to support the very countries that were mainly

²⁹ Fry, “Small Island Developing States.”

³⁰ Betzold, Castro, and Weiler, “AOSIS in the UNFCCC Negotiations.”

³¹ Baer, “The Situation of the Most Vulnerable Countries after Copenhagen,” 224.

³² <http://www.usclimatenetwork.org/policy/copenhagen-accord-commitments>

responsible for the failure.³³ AOSIS as a whole, however, accepted the deal. The coalition wanted a maximally strong deal in Copenhagen, but in the end was forced to accept one that could barely be any weaker.

As discussed above, this is a big part of the research puzzle. It has been AOSIS's stated goal that all major emitters must contribute to climate change mitigation.³⁴ The refusal of China, India and the other emerging powers from assuming more responsibility for mitigation under a new agreement was a direct predicate of the failure. Papua New Guinea, an AOSIS member, in that certain G-77 members, a barely camouflaged euphemism for China and India, watered down the accord considerably.³⁵ From this perspective, the question is what AOSIS has to gain to continue to hitch their wagon to the G-77, where China is a dominant actor. Yet the very question of G-77 membership is not on the agenda in the alliance, despite widespread acknowledgement that it is indeed a puzzle. AOSIS's support for the G-77 remains firm and uncontested within the alliance. When Nauru took up the chairmanship of AOSIS in 2011, it was required to also join the G-77.³⁶ Unlike China, AOSIS's status in the G-77 is the domain of its country constituents. At least hypothetically, decision-makers would have to resolve this question repeatedly or on a continuous basis. In fact, however, the question does not come up—defecting from the G-77 is a non-issue.

The dynamics of unity—a two-fold hypothesis

It is possible to explain the relationship between China and AOSIS with reference to their power. But power is a nebulous concept, often used atheoretically and without a proper definition. Two-level two-level analysis offers a more theoretically oriented explanation of the sources of China's power inside the G-77 and the effects thereof on its bargaining space. China's win-set is narrow; AOSIS's over-all win-set is large. The result is a significant advantage for China over AOSIS within the G-77, in concordance with what two-level theory predicts. Whereas the Chinese government likely has little room for manoeuvre, to be more flexible, AOSIS is above all interested in seeing a new agreement.³⁷ AOSIS is thus likely to reduce its ambitions for a new agreement to the point where it either meets the demand of the emerging powers or the alliance splinters. This is partly a pragmatic stance; even a poor agreement can be built upon further. But it is far from its highest ambition. China, on the other hand, needs the G-77 as cover for its claim to be a developing country and resist the pressure to assume mitigation obligations.³⁸ Its G-77 membership consequently looks like a purely instrumental, strategic manoeuvre. As the country's economic success continues, it is an open question how long it can remain a G-77 member and how long it needs to. However, as the discussion above points out,

³³ Dimitrov, "Inside UN Climate Change Negotiations."

³⁴ AOSIS statement 2009

³⁵ Dimitrov, "Inside UN Climate Change Negotiations," 817.

³⁶ Interview with AOSIS negotiator, 14.06.2014.

³⁷ Dimitrov, "Inside UN Climate Change Negotiations."

³⁸ Kasa, Gullberg, and Heggelund, "The Group of 77 in the International Climate Negotiations."

the strategy of avoiding obligations may also be a product of domestic constraints, not just cold blooded political calculations. That makes Chinese foreign policy less predictable, because it is not based solely on calculations of China's national interests.

Yet, whereas this analysis explains AOSIS's inability to exert influence over the G-77's positions, it does not explain why AOSIS remains aligned with the G-77. When it comes to AOSIS, it has the option of either supporting China's claim to be a developing country and G-77 member, or to withdraw. It has chosen the first option. A few hold-out states remain outside the G-77, but accept that the alliance itself is aligned with the group.³⁹ The Copenhagen Conference demonstrated that not everyone is happy with the status quo, but they have since returned to the fold of acquiescing to China's demands. China does bring with it considerable political leverage and this is one common explanation of why the country is tolerated. But as AOSIS members well recognize, China is the largest emitter of climate gases in the world, and its emissions are rapidly increasing. Without strong action by China, the mitigation challenge cannot be met. From an outsider's point of view, AOSIS *should* be demanding strong action by China.

The mystery of G-77 unity thus remains. This paper proposes that path-dependency and side-payments could be the missing pieces of the puzzle. A rationalist-institutionalist theory based on these two elements has the benefit that it can account for both the behaviour of the weak and the strong in the G-77. Power and self-interest explains China's membership quite well, but not that of AOSIS. This hypothesis proposes, however, that there is only one logic of unity, incorporating aspects of self-interest, power and the inertia of the group.

First, path-dependency is likely the main glue of the G-77. It denotes the cost to a country of choosing different policy options once it has started down one particular path.⁴⁰ This could for example explain the inertia of institutions once they have been created. Initial policy choices thus constrain later decisions, like the constitution of the G-77 in the climate negotiations or the decision of any given country to associate with the group. Path dependency has been proposed before as a, but its role has been under-explained and indeterminate.⁴¹ This paper proposes that path dependency is one of two main factors that work together to keep the coalition together, based on rational calculations of the costs of alternatives. For both rich and poor, powerful and powerless in the G-77, the alternative to group membership is to lose the insulation of the developing country bloc. The logic of coalitions is strength in numbers, but once a coalition has been created, the cost of isolation increases—the logic of staying in the coalition becomes weakness in solitude. Isolation means exclusion from club benefits, notably any negotiated results that affords special benefits to the G-77. This would be more acutely felt by AOSIS, though it is also a problem for China. China needs the G-77 to protect its claim to developing country benefits. Although China is powerful in its own right, its economic success and carbon emissions have made it vulnerable to industrialized countries' demands that it must assume more mitigation duties. China could perhaps stand against these demands on its own, but doubtlessly at

³⁹ Interview with AOSIS negotiator, 13.06.2014.

⁴⁰ Pierson, "Increasing Returns, Path Dependence, and the Study of Politics."

⁴¹ Vihma, Mulugetta, and Karlsson-Vinkhuyzen, "Negotiating Solidarity?"

a higher cost, especially in terms of reputation. To withdraw from the G-77 would be a signal that it has or is ready to graduate from its developing country status. As for AOSIS, exclusion from the G-77 would also mean even further marginalization and lack of influence.

The lack of alternatives imposes a high cost on any potential defector even if the status quo is also unsavoury. According to this logic, neither AOSIS nor China can hope for better outside the G-77 than within. Paradoxically, it is the power of China and the powerlessness of AOSIS that keep them both in the fold. The mechanics behind this explanation is based on a rationalist premise that countries act according to structural incentives, minimizing costs or maximizing benefits. Further institutionalist factors could perhaps also be mustered to strengthen the path dependency argument, such as whether for example the lowering of transaction costs also contributes to its institutional ‘stickiness’.

This is not the entire explanation, however. Although there may be a path dependent argument based on rational calculation of self-interest that provides the main glue of the Group of 77, it is not guaranteed that all 133 actors recognizes this or calculates their situation correctly. Given this large number, it would be surprising if everyone did. Lack of better alternatives and despair over the lack of progress, aided by the emerging powers, could lead to revolt rather than acquiescence if countries feel they have nothing more to lose. A revolt did occur in 2009, making the divergence between China in particular and many of the poorer nations within the G-77 palpable. Whereas China pronounced that it was ‘happy’ with the outcome, in line with its sovereignty and national interest, many others were deeply unhappy, including G-77 compatriots.⁴² These were quick to lay the blame on the US and other industrialized countries, as well as the legitimacy of the agreement itself.⁴³ The fact remains, however, that China was one of the main culprits behind the failure of the Bali Action Plan and a main architect of the Copenhagen Accord. The protests that erupted within AOSIS and G-77, however, quickly faded.

This suggests that there must also be additional factors in the logic of unity. The second element of the explanation is the provision of side-payments by China to other G-77 members. In return for supporting China’s claim to developing country status, China in turn supports some more specific demands that would benefit the weaker members of the coalition.⁴⁴ This concerns demands for financial and technological support for mitigation and adaptation in particular, as well as AOSIS demand for special recognition. Although China was once at the frontlines of this issue, demanding such support for itself, its dependence on foreign support has now declined to the level where it is no longer a core interest. Indeed, the size of China’s economy now dwarfs any climate support it could hope to extract from abroad. The country has even gone from being a net receiver to being a net provider of official development assistance.⁴⁵ Supporting AOSIS’s

⁴² “Copenhagen Deal Reaction in Quotes.”

⁴³ Dimitrov, “Inside UN Climate Change Negotiations.”

⁴⁴ Vihma, Mulugetta, and Karlsson-Vinkhuyzen, “Negotiating Solidarity?”

⁴⁵ In 2014 US dollars. Data from World Bank (World Development Indicators).

<http://databanksearch.worldbank.org/DataSearch/LoadReport.aspx?db=2&cntrycode=&sercode=DT.ODA.ODAT.CD&yrcode=#> (accessed 4 July, 2014).

demands also has the benefit for China of incurring no costs for itself; the burden would have to be borne by its industrialized counter-parts.

This simplified analysis treats the G-77 as if China and AOSIS are the two most extreme positions, with everyone else falling somewhere in-between. Coalition members belong to one of two categories: provider of side-payments or beneficiary of side-payments (possibly, there are some in-between that are neither). The side-payments are abstract, but nevertheless represent a real *quid pro quo*. This could further help disaffected countries realize that the *status quo* is the best they could hope for, forestalling revolt. Yet there is also the possibility that more concrete and fungible side-payments find their way from China to other countries. There is no evidence that China is directly bribing other countries, but it is providing loans and other kinds of assistance to many countries for a variety of purposes. As mentioned above, China has become net provider of foreign aid. One AOSIS delegate suggested that financial assistance is a powerful incentive for G-77 association.⁴⁶ Another delegate said that China is a powerful friend that small and marginal countries can ill afford to offend, hinting about other issue-linkages as well.⁴⁷ This indicates that the logic for unity at least partially implicate issues outside the climate negotiations. It has not previously been suggested that external issue-linkages plays any role; the G-77's climate regime cooperation has been treated as isolated from the other activities of the G-77. Further evidence is needed to confirm the theory, but the hypothesis originates in private discussions with AOSIS negotiators.

Conclusion

Two-level games analysis offers a more theoretically grounded approach for understanding the sources and nature of the power differential between AOSIS and China within the G-77. The conclusions of this paper are highly provisional, but they offer an additional explanation of why AOSIS can move while China cannot. That gives China a considerable edge. Based on this analysis and review of their diverging interests, it is not clear why AOSIS continues to tolerate China's behaviour in the G-77. In lieu of a firmer conclusion, this paper offers an hypothesis for why AOSIS continues to associate with the G-77. The paper proposes a rational-institutionalist theoretical approach to the mystery of G-77 unity, with path-dependency and side-payments/issue linkages providing the mechanics of the explanation. Other papers have found multiple, partial explanations for G-77 unity. Instead, this paper suggests that there is only one logic of unity, capable of explaining both AOSIS's and China's positions. Path-dependency, it suggests, provides the main glue while side-payments sweeten the deal to prevent defections. Accommodating China has a high price for countries that depend on deep and expedient international emission cuts, but they may not have any alternatives.

⁴⁶ Interview with AOSIS negotiator, 13.06.2014.

⁴⁷ Interview with AOSIS negotiator, 14.06.2014.

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