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Introduction: Wet Feet Marching

Blame It on Rio?

Imagine you carefully save money your entire life to buy a beautiful piece of land in the country to farm. The land and equipment cost more than you expect, and you quickly become dependent on a narrow margin of profit to sustain yourself and your family. Soon after you move in, however, someone buys the property bordering your land and immediately opens a landfill, accepting trash and hazardous wastes from the entire region. A mountain of trash rapidly grows; the landfill stinks, the noise of the trucks and bulldozers is deafening, and the waste leaks into your groundwater. Since the land is in an unzoned, unincorporated township, you have no recourse to stop the dumping through zoning limits, and the landowner is best friends with the major political and economic players in the county, state, and even the federal government. The value of your property plummets, and you cannot afford to move. The owner of the dump lives elsewhere and grows rich on its income; you suffer all the costs of his operation and gain none of the benefits.

You seek to make an agreement with the neighbor, asking for some limits on his behavior. He negotiates with you for years, but never agrees to any substantial changes in his dumping. Instead, he says it would be unfair to have to do so unless you also agreed to stop dumping your farm waste, which would prevent you from being able to farm effectively. You turn to your other neighbors, seeking partners who will force the dump owner to clean up or close. Some agree, but these are only the poorest and least powerful of your neighbors—the others are friends of

the dump owner, or own businesses that they fear might be hurt by the restrictions you seek.

The dump owner suggests that the impacts of his dumping require more study and promises enormous research projects by scientists of his choosing. Repeatedly and with great fanfare he promises to lend you money on good terms to build a wall as a visual screen, to clean your drinking water, and to help you deal with other effects. Desperate for any progress, you accept his offers, but his promises are quickly forgotten, and the improvements are never completed. He asks you again to sign an agreement that in a few years would make it impossible for you to increase production on your farm to the point where your family could live decently. You and the other less powerful neighbors resist the agreement.

With only slight changes in the details, this is the story of global warming and all the years of discussion and action since the issue was identified in the late 1980s.

Now picture this nonfictional scene: After three years of frustrating negotiations following the drafting of the world's first framework for a treaty on global warming, Atiq Rahman, of the Bangladesh Centre for Advanced Studies, rose to his feet in a huge Berlin conference room. Looking out across a sea of scientists, negotiators, and lobbyists from around the world, Rahman struggled to express the urgency of the injustice of global warming in as plain words as he could find.¹ In the decade leading up to the 1995 conference, Bangladesh had been struck by two devastating floods and two typhoons that left over a hundred thousand people dead and tens of millions of people homeless.² With climate change, scientists predicted a rise in sea level and more severe tropical storms. "If climate change makes our country uninhabitable," Rahman warned, "we will march with our wet feet into your living rooms."³

Looking back a decade later, Rahman's warning remains as painfully absurd now as it was then. The globe's wealthy and poor nations live in worlds so distant and disparate, and the wealthy are so sealed off from the poor, that Rahman's words might sound farfetched. Yet the plight of the world's poor cannot be ignored. The issue of reconciling social justice with environmental protection has surfaced at every major international meeting since the first environment and development conference at Stockholm in 1972, Nairobi in 1982, Rio in 1992, Rio+5 in New

York, and Johannesburg in 2002. At the Rio Earth Summit, poor nations feared limits on their efforts to grow economically and care for the basic needs of their people, but several powerful industrialized nations refused to curtail their own excesses unless poor nations did the same. President George H. W. Bush's famous statement that "the American lifestyle is not open to negotiation" remains a colorful reminder of this key sticking point.

The most controversial issue at Rio was global climate change. Under intense pressure to do something, 187 nations eventually signed the United Nations Framework Convention on Climate Change (UNFCCC).⁴ However, the treaty avoided tough details. It called on nations to "protect the climate system . . . on the basis of equity and in accordance with their *common but differentiated responsibilities and respective capabilities*," but consensus on these "first principles" masked profound disagreement on the issue of actual obligations. Developing countries interpreted the "common but differentiated" language with great precision: industrialized nations would need to take the lead by cutting their own emissions and transferring large sums of environmental assistance to the South.⁵ However, developed countries saw more room for selective interpretation.

Before the ink had even dried on the UNFCCC agreement, rich nations began to backpedal on their promise of massive technology transfer and technical assistance to the developing world.⁶ The estimated price tag for sustainable development in the Third World was \$625 billion a year, with the North supplying about 20 percent of the total cost in grants or below-market rate loans.⁷ However, the rich nations delivered less than one-fifth of that promise.⁸ Three years later, the "Berlin Mandate" called for the rich nations to first reduce their emissions, with the poorer nations joining on the second or third round. More rounds of negotiations foundered on the rocks of equity and justice at Kyoto, Buenos Aires, Bonn, The Hague, and Marrakech.⁹ President Bill Clinton signed on to the Kyoto Protocol to limit carbon dioxide emissions in 1997, but even before he did, the U.S. Senate voted 95 to 0 to support the Byrd-Hagel Resolution, which would block any "unfair" treaty that did not require the poor nations to also address the problem.¹⁰

This move by the United States bred great animosity in the developing world because of what was widely perceived to be Americans co-opting

and thus undermining the Southern position of "climate injustice." Third World policy makers and activists were quick to point out that the average U.S. citizen dumps as much greenhouse gas into the atmosphere as nine Chinese and eighteen Indians, and that developing countries are immeasurably more vulnerable to rising tides, tropical storms, droughts, and flooding than rich nations. However, as we will argue in this book, social understandings of fairness are highly elastic and subject to political manipulation. The ominous 95 to 0 vote on the Byrd-Hagel Resolution specifically tried to discredit the protocol on the basis of the "disparity of treatment between Annex I Parties [essentially the wealthy OECD] and Developing Countries."¹¹

Eventually, U.S. Secretary of State Madeline Albright declared a "diplomatic full court press to encourage meaningful developing country participation," but poor nations continued to hold out.¹² Yet interestingly, almost all developing countries refused to accept scheduled commitments for future reductions of emissions in the name of fairness. In fact, the very suggestion that poorer nations should restrict their economic growth by reducing emissions led to an openly hostile negotiating environment. China's lead negotiator said "In the developed world only two people ride in a car, and yet you want us to give up riding on a bus." Facing pressure from President Clinton, Chancellor Luiz Felipe Lampraia of Brazil flatly stated, "We cannot accept limitations that interfere with our economic development."¹³

President Clinton and Vice President Gore never dared to bring Kyoto to the Senate for ratification. Their successors, President George W. Bush and Vice President Cheney, then pulled the United States out of the Kyoto treaty entirely in March 2001 and in February 2002 offered a much weaker policy on reducing U.S. contributions to global warming. The Bush administration continues to oppose Kyoto because it is "an unfair and ineffective means of addressing global climate change concerns" and "would cause serious harm to the U.S. economy."¹⁴

Diametrically opposed perceptions of "climate justice" among rich and poor nations, we argue, pose a serious threat to political resolution and pollute a diplomatic atmosphere already teetering on the edge of disaster. Scientists and environmentalists in the world's wealthier nations are mystified as to why this life-threatening issue has elicited such an anemic policy response, but many of them miss the point: Responses to

climate change are wound up with other social and economic issues facing nations and are fundamentally about inequality and injustice. The Kyoto Protocol suffers from a similar short-sightedness. While Russia's ratification of Kyoto has put the treaty into effect, and public concern about climate change seems to be increasing, the foot dragging of the world's largest emitter and the skittishness of developing countries cast a long shadow of uncertainty over the future viability of any post-2012 North-South climate pact. A better understanding of the current policy impasse is therefore urgently needed.

Our Argument in Brief

Over the past twenty years, the theoretical literature in international environmental relations has blossomed. Scholars have argued that international environmental policy outcomes are the result of material self-interest,¹⁵ bargaining power,¹⁶ and the ability to strong-arm weaker states through more coercive forms of power.¹⁷ Others have emphasized the importance of exogenous shocks and crises,¹⁸ salient solutions,¹⁹ a scientific "burden of proof,"²⁰ environmental nongovernmental organizations (NGOs),²¹ postmaterialist values,²² epistemic communities,²³ transnational activist networks,²⁴ corporate nonstate actors,²⁵ intergovernmental organizations,²⁶ and political leadership.²⁷ Yet curiously, few scholars speak of the one variable singled out repeatedly by policy makers: global inequality. The small body of theoretical work that does exist on the topic rarely provides clear causal explanations of how inequality matters and under what conditions it affects outcomes in international environmental politics. Most analysts rely selectively on anecdotal evidence and particularize explanations without explicitly addressing the generalizability of their claims.²⁸ And rather than explaining the origins of global inequality and the forces leading to its persistence, scholars often take it as given. Inequality as it relates to climate change is also rarely measured systematically in its several dimensions, and its roots are poorly understood.

We take a different approach. We develop scientific measures of climate inequality, utilize statistical methods to evaluate its proximate and deeper social and historical determinants, and examine the causal channels through which inequality influences the form, frequency, timing,

substance, and depth of international cooperation. Our account of the North-South stalemate on climate policy relies on the integration of three types of arguments: general theories about the behavior of states, intermediate explanations about international environmental politics and North-South politics, and issue-specific insights concerning the "problem structure" of climate change.

In the first group are issues of trust, worldviews, causal beliefs, and principled beliefs—issues we believe are largely attributable to the position of countries in the global division of labor. Inequality, we argue, dampens utility-enhancing cooperative efforts by reinforcing structuralist worldviews and causal beliefs, creating incentives for zero-sum and negative-sum behavior, polarizing preferences, generating divergent and unstable expectations about future behavior, eroding trust and civic norms among different social groups, destabilizing policy coalitions, and making it difficult to coalesce around a socially shared understanding of what is "fair."

At the intermediate level are explanations of the ongoing development crisis and those arising in environmental debates over the definition of sustainable development, foreign assistance for the environment, and global versus local environmental concerns. Climate negotiations do not take place in a vacuum. They are taking place at a time when concerns about Northern callousness and opportunism in matters of international political economy are rising, levels of generalized trust are declining, and calls for fair processes and fair outcomes are being marginalized. The North-South impasse on climate policy is, in other words, linked to larger systemic problems that hinder cooperation between rich and poor nations more generally. Compounding this problem, for more than thirty years the environmental issues of most concern to developing countries have been brushed aside and replaced with First World issues. However, global commons issues, such as ozone depletion, habitat loss, and climate change, are much less pressing to most poor nations than providing safe drinking water, slowing soil erosion, treating sewage, slowing the spread of deserts, and reducing lung- and eye-burning air pollution.²⁹ This wedge between Northern and Southern interests has put rich donor countries in the difficult business of "persuad[ing] recipient countries . . . to take the environmental actions of [lowest] priority to them."³⁰

Finally, we rely upon a series of explanations that are specific to the "problem structure" of climate change. Part of the reason cooperation on climate change is so difficult to achieve is intrinsic to the problem itself: the number of parties needed to resolve the problem, the complexity of the problem, the time sensitivity of the solution, the quantity and quality of information, the high levels of uncertainty surrounding the issue, the stability and intensity of actor preferences, the "observability" of climate-related behavior, and the asymmetry of externalities. We argue that to understand why countries are willing or unwilling to cooperate and make sacrifices for the protection of what may be their way of life, we must first identify which nations are most responsible for global climate change, which nations will most suffer the effects of climate change most profoundly, and which nations will most likely bear the largest costs of cleaning up the mess. This "triple inequality" of responsibility, vulnerability, and mitigation, which is also intrinsic to the problem, offers a powerful and parsimonious explanation for the negotiation positions adopted by rich and poor nations.

To test the observable implications of these theories, we rely on the new cross-national indicators of climate responsibility, vulnerability, and action, as well as the statistical tools of multiple regression and path analysis. Rather than proposing that one factor outweighs all others, we synthesize complementary theoretical insights and attempt to empirically discriminate between competing explanations. While recognizing that there are often aspects of truth in multiple explanations, we studiously avoid the "indeterminate 'everything matters' approach" adopted by many international relations scholars.³¹ Some of the factors emphasized in the extant literature hold up in this large-*N* empirical analysis; many do not.³²

In taking this synthetic approach, we hope to demonstrate a need for theoretical bridge building in international environmental politics. Theoretical synthesis has figured prominently in the study of security,³³ human rights,³⁴ public health,³⁵ and development finance,³⁶ yet self-conscious attempts at bridge building in international environmental politics are surprisingly rare. There are, of course, important battles to be fought in international relations—for example, realism versus institutionalism, rationalism versus constructivism, and structure versus agency—but we must remember that "[t]heory and method are . . . means not ends; they exist to promote our understanding of empirical causes by

encouraging theoretical breadth, logical coherence, and empirical objectivity."³⁷ Many of us are guilty of retreating to our preferred "islands of theory" and ignoring theoretical complementarities, but pursuing this strategy comes at a high scientific price.³⁸ Failing to thoughtfully consider bridge building prospects often means overlooking interconnected causal processes and thus creating caricatures of a complex social world.³⁹

Rising Tides in an Unequal World

How does inequality drive so much of the noncooperative behavior observed between the global North and South? We argue that it does so by two paths. First, there is the direct path, which we discuss briefly in this chapter. The extreme poverty of dozens of nations and the relative powerlessness of a larger number leaves them without the capacity to negotiate effectively with the North and unable to meaningfully address their emissions of greenhouse gases because of their extremely undeveloped economies and government agencies. The second path driving noncooperation on climate change has been almost universally overlooked, but we argue it is potentially more important than the shortage of technical capacity. The experience of poorer nations in the world economy and their interaction with rich nations across multiple issue areas has reinforced a worldview and a set of causal beliefs that are at odds with those of the wealthy nations; this has bred generalized mistrust and polarized expectations about how to proceed on climate issues. Mistrust and divergent and unstable expectations have also led to defensive negotiating strategies by poorer nations and reduced the likelihood of reaching a mutually acceptable agreement.

In the remainder of this chapter we discuss the broad contours of global inequality in wealth, relative power, knowledge, negotiating skills, vulnerability to hydrometeorological disasters, responsibility for climate change, and in who has made efforts to clean up the atmosphere.⁴⁰ As mentioned earlier, to understand the non-cooperative postures of developing nations, we first need to understand the defining features of climate change as a political issue: the unavoidably global nature of the problem, the enormous divide in responsibility for the problem, the

highly asymmetric distribution of burdens and benefits associated with the warming of the earth's climate, and inequality in who is expected to deal with its causes and consequences.

Globalization and the Unequal Costs of Climate Change

The existing body of scientific evidence on global climate change strongly suggests that the emissions coming out of our exhaust pipes contribute to a layer of heat-trapping carbon dioxide that will create—and perhaps has already created—a warmer and wetter atmosphere, and, in turn, terrible outcomes like more flooding in Bangladesh, devastating hurricanes in the Caribbean, and droughts in the Sudano-Sahel region of Africa.⁴¹

Climatologists have observed a sharp upswing in the frequency, magnitude, intensity, and duration of hydrometeorological disasters over the past two decades:

- The five warmest years on historical record were 2005, 1998, 2002, 2003, and 2004, and hydrometeorological disasters have more than doubled since 1996.⁴²
- The number of major natural catastrophes was four times larger, and cost the world's economies eight times more during the 1990s than in the decade of the 1960s.⁴³
- Ninety percent of natural disaster fatalities during the 1990s were the result of hydrometeorological events (e.g., droughts, floods, hurricanes, and windstorms).⁴⁴

These shifting hydrometeorological patterns are not lost on global opinion leaders. In 2004, British Prime Minister Tony Blair characterized climate change as "a challenge so far-reaching in its impact and irreversible in its destructive power, that it alters radically human existence," and stated his intention to use the G-8 presidency as a bully pulpit for reform.⁴⁵ Former chair of the Intergovernmental Panel on Climate Change (IPCC), John Houghton, has described climate change as a weapon of mass destruction.⁴⁶ And *The Economist* calls global warming "a potential time bomb capable of wreaking global havoc."⁴⁷

It therefore appears that with the expansion of international contact and scientific understanding of global environmental issues such as depletion of the ozone layer and climate change, there is a growing understanding about the "commonality of problems," a new global consciousness that

we are all together on this "Spaceship Earth."⁴⁸ Yet curiously, this new global consciousness about environmental issues often occludes important differences in blame. With only 4 percent of the world's population, the United States is responsible for over 20 percent of all global emissions (see chapter 5 for more detailed comparisons). That can be compared with 136 developing countries that together are responsible for only 24 percent of global emissions. Clearly, poor nations remain far behind wealthy nations in terms of emissions per person. The average American citizen dumps many times more greenhouse gases into the atmosphere than the majority of humans who live on Earth—four or five times the global average. Overall, the richest 20 percent of the world's population is responsible for over 60 percent of its current emissions of greenhouse gases. That figure exceeds 80 percent if past contributions to the problem are considered, and they probably should be considered, since carbon dioxide, the main contributor to the greenhouse effect, remains in the atmosphere for more than a hundred years.

Those who emphasize that climate change is everybody's problem, or a "global public bad," also obscure the ways in which its impacts are socially distributed across human populations. Some populations suffer worst and first, and they are often not those who caused the problem. Rapidly expanding populations in Africa, Asia, and Latin America are facing more frequent and more dangerous droughts, floods, and storms, and have suffered immeasurably more loss of life and livelihood from hydrometeorological disasters than those in rich nations.⁴⁹ According to the World Bank, "[b]etween 1990 and 1998, 94% of the world's disasters and 97% of all natural-disaster-related deaths occurred in developing countries."⁵⁰ Many of these regions are of course already afflicted by chronic underdevelopment, water scarcity and pollution, land degradation, food insecurity, civil conflict, infectious disease, and feeble domestic institutions. Large informal squatter settlements in overcrowded coastal cities find themselves just meters away from eroding shorelines and riverbanks.⁵¹ Small island states, already at risk because of their highly climate-dependent exports, struggle to overcome high transport costs, weak coastal defense systems, and fragile ecosystems.⁵² Groups of "climate refugees" are on the move because of resource scarcity, growing insecurity, and violent conflict.⁵³ Yet, somewhat ironically, many of the largest contributors to global warming could gain from the effects of

climate change in the short to medium term. Experts predict that North America and parts of northern Europe may enjoy economic gains from longer growing seasons, less frost, and thus increased agricultural output.⁵⁴

There will also likely be inequality in who will be most responsible for reducing emissions. Since the low marginal costs of reducing emissions in developing countries make near-term reductions in the industrialized world relatively inefficient, many Western policy makers and scientists believe that countries like China and India—where average annual incomes are less than \$1,000—should cut their greenhouse gases before or at the same time as rich countries. Congressman David M. McIntosh, the chairman of the U.S. House of Representatives Subcommittee on National Economic Growth, Natural Resources, and Regulatory Affairs, stated in 1998 that "[t]he Kyoto Protocol . . . is patently unfair because it exempts 77 percent of all countries from any obligations. China, India, Mexico, and Brazil, just to name a few, are completely unfettered by the Treaty—these countries already have the competitive advantages of cheap labor, lower production costs, and lower environmental, health, and safety standards. If President Clinton has his way, now these countries will be free to develop and pollute all they want, while the U.S. economy goes into a deep freeze."⁵⁵ In fairness, many Western policy makers have come to accept the idea that poorer countries should be assisted in this transition, but the onus is in some measure being placed on developing countries, and this raises extremely difficult issues of actual and perceived unfairness.

These inequalities in climate vulnerability, responsibility, and mitigation also exist in a wider context of "asymmetric globalization."⁵⁶ In the interest of space, we will not review the highly contentious literature on whether inequality in global income is increasing or decreasing.⁵⁷ More important for this discussion is the scale of global inequality. World Bank data suggest that the average per capita income of the richest twenty countries exceeds the average for the poorest twenty countries by thirty-seven times.⁵⁸ Measuring individual incomes rather than national incomes, the United Nations Development Programme (UNDP) estimates that the richest 20 percent of the world's population controls 80 percent of the world's income. By comparison, the poorest 20 percent controls just 2 percent of the world's income, and the middle 60 percent

controls 6 percent of global income.⁵⁹ Branko Milanovic reports that roughly the same share of global income accrues to the richest 1 percent of the world's population as to the poorest 57 percent.⁶⁰

A few nations are seeing median household incomes rise, but most are not, and the cavernous divide between the world's rich and poor nations is not disappearing. In fact, one of the defining characteristics of the global distribution of income is its so-called "missing middle." Most of the world's population earns an average annual income either below \$1,500 or above \$11,500, while an astonishingly small fraction of the global population makes up the so-called global middle class (between \$5,000 and \$11,500; see figure 1.1).⁶¹ This apparent lack of mobility in the global division of labor has reinforced the popular perception that the world is divided into "haves" and "have-nothing-at-alls."⁶² G-77 scholar Adil Najam puts it clearly indeed: "[t]he self-definition of the

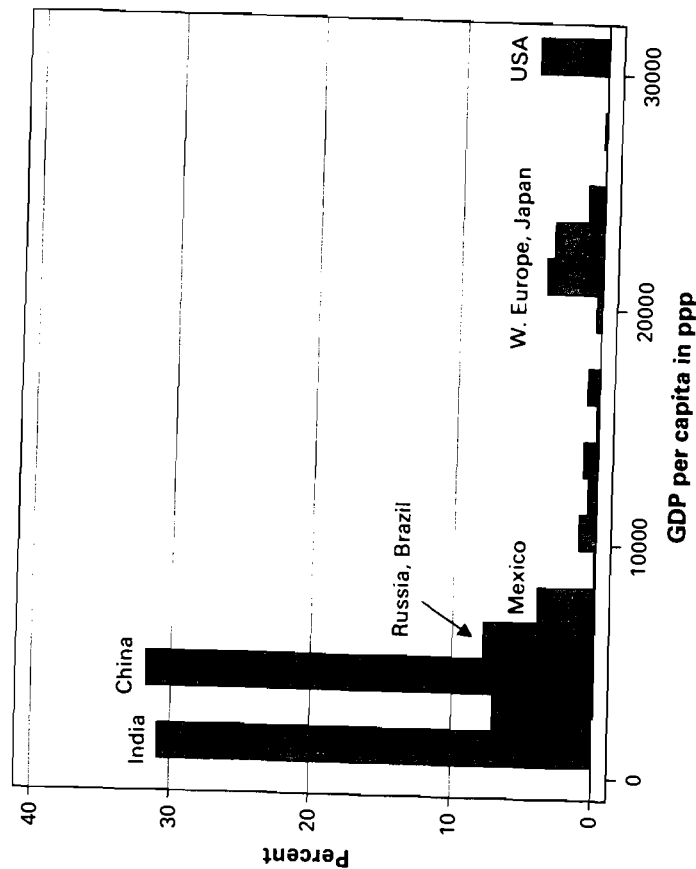


Figure 1.1

The "missing middle": distribution of people according to per capita income of the country where they live (year 2000). x-axis, per capita GDP in 1995 international prices; y-axis, share of world population. (From Milanovic 2005b)

Fourth... is a definition of exclusion: these countries believe that they have been bypassed and view themselves as existing on the periphery."⁶³

Further reinforcing these structuralist ideas are the callous—and at times opportunistic—actions taken by Western governments as well as the contemporary forces in the global economy that make upward mobility in the international division of labor extremely difficult. In a 2005 *Foreign Affairs* article, Nancy Birdsall, president of the Center for Global Development, Harvard economist Dani Rodrik, and International Monetary Fund (IMF) division chief Arvind Subramanian provide one such example: "In the context of international trade agreements in particular, developing countries have been asked to take on obligations that have been clearly inimical to their development interests. Perhaps the most egregious example of this in recent times has been the WTO's intellectual property agreement, TRIPs [The Agreement on Trade-Related Aspects of Intellectual Property Rights]. TRIPs will have the effect on poor countries of increasing the costs of and reducing access to essential medicines and this at a time when one of the worst health epidemics ever known by man—AIDS—ravages the developing world. The flip side of the costs to these countries is the profits that will be transferred from consumers and taxpayers in poor countries to pharmaceutical companies in the rich world. In other words, TRIPs will entail a pure transfer of rents from poor to rich."⁶⁴

Another example of callous and opportunistic behavior is the Western crusade to limit the use of industrial policy instruments by developing countries. Through international financial institution (IFI) conditionality, bilateral reprimands, tariff escalation policies, restrictive multilateral and bilateral trade and investment agreements, and "expert advice," poor nations have been strongly encouraged to develop in line with their comparative advantage.⁶⁵ Yet, many of these very same comparative advantages have left developing countries at the bottom of the global income pyramid after generations of working in mining, agriculture, and low-wage labor. Their economies and government revenues continue to ride the rollercoaster of price volatility as their bread-winning exports rise and fall on the global market. World Bank economist Paul Collier likens the impact of a typical commodity price shock in a developing country to an event more familiar to Western audiences: "[T]he sort of shocks that are hitting those developing countries which are dependent upon a

narrow range of primary commodities are *analogous only to the great depression of the 1930s*. In the case of the typical large negative export shock, directly costing 7 percent of GDP [gross domestic product], the shock then triggers a cumulative contraction in the economy over the next two or three years, leading to an additional loss of output of around 14 percent of initial GDP."⁶⁶ As we document in the coming chapters, by punishing resource-dependent nations that make efforts to upgrade their industrial capacity, increase local value-added, and encourage employment, rich nations effectively seal their own fate in global environmental negotiations.

This is, of course, only the tip of the proverbial iceberg. A whole range of Western policies that fail to acknowledge, or deliberately overlook, the structural dilemma of developing countries are also fatefully unhelpful to North-South climate negotiations. These include austere bilateral and multilateral conditionalities that limit national autonomy in setting policy, tariff escalation, agricultural protectionism, bilateral investment treaties and other "deep integration" agreements, commodity support funds that offer loans rather than grants, and IFI governance structures that prevent the institution's main clients from having any significant voting power. Our thesis is simple: When powerful states disregard weaker states' position in the international division of labor in areas where they possess structural power, they run a high risk of weaker states "reciprocating" in policy areas where they possess more bargaining leverage. The issue of global climate change—which itself is characterized by tremendous inequality in vulnerability, responsibility, and mitigation—can therefore not be viewed, analyzed, or responded to in isolation from the larger crisis of global inequality.

One Man Against an Army: Negotiating Climate Treaties for Poor Nations

Vast differences in absolute and relative income have a tremendous impact on the ability of countries to attend international conferences, participate in international organizations, and hire skilled negotiators.⁶⁷ This is what we call the direct route through which inequality reduces the likelihood of cooperation on climate change. It determines whether nations can pay for salaries and accommodations, draft proposals with

proper legal argumentation and nomenclature, attend the many formal and informal meetings at conferences, and respond to the demands of powerful nations with well-thought-out counterproposals. It also determines whether a nation can provide reliable information about its intentions, abilities, and past behavior, and whether it can evaluate other nations' intentions, abilities, and behavior.⁶⁸ "The reason why many poor small countries are hardly represented in negotiations that concern them directly," writes Robert Wade, "is that they cannot afford the cost of hotels, offices, and salaries in places like Washington DC and Geneva, which must be paid not in PPP [purchasing power parity] dollars but in hard currency bought with their own currency at market exchange rates."⁶⁹ Furthermore, to avoid being eaten alive in negotiations, the governments of less developed countries (LDCs) must hire lawyers, economists, scientists, and consultants to assist them in negotiations. This requires hard currency, generally U.S. dollars. More often than not, they go without this help.

Michael Richards of the Overseas Development Institute has studied the average number of delegates sent to climate change negotiations and found that numbers vary greatly between developed and developing countries.⁷⁰ To give an idea of the disparity, he describes the situation at COP-6, where the United States brought ninety-nine formal delegates and the European Commission brought seventy-six, while many small island and African states were lucky if they could assemble a delegation of one, two, or three persons. These numbers gloss over even greater disparities. Wealthy nations typically show up at international conferences with a convoy of lawyers, legal experts, scientists, economists, skilled diplomats, and observers, allowing them to read every document, attend every committee meeting, and painstakingly weigh the pros and cons of proposals. Our experience at COP-10 in 2004 and an examination of the list of its 6,200 approved participants confirmed these trends. By contrast, developing country delegations often struggle to stay abreast of even the most important meetings and proposals, and negotiating drafts often pass through their hands faster than they can read, process, or respond to them.⁷¹

Decision costs are also especially high for poorer nations because of the specific type of human capital that they draw upon during climate

treaty negotiations. "Developing country teams tend to be composed of scientists, especially meteorological specialists, who are less adept at negotiating with lawyers and economists, and diplomats or politicians."⁷² Developing country governments also have fewer negotiators skilled in the ways of Western diplomacy and brinkmanship. "Even if the negotiator has a position," writes Gupta, "it is not enough. He or she needs techniques to influence the process of negotiation. These include influencing the agenda, the process, drafting text, circulating it informally among colleagues, submitting it formally to the Secretariat, responding to other's queries, negotiating the text and suggesting alternative formulations, checking the consensus view against the reserve position and, if not happy, bracketing the text or using the words 'can accept,' 'maybe' and/or 'too early to make a commitment'."⁷³ Chasek and Rajamani also make this point: "If the delegate is a technical expert, her usefulness in the negotiations could be limited. Unless she had prior multilateral negotiating experience, her interventions could be ignored simply because they are not couched in the proper lingo, even if what she is saying makes eminent sense. Technical experts may miss the political or procedural fine points of the debate or the larger international context within which a particular negotiation takes place."⁷⁴

The importance of the number of attendees that developed and developing governments send to negotiations can also not be overstated. In principle, most decisions in international environmental negotiations require formal consensus—that is, "everyone has the power of veto"—but reality bears little resemblance to the ideal.⁷⁵ In practice, many different issues are often being negotiated in different meetings simultaneously, placing smaller delegations at a sharp disadvantage. Mike Moore, former director-general of the World Trade Organization (WTO), celebrates the fact that the WTO has "144 handbrakes and one accelerator, which can only be used by consensus,"⁷⁶ but deals are routinely struck in the absence of understaffed and overstretched LDC governments.⁷⁷

Starting at the sixth Conference of the Parties to the UNFCCC and the Kyoto Protocol (COP-6) in 2001 in The Hague, the chairs insisted that negotiations be divided among groups, subgroups, and subsubgroups in order to cover the wide range of issues raised by climate change, such as national action plans, monitoring, emissions trading, compliance, tech-

nology transfer, and technical assistance.⁷⁸ Rather than "leveling the playing field," which many students of international negotiations see as a necessary precondition for achieving a mutually acceptable agreement, this decision strengthened the relative bargaining power of larger delegations.⁷⁹ Since the consensus rule, in practice, requires that dissatisfied parties actively voice their opposition, large delegations that have the ability to be many places at once wield tremendous agenda-setting power and are often able to push through policies that skew benefits strongly in their favor.⁸⁰ There are also social pressures—well known to students and teachers—that prevent uncertain participants from speaking up.

It is also not uncommon for developing country delegates to be "buried" with paper, brought to the point of extreme fatigue, and then presented with a *fait accompli* in the eleventh hour of negotiations and asked to accept or reject the proposal in an unrealistically short period of time. At the COP-6 Hague meeting, Ashton and Wang claim that "commitments were imposed by muscular chairmanship, or gaveled through without reaction from negotiators exhausted to the point of sleep."⁸¹ These types of tactics often work to the advantage of rich nations, but they can also backfire. The North's "Green Room" meetings and take-it-or-leave-it proposal at the 2003 Cancun trade negotiations led to a walkout by G-77 delegates. Climate negotiations at COP-6 were equally unsuccessful, partly because the G-77 (a group of 132 developing nations) and China felt completely marginalized.⁸² In cases where poor nations go along with railroaded agreements, the resentment created in securing victory in the battle can make winning the larger war impossible.

Because of their general lack of information and insufficient ability to process large quantities of legal and scientific information, Joyeeta Gupta argues that developing country negotiators tend to fall back on rhetorical statements, rather than making concrete problem-solving proposals.⁸³ Lynn Wagner has carefully studied the statements made by different coalitions—the Umbrella Group (Canada, Japan, Australia, New Zealand, Iceland, Norway, Russia and Ukraine), the Alliance of Small Island States (AOSIS), OPEC oil-producing countries, and the G-77—during the 1994, 1996, 1997, and 1998 sessions of the UN Commission on Sustainable Development (CSD). She found that the G-77 is less likely than any other negotiating bloc to make problem-solving statements.⁸⁴ In climate negotiations, G-77 countries instead have relied on three

ized as deliberate defection, the reality is that, in relative terms, it is much more expensive for developing countries to fulfill their obligations since foreign environmental technologies can only be bought and foreign experts can only be paid for with hard cash.⁹⁴

Still, the most potent determinants of the North-South climate policy impasse are probably not transmitted through the direct route of global inequality: the shortage of technical, financial, and administrative capacity in poorer nations. The current stalemate in climate negotiations, we argue, has less to do with the seen than the unseen. Financial resources, technical expertise, and negotiating prowess matter, but the indirect impact of global inequality on conditions of generalized mistrust and diffuse reciprocity, structuralist worldviews and causal beliefs, risk aversion, perceived unfairness, and zero-sum and negative-sum behavior is probably even greater on the frequency, form, substance, depth, and timing of cooperation.

Charting a New Course: A Roadmap and Some Caveats

The goal of this introductory chapter is to tie global inequality to the stalemate in North-South climate negotiations through its direct impact on the ability of absurdly outgunned poor nations to negotiate effectively. Chapter 2 outlines a series of explanations about how global inequality more indirectly retards international cooperation. It describes a series of steps from actual and perceived inequality and its roots, through the disparate worldviews and causal beliefs of nations, to feelings of generalized mistrust between the two sides. This mistrust leads to divergent expectations and dysfunctional negotiations as poorer nations become risk averse, resist bearing such a large share of mitigation costs, and contemplate "getting even" with Northern nations for earlier injustices. These negative strategies prevent negotiators from reaching a shared social understanding of fairness from which to build the ambitious cooperative agreement needed to address climate change effectively.

Readers who are not interested in the theoretical intricacies of international relations may wish to move directly to chapters 3 and 4, where they can find concrete information on climate-related disasters and their causes. There we develop three cross-national indicators of suffering

broad arguments: that the West is most responsible for the problem; that binding commitments jeopardize their economic development; and that global climate change is inextricably linked to larger problems in the global economy.⁸⁵

Defensive strategies may prevent the outcomes poor nations most immediately fear, but they also significantly weaken their ability to get what they want. Anil Agarwal, Sunita Narain, and Anju Sharma—three well-known Southern intellectuals from the Centre for Science and Environment in New Delhi, India—argue that "[t]he weakness of [the South] lies in the failure of its political leadership to articulate and develop a coherent vision of a greener and [equitable] world. While it is true that the U.S. and various other Northern nations have been resistant to Southern concerns, the Southern leadership, too, has had no agenda of its own."⁸⁶

Knowledge is also instrumental in developing a strong bargaining position, and here again global inequality has significant effects. Gupta refers to a "structural imbalance of knowledge"⁸⁷ between rich and poor nations, and Miland Kandlikar and Ambuj Sagar offer strong support for this assertion by examining the cross-national distribution of authors in IPCC Working Groups (WG) I, II, and III in 1990 and 1995.⁸⁸ They report that out of 512 WGI authors in 1995, 212 were from the United States, 61 were from the United Kingdom, and only 12 authors came from India and China combined.⁸⁹ The impact of this imbalance is both underresearched and underappreciated. Policy makers rely heavily on climate scientists for both the "facts" and their understanding of the policy implications.⁹⁰

Finally, global inequality affects the ability of developing countries to provide reliable data and comply with negotiated agreements. The UNFCCC and Kyoto treaties both rely heavily on "national reporting" to ensure compliance, but poor nations have far fewer scientists and engineers per capita,⁹¹ less NGO support, less private sector involvement, and the "[m]onitoring and data collection infrastructure of most developing countries is severely handicapped or non-existent."⁹² Therefore, many LDC governments must hire outside consultants, scientists, and legal experts to help them put together their national communications, national climate change programs and national adaptation programs of action (NAPAs), greenhouse gas inventories, and vulnerability and adaptation assessments.⁹³ While noncompliance is often character-

A Model of North-South (Non-)Cooperation

meaningful sums of environmental assistance to developing countries; funding "brown" aid and adaptation aid as well as green aid; providing greater "policy space" and "environmental space" to late developers; abandoning international economic regimes, like TRIPs, that threaten the long-term interests of developing countries; helping nations diversify their exports and create strong, resilient economies with internally articulated markets; creating a commodity support fund to insulate countries that rely on natural resources from exogenous shocks; giving developing countries a greater stake in the governance structures of international financial institutions; and reducing Western agricultural subsidies and tariff escalation policies. Committing to the so-called Hippocratic principle and promoting predictability and generalized norms in trade, debt, aid, and investment issues may also pay handsome dividends in eliciting LDC cooperation.⁹⁸

However, all the best climate policy interventions may be undermined by the structural shift of manufacturing and extraction of resources going on in the globalizing world economy. The globalization of economic production and trade is causing many industrializing nations to become heavily reliant upon earnings from carbon-intensive export products, including oil and mineral extraction, petroleum-based input-intensive agriculture, and manufactures whose components require energy-intensive transport and processing. This important structural point is often lost in discussions of climate policy and attempts to include developing nations in the crafting of a post-2012 climate regime.⁹⁹ Many of our best climate policy tools—including emissions trading, public-private partnerships, and technology transfer to increase the efficiency of power plants and factories—may have only marginal effects on this looming structural shift. This point is profoundly political and in avoiding it, the policy recommendations of the *Special Report on Emissions Scenarios* (SRES) and other IPCC reports have remained fatefully unhelpful to policy makers. We suggest that aiding nations in making the difficult transition to more equitable and economically sustainable and lower-carbon pathways of development may be the only way to resolve the issue of climate change. But this transition needs to be built on generalized reciprocity, a climate of trust, shared principles of justice, and a common worldview of environment and development.

A Right to Social and Economic Development?

On the last official day of the Rio Earth Summit, inside the RioCentro's vast exhibition hall in the office of India's delegation, Environment Minister Kamal Nath broke for coffee with two visiting ministers from Kenya. The delegates had worked all night to craft the wording of the "Rio Declaration" whose Principle 3 states that "The right to development must be fulfilled so as to equitably meet developmental and environmental needs of present and future generations."¹

Nath was livid: "At 6 o'clock in the morning, the United States told us they want to remove the phrase 'right to social and economic development'.... [W]e must not budge from 'the right to social and economic development'." A reporter from the *New York Times* described how the visiting Kenyans "quietly whistled in amazement." Nath went on: "I have talked to the Chinese, they are with us. The Swedes also. Finland seems to be on the fence.... We are seeking that the developed world plow a little of their prosperity back into the earth."²

Before the Rio Declaration was adopted at the nineteenth plenary on June 14, 1992, the U.S. delegation submitted an "interpretative statement expressing reservations"³ on this article and others: "The U.S. does not, by joining the consensus on the Rio Declaration, change its longstanding opposition to the so-called 'right to development.' Development is not a right. On the contrary, development is a goal we all hold.... The U.S. cannot agree to, and would disassociate itself from, any interpretation of Principle 3 that accepts 'a right to development' or otherwise goes beyond that understanding.... The United States does not accept any interpretation.... that would imply a recognition or acceptance by

the United States of any international obligations or liabilities, or any diminution in the responsibilities of developing countries."⁴

This exchange, twenty years after similar debates at the Stockholm summit, illustrates how issues of development persistently spill over into environmental ones. Despite the strenuous efforts of rich nations to separate climate issues and development issues, the development concerns of poor nations are not going away. Now, a decade and a half after Rio we are still fighting the same battle, which by now we should understand: environment and development are inextricably linked, and developing countries will never meaningfully participate in a global climate agreement that flouts their development needs.

In chapter 1, we explained the more obvious ways in which the poverty of the world's poor nations makes it difficult for them to meaningfully participate in international environmental treaties. Frequently summarized under the all-encompassing phrase "lack of capacity," the weak technical, administrative, negotiating, and financial abilities of developing countries are generally thought to have a negative impact on cooperation. The path-breaking volume, *Institutions for the Earth: Sources of Effective International Environmental Protection*, opened this line of inquiry in 1993, and since then a series of authors have made important contributions to this field.⁵ This has led to suggestions that poorer nations should be given technical assistance to improve their environmental agencies, clean up corruption, and train and support treaty negotiators.⁶ However, caution must be exercised when basing policy recommendations on proximate explanations.

Is lack of capacity the primary channel through which global inequality weakens the likelihood, form, frequency, timing, substance, and depth of international environmental cooperation? A priori, it would seem equally plausible that even with improved capacity, the gaping divide in global wealth and power could affect the worldviews, causal beliefs, expectations, material self-interests, principled beliefs, and emotions of both rich and poor nations. Therefore, we believe that a critical appraisal of the received wisdom is overdue. Perhaps the persistence and deepening of global inequality promotes a "structuralist" mentality among developing country policy makers and breeds a generalized mistrust of developed countries. Perhaps the North-South trust deficit makes

tit-for-tat reciprocity difficult and diffuse reciprocity seemingly impossible. Perhaps conditions of institutionalized suspicion lead to totally divergent and unstable expectations of future outcomes. Policy makers overcome with anger, resentment, suspicion, pride, envy, spite, and embarrassment, as well as those who come to the negotiating table with a victim mentality, may also be more concerned with self-protection or revenge than contributing to the collective good. These are all serious empirical questions without satisfactory answers.

In this chapter, we introduce a new causal narrative about the role of global inequality in international environmental politics. We postulate that global inequality makes it more difficult for rich and poor nations to identify socially shared understandings of "fair" solutions, and even when rich and poor countries can agree on general fairness principles, the preference heterogeneity generated by global inequality aggravates disagreements about how to make those principles operational. Global inequality also contributes to conditions of generalized mistrust and weak reciprocity, which in turn makes developing countries—countries that possess strong preferences for "cheap" economic development and weak preferences for stringent environmental policies—more inclined to take self-damaging actions for their emotional satisfaction (e.g., spite or retribution). Southern nations' suspicion of Northern behavior and their inability to constrain Northern opportunism also promotes risk-averse behavior and defensive negotiating strategies. While we are only beginning to unravel a complex causal web, we believe these factors have particularly negative effects on global efforts to preserve the planet's environment.

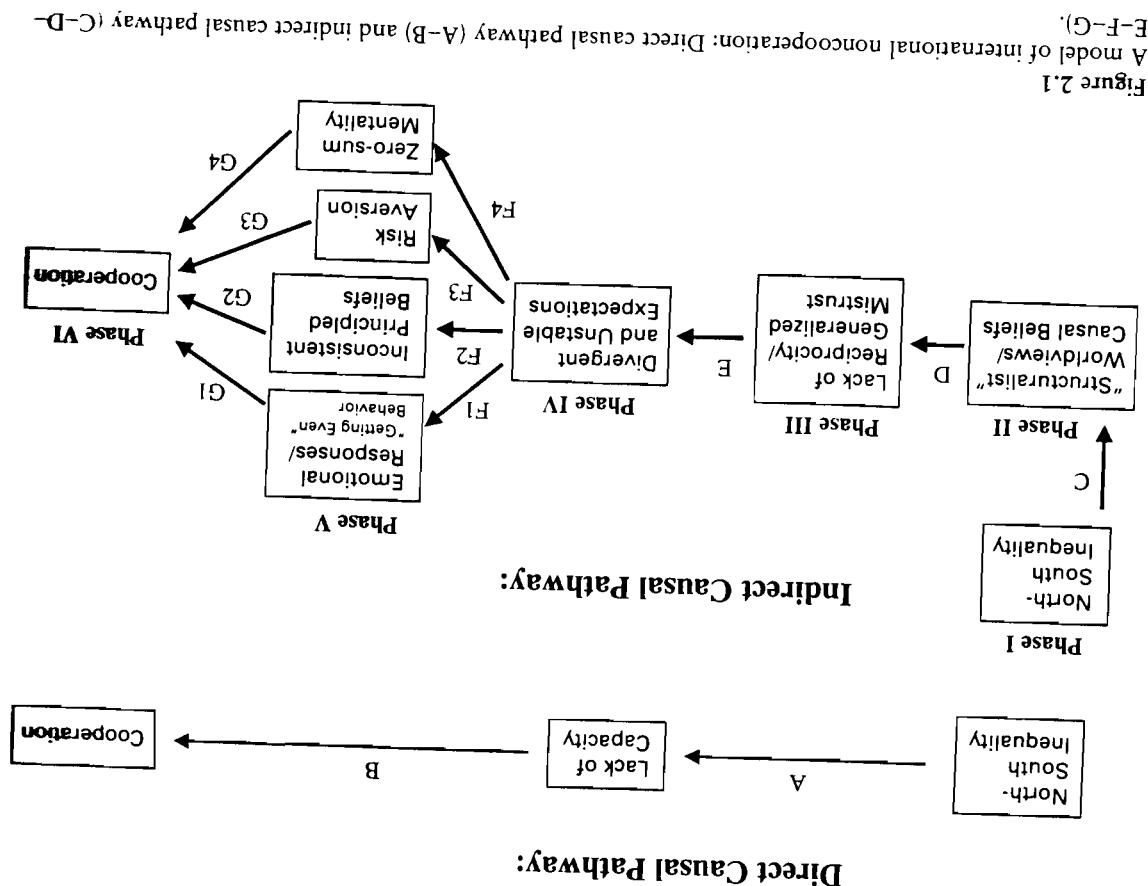
Some of the causal linkages described in this chapter have been explored elsewhere. However, to our knowledge no one has yet attempted to pull these disparate arguments together into an integrated, multistep model. Rationalist authors, for example, have hypothesized that ethical norms and principles reduce the costs of negotiating, monitoring, and enforcing an international agreement (see Phase V of figure 2.1) by providing tacit or constructed "focal points" that prevent endless haggling, by cementing cooperative solutions that increase the willingness of domestic audiences to support agreements negotiated internationally, by weakening nations' incentives to hide information and

misrepresent behavior, and by reducing the risk-averse and self-damaging emotional behavior of would-be cooperators.⁷ Conversely, the absence of socially shared understandings of fairness and justice can reinforce zero-sum worldviews and causal beliefs, erode conditions of mutual trust, promote risk aversion, and foster retaliatory attitudes.

However, the new institutional solutions that rationalists propose are often "institutional bandage[s] applied to a structural hemorrhage."⁸ That is, their case-by-case, problem-solving approach to global environmental problems rarely focuses on why highly asymmetric distributions arise in the first place and thus seldom addresses the root causes of North-South conflict. Inequality, in effect, is taken as given.⁹

Some rationalists, for example, have emphasized the proximate need to address divergent social understandings of fairness without explaining the social production and reproduction of highly asymmetric distributions; others have emphasized the importance of worldviews and causal beliefs without explaining the origin of those ideas.¹⁰ We take a different approach by measuring whether Southern worldviews and causal beliefs are based on observable empirical regularities. The extant literature suggests that material and ideational preferences exert an influence on a nation's negotiating position; however, without understanding the origin of those preferences, it is hard to say how stable they are or under what conditions they might shift.

For example, many climate policy analysts dismiss the claims of "environmental imperialism," "ecological debt," "ecologically unequal exchange," and "climate injustice" made by developing country negotiators as empty and distracting rhetoric used as a negotiating tactic. But however irrational and uncooperative these claims may seem, we argue that these are real perceptions and these perceptions shape the way governments view their interests. And importantly, a growing body of empirical evidence suggests that Southern worldviews and causal beliefs in some cases cannot be dismissed as false constructs or erroneous mental models used to justify poor performance. By almost any measure, for example, we can say with confidence that ecologically unequal exchange is not just a perception; it is a social reality (see chapter 5). Structuralist mental models—understandings of world events based primarily on perceptions of inequality in global economic and political matters—will



therefore likely persist unless Western governments make efforts to reverse this inequality.

Much of the quantitative work in this book focuses on causal linkage C in figure 2.1: the determinants of Southern worldviews and causal beliefs. Regression analysis is also used to test the significance and strength of causal explanations G1, G2, G3, and G4, but evaluating the strength of the model as an integrated whole requires mixing methods (case study research, process tracing, etc.). These methods are complementary and mutually reinforcing, and we utilize all of them in the following chapters. However, we acknowledge that there are both observable and unobservable processes and outcomes, and that the evidence in this book supports some causal mechanisms more than others. The research supporting causal linkages D, E, and F, for example, is admittedly weaker than other parts of the model. Since these are areas of perennial concern for international relations scholars where significant accumulation of knowledge has already occurred, we aim to break new ground on the front end and the back end of this theoretically sequenced model, rather than focusing excessively on the intermediate causal linkages.

We are also keenly aware that our model omits plausible alternative explanations. However, our goal is to focus on the root causes of North-South noncooperation; in other words, we are most interested in general causal explanations that are, broadly speaking, transferable to other issue areas in international environmental politics.

A Hierarchy of Explanations

As a theoretical point of departure, we start with global inequality.¹¹ Nations can move up and down the international division of labor, but we argue that the inherently unequal structure of the world system remains intact largely because of structural barriers: unstable commodity prices, declining terms of trade, domestic political unrest, high levels of social inequality, and feeble postcolonial political institutions. Persistent global inequality is useful as a starting point because it directs our attention to the root causes of political conflict in international environmental relations. Global inequality promotes a social distribution of economic

benefits and environmental burdens that advantages rich countries and disadvantages poor countries and thus creates political conflicts of an intrinsically structural nature.¹²

In taking this approach, we draw on two separate literatures. One can loosely associate the first with structuralism, world-systems theory, and other theories of colonial development and unequal exchange.¹³ The second is less identifiable by a common theoretical perspective and more by its substantive focus on the role that the current international political economy of development plays in reinforcing existing patterns and creating new patterns of global inequality.¹⁴ We hope to show that insights from these literatures can be fruitfully integrated with more mainstream theories of international relations. Such an integrative approach, we believe, helps paint a more complete picture of complex social reality.

We also rely on a series of mid-range causal explanations in this book, which address a narrower set of empirical phenomena and are less abstract than “grand theory.” Here mid-range explanations refer to those that can be generalized across multiple issues of global environmental politics. For example, the unraveling of the “Rio bargain,” the North-South divide over “green” environmental issues of global concern and “brown” environmental issues of local concern, and the vigorously-contested effort to define sustainable development have all contributed to a toxic North-South political environment and “shallow” international environmental agreements.

Finally, we articulate a number of issue-specific causal explanations. Previous “problem structure” explanations of climate policy have emphasized the large number of (relevant) actors, the complexity and uncertainty of the issues, the stability of actor preferences, and the difficulty of monitoring government behavior. These are all important factors; however, an understudied aspect of climate change’s “problem structure” is the inherently asymmetric nature of climate benefits and burdens. Global inequality plays a determining role in who suffers most immediately and profoundly from the impacts of climate change, who is most responsible for climate change, and who is most willing and able to seriously address the problem. These compounding inequalities, we argue, overlie an already polarized North-South debate and make cooperation exceedingly difficult.

Having introduced this hierarchy of **grand, mid-range, and issue-specific** explanations, we will now briefly map out the causal argument that ties each of the chapters in this book together. The logic of this argument is also presented schematically in figure 2.1. First, we should point out that it is not our intention to resolve any metatheoretical debates. The more modest objective of this book is to specify and empirically evaluate different causal explanations of the existing North-South impasse on climate policy. This requires theoretically sequencing a series of arguments.

The causal chain in figure 2.1 begins with persistent North-South inequality, which is multifaceted and owes its origin to a variety of general, mid-range, and climate-specific factors that we will soon discuss. Its persistence, we argue, promotes distinctly structuralist mental models and causal beliefs, which attribute inequality to external forces. Even after twenty years of neoliberalism; the failure of the New International Economic Order project (NIEO); the end of the Cold War; and global convergence in literacy, infant mortality, caloric intake, and life expectancy rates,¹⁵ structuralist presuppositions remain salient in the minds of many policy makers in less developed countries.¹⁶ And since worldviews and causal beliefs precede expectations, and expectations shape preferences (material or otherwise), we argue that structuralist ideas are an important determinant of the negotiating behavior of poor nations, including the way Southern leaders measure responsibility for climate change and gauge progress toward resolving the problem. One commentator explains it this way: "The self-definition of the South... is a definition of exclusion: these countries believe that they have been bypassed and view themselves as existing on the periphery."¹⁷

Through the lens of a structuralist, the international system is characterized by a division of labor. There is a global stratification system that places nations on the top, in the middle, or on the bottom (the core, semiperiphery, and periphery in world-systems terminology), and only a few manage to move up (figure 2.2).¹⁸ This global division of labor not only shapes the social distribution of environmental burdens, but also the willingness and ability of countries to participate in global environmental solutions. In the words of one Malaysian ambassador, "You cannot address environmental issues unless you address questions of

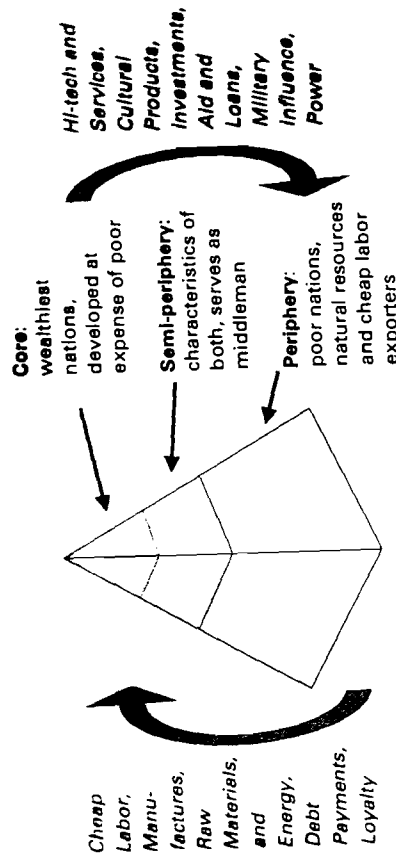


Figure 2.2
Structural perspectives on global inequality and the flows of materials, energy, and power that maintain it.

structural inequity. It is the entry point to sustainability."¹⁹ Waste flows downhill in the social structural sense, while benefits flow up.

These sorts of structuralist ideas, we argue, bear profoundly on North-South interactions at subsequent links in our hypothesized causal chain.²⁰ The structuralist way of making sense of the world promotes generalized mistrust among rich and poor nations, which in turn suppresses conditions of diffuse reciprocity, and leads to divergent and unstable expectations going into future negotiating rounds. Structuralist ideas also can promote particularistic notions of fairness, a victim mentality, and zero-sum, or even negative-sum, behavior. This confluence of forces has conspired to undermine North-South environmental cooperation and will likely affect the prospects for meaningful, long-term environmental cooperation far into the future.

Global Inequality, Viewing the World from Below, and Climate Treaty Deadlock

In the late 1980s and early 1990s, international relations theorists engaged in an "either-or" debate over the role that self-interest and ideas play in international politics.²¹ Most scholars now agree that this was a false dichotomy. Ideas *and* interests are important determinants of

negotiating behavior and cooperation outcomes. However, scholars only recently have begun to address the more interesting and important questions of how ideas matter, how much they matter, and under what conditions they matter.²²

Judith Goldstein and Robert Keohane distinguish among three types of beliefs that influence policies and outcomes: worldviews, principled beliefs, and causal beliefs.²³ We find this conceptual framework useful and will make similar distinctions in this book.²⁴ "At the most fundamental level," write the authors, "ideas define the universe of possibilities for action." Culture, religion, rationality, emotion, ethnicity, race, class, gender, and identity all shape the way humans perceive the world in which they operate. Almost by definition, then, having a world view implies "[limited] choice because it logically excludes other interpretations of reality, or at least suggests that such interpretations are not worthy of sustained exploration."²⁵ By limiting one's menu of available options, ideas have an instrumental impact on how cost-benefit calculations are carried out. Ideas also influence the very way in which actors come up with their policy agendas. For example, depending on one's position in the international system, states may seek to maximize absolute gains, relative gains, fairness preferences, or emotional utility. Highly risk-averse governments may want to freeze the status quo.²⁶ Leaders who feel cheated by others may seek to punish their enemies or strengthen their relative power, regardless of the efficiency implications.²⁷ Those who see themselves as marginalized by social structures may seek to overturn regimes rather than making changes within them.²⁸ Weak states that look down the decision tree and anticipate being exploited at the discretion of powerful states may even take self-damaging steps to promote their principled beliefs.²⁹ Whatever the particular course of action, ideas about how the world works "put blinders on people" and "[reduce] the number of conceivable alternatives" that they choose from.³⁰ Worldviews and causal beliefs, in this sense, influence issue definition, expectations, perceived interests, principled beliefs, and ultimately the prospects for mutually beneficial cooperation.

In the developing world, we argue that structuralist ideas about the origins and persistence of global inequality still form the central worldview of most policy makers, including how they have viewed the issue of climate change.³¹ The vast majority of goals that Third World leaders

have sought since the end of World War II have remained elusive, and this, we believe, has shaped developing countries' perception of the world as fundamentally unequal and unjust. Twenty years ago, Steven Krasner argued in *Structural Conflict: The Third World Against Global Liberalism* that ideas about "dependency" affected how many LDC decision makers viewed the world, their identity in relation to other states, their goals, and how they believed such goals would be most effectively realized.³² "The [dependency perspective] embraced by developing countries," Krasner argued, "[is] not merely a rationalization. It [is] the subjective complement to the objective condition of domestic and international weakness."³³ Sadly, since the release of *Structural Conflict*, the objective condition of many developing countries and the perceptions of their policy makers have remained largely unchanged.³⁴

To the surprise of many observers, the economies of many Latin American nations grew and became more diverse during their relative isolation during the global depression in the 1930s and World War II. A group of economists working in Santiago, Chile, under the leadership of Raul Prebisch in the Economic Commission for Latin America (ECLA) developed a theory to account for these changes. They argued that during the years before the Great Depression, the influx of investors and cheap goods from Europe and the United States had driven out smaller local producers, and created dependent economies that could grow only to a certain point, without creating the jobs or revenues needed to become a dynamic system. Being isolated during the Depression and World War II created new opportunities for local industries to flourish, and the end of the war brought a rush of outside firms to recapture the markets and production facilities. Thus, these observers saw their national development hindered by forces larger than their national society—by the "structure" of the world economy and its politics. The structuralists' views developed in response to strong pressures from the White House, international financial institutions, and Western academics who believed that to overcome their poverty, poor nations needed to import ideas, technology, and capital from the wealthy nations.³⁵

Prebisch, the ECLA authors, and those who followed them believed that there were "core" and "peripheral" areas of the world economy. Power and high-value goods flowed out of the core nations, while low-value goods flowed from the periphery up to these "centers." Figure 2.2

attempts to depict this theory in simple terms. From the beginning, these theorists were of two types: the "structuralists" and the "dependency theorists." The former group argued that the global economy created opportunities and limitations on their growth, and that strategic decisions would be required to navigate a path toward national development. The latter group basically saw no way for their development to occur without their nearly complete withdrawal from global markets.³⁶

During a period of attention to poor nations brought on by the Cuban Revolution, the Vietnam War, and their aftermaths, the main ideas of structuralism were incorporated into the U.S.-based world-systems theory. Sociologist Immanuel Wallerstein added a third category of nations between the core and the periphery that had features of both, which he called the semiperiphery. These nations also did the work of exploiting their local peripheries, serving as global "middlemen" or more aptly, "foremen." Critics charged that the theory did not account for the upward mobility of some nations, but world-systems theorists always argued that some mobility is possible and indeed expected, but that the overall structure of global inequality remains intact over time.³⁷

While we would not argue that world-systems theory comes close to explaining complex social reality by itself, it does offer important insights that have not yet been explored in the context of global environmental politics. Therefore, we seek in this book to wed its structuralist insights to more mainstream theories of international relations—that might better explain the agency and perhaps the psychology driving strategic choices.

There are at least three widely held perceptions that we believe obstruct North-South efforts to protect the climate: that climate change is primarily an issue of profligate Northern consumption; that a nation's ability to implement meaningful environmental reform depends upon its position in the international division of labor; and that the North is using environmental issues as a ruse to thwart the economic development of poor nations.

Adil Najam has argued that "[w]hat galvanized the North-South polarization at [the 1972 Stockholm conference and the 1992 Rio Earth Summit] was the totally different perceptions that industrialized and developing nations hold about what the 'real' environmental issues exactly are."³⁸ During the 1970s, there was intense debate about the relative environmental significance of Southern population growth and pat-

terns of profligate resource consumption in the North. In the more recent case of negotiations on global climate change, rich and poor nations have staked out diametrically opposite positions (underpinned by perceptual differences) concerning the "real costs" of climate change. As we will see in chapters 3 and 4, the threat of rising sea levels, stronger storms, and longer droughts is a question of basic survival for many poor nations—and importantly, many countries are experiencing these disasters now, not in the distant future. By comparison, many rich nations see the threat of climate change as a long-term environmental problem that may put beachfront properties, sectors of the economy, and certain crops at risk. One might therefore say that rich nations pay for climate change with dollars and poor nations pay with their lives.³⁹

Nations also perceive responsibility for climate change from markedly different vantage points.⁴⁰ The president of Kiribati likens island states to "little ants making a home of a leaf floating on a pond" and industrialized countries to "elephants [that] go to drink and roughhouse in the water." "The problem," he argues "isn't the ants' behavior. It's a problem of how to convince the elephants to be more gentle."⁴¹ Brazilian Ambassador Paulo Nogueira Batista similarly pins the blame directly on Northern consumption: "We are more concerned with the threat that is coming from the North—the patterns of production and consumption of the overdeveloped countries—rather than the threat that may come from the developing countries themselves."⁴² Yet, some Western countries and citizens argue that the Kyoto Protocol is unfair because it exempts developing nations from making meaningful policy commitments.

Gareth Porter and Janet Brown also write that "[t]he tone and substance of North-South bargaining on environmental issues are influenced by the structure of the global economic system, which exerts indirect pressure on the policies of developing countries toward their natural resources and thus constrains the quest for global cooperation to save those resources."⁴³ This observation is consistent with many of the public declarations made by Southern policy makers at environmental conferences. At the Rio Earth Summit in 1992, for example, Malaysian Prime Minister Mahathir Mohamad laid emphasis on what he called the North's "environmental colonialism": "When the rich chopped down our forests, built their poison-belching factories and scoured the world for cheap resources, the poor said nothing. Indeed, they paid for

the development of the rich. Now the rich claim a right to regulate the development of the poor countries. And yet any suggestion that the rich compensate the poor adequately is regarded as outrageous. As colonies we were exploited. Now as independent nations we are to be equally exploited."⁴⁴

According to Porter and Brown, "developing states' perceptions of the global economic structure as inequitable have [also] long been a factor in their policy responses to global environmental issues."⁴⁵ Southern policy makers, in other words, view their ability to implement meaningful environmental reform as conditioned by their position in the international division of labor. After Rio, one G-77 adviser wrote that "the South...saw poverty, underdevelopment, and unequal global economic relations as the principal causes of its environmental problems and it still mistrusted the North's environmental agenda as a guise to perpetuate this plight. It was this perception of causality of its environmental problems that informed the South's interests and strategy at both [the 1972 Stockholm and 1992 Rio] conferences."⁴⁶ Notice that it is a structuralist perspective that seems to inform the decision making of developing country policy makers.⁴⁷ The same analyst suggests that the South's "principal fear...[is] that the North is using environmental issues as an excuse to pull up the development ladder behind it—[a suspicion which] has remained unallayed through two decades of environmental diplomacy."⁴⁸ Although the North may perceive these mental models and cause-and-effect presuppositions "as a distraction, as extortion, and as exploitation,"⁴⁹ they still exist and affect the behavior of developing country policy makers. This sense of injustice is further compounded when wealthy nations flaunt environmental treaties by failing to achieve their goals, resist limits on their conspicuous consumption, fail to transfer technology and environmental assistance, and seemingly undermine the poor country's own right to development in the short and longer terms.

To be clear, this is much more than a general sense of frustration with development. It is also a perception that the rules are continually being rewritten unilaterally by the rich, industrialized countries in order to enrich themselves at the expense of the South, and that the structure of the world system is largely to blame for their grinding poverty and chronic vulnerability. Many LDC policy makers, for example, believe that TRIPS, TRIMS, and GATS (trade-related agreements on intellectual

property rights, investment, and services) were imposed upon them to give an advantage to special interests in Western countries. Incidentally, this view is also supported by the scholarly literature.⁵⁰ Dani Rodrik writes that "WTO rules on anti-dumping, subsidies and countervailing measures, agriculture, textiles, TRIMs, and TRIPs are utterly devoid of any economic rationale beyond the mercantilist interests of a narrow set of powerful groups in the advanced industrial countries."⁵¹ In the run-up to the TRIPS negotiations, UNCTAD Secretary General Rubens Ricupero noted that developing countries were "not aware of the real intentions of the developed countries."⁵² Resistance has also mounted against the ever-expanding WTO "deep integration" agenda.⁵³ Ugandan Nathan Irumba, who represents the least developed countries at the WTO, summarizes the Southern perspective on the deep integration issue: "We are simply asking for fair and equitable rules that would take into account our development needs and allow us to participate fully in the trade system. But instead we risk being pressured once again into accepting rules we don't need and can't afford."⁵⁴

Further reinforcing beliefs about Northern callousness and opportunism is the perceived disingenuousness of neoliberal arguments about liberalization of capital markets. Before, during, and (to a lesser extent) after the Asian financial crisis, the U.S. Treasury, the International Monetary Fund, and Wall Street all argued that open capital markets would allow LDCs to tap into global resources that would not otherwise be available in a "closed" economy. They claimed that when capital was allowed to enter and exit markets freely, it would allocate itself efficiently and enhance global welfare.⁵⁵ Today, however, it is widely understood that this interpretation of the crisis corresponds rather awkwardly with the facts.⁵⁶ Capital markets are highly imperfect and prone to irrational exuberance and skittishness, and many developing countries now possess an intimate understanding of such capital market imperfections after experiencing them firsthand. And importantly, many Southern policy makers have come to perceive the West's crusade for liberalization of capital markets, not as an honest mistake, but as an attempt to pay off parochial interests on Wall Street at the expense of the global collective good.⁵⁷

During the Asian financial crisis, the U.S. Treasury stood aside as the South Korean economy went into a complete meltdown. At a time when

the United States could have intervened with a bailout package, it instead conspicuously sidelined itself and watched investors repatriate tremendous sums of capital back to Wall Street.⁵⁸ Former U.S. Secretary of State Henry Kissinger put his finger on an important perception in Asia at that time: "Even friends I respect for their moderate views argue that Asia is confronting an American campaign to stifle Asian competition. *It is critical that at the end of this crisis, when Asia will reemerge as a dynamic part of the world, America be perceived as a friend that gave constructive advice and assistance in the common interest, not as a bully determined to impose bitter social and economic medicine to serve largely American interests.*"⁵⁹ Kissinger's point is an important one: powerful nations have a strong interest in not reinforcing Southern assumptions about Northern malfeasance.

We will document more cases like this one in the coming chapters but our central point is that a series of events can lead to a cumulative picture of how the world works and other states' underlying interests, and if poor nations see rich nations as kicking the "development ladder" from beneath their feet, they will be less likely to participate in global environmental institutions. Strategic interactions between rational actors do not take place in a vacuum. Interactions across issue areas profoundly affect the likelihood that weaker states will believe they are being dealt a fair—or at least a predictable—hand in global environmental negotiations.

A Climate of Mistrust

Among the many causal pathways through which global inequality influences international environmental cooperation, perhaps the most important and understudied factor is the level of trust among developed and developing nations. Despite an extensive literature in economics, sociology, and political science on the causal link between trust and cooperation,⁶⁰ efforts to apply such insights to international environmental politics are virtually nonexistent. The irony is that commentators and policy makers have repeatedly emphasized that the "climate of mistrust" surrounding international negotiations has become a tremendous obstacle to cooperation.⁶¹

One of the first great social thinkers to identify the "noncontractual elements of contract" underpinning economic exchange was Immanuel Kant.⁶² He emphasized the importance of a social commitment to honest behavior, reciprocity, and mutual trust. By fostering norms of reciprocity, it is thought that trust increases communication and information, reduces uncertainty and transaction costs, enhances the credibility of commitments, makes defection more costly, creates stable expectations, and ultimately promotes cooperative solutions.⁶³ Trust, in effect, allows would-be cooperators to bank on promises to honor policy commitments.

There is some disagreement, however, about how individuals, societies, and nation-states can best promote conditions of mutual trust. In most cases, reciprocity seems to work best. If I treat you well today, you will be more likely to do me a favor tomorrow. Cicero wrote, "There is no duty more indispensable than that of returning a kindness. All men distrust one forgetful of a benefit."⁶⁴ However, as societies become more complex and information asymmetries widen, opportunities to shirk, cheat, or otherwise commit malfeasance grow, and conditions of reciprocity slowly erode.⁶⁵ The solution to this problem in a domestic setting is simple. The creation of a state as an overarching coercive authority eliminates many perverse incentives "by enabling its subjects to do what they cannot do on their own—trust each other."⁶⁶ With its "monopoly of violence," the state enforces contracts and "coerces trust" on behalf of its citizens.⁶⁷ However, internationally, where contracting takes place under conditions of anarchy, states do not have the luxury of third-party enforcement.⁶⁸ They must "decide whom to make agreements with, and on what terms, largely on the basis of their expectations about their partners' willingness and ability to keep their commitments."⁶⁹ In the absence of a world government, rational states seeking stable and effective solutions to problems of international public good provision must develop self-enforcing agreements.⁷⁰

So, one of the central questions of international relations is how governments can convince potential partners that they will honor their commitments. John Mearsheimer, a structural realist, sees "little room for trust among states" because verifying others' promises is nearly impossible and conditions of anarchy breed constant fear.⁷¹ Arthur Stein has

challenged this view. He argues that governments can achieve deep cooperation if they "specify strict patterns of behavior and ensure no one cheats."⁷² As other institutionalist authors have pointed out, Mearns would be hard pressed to explain why states spend such an extraordinary amount of time and money drafting and negotiating international agreements, monitoring and enforcing obligations, setting up side payments regimes, and recruiting new participants. Mearns's view of the world is also difficult to reconcile with the unprecedented growth in intergovernmental and multilateral treaties signed and ratified over the past fifty years.⁷³

On this issue we side with the institutionalists. States, in our view, are capable of fostering conditions of trust, but doing so is neither easy nor inexpensive. We highlight four ways in which states may seek to enhance relations of trust among themselves: specific reciprocity, diffuse reciprocity, costly signals, and ex ante evaluations of others' beliefs and expectations. These all merit attention since they are crucial to understanding the obstacles to meaningful North and South environmental cooperation.

Specific reciprocity takes place when nations "exchange items of equivalent value in a strictly delimited sequence."⁷⁴ OPEC and non-OPEC nations, for example, have agreed on occasion to cut oil production in tandem. Norway's oil minister Einar Steensnaes said in 2001 that "if OPEC and non-OPEC countries carry out cuts, then I have the mandate to carry out cuts of 100,000 to 200,000 barrels a day."⁷⁵ However, this type of strategy has tremendous disadvantages. Unequal partners often find it difficult to reciprocate equally; contingencies may unexpectedly affect an actor's ability to reciprocate; and different interpretations and measurements can degenerate into situations of mutual recrimination. Much more valuable to states is an accumulated stock of "diffuse reciprocity." In situations where "the definition of [equivalent value] is less precise, one's partners may be viewed as a group rather than as particular actors, and the sequence of events as less narrowly bounded,"⁷⁶ diffuse reciprocity does not require that all aspects of a contract be specified ex ante. What it does require is that states make deposits at the "favor bank" when they can.⁷⁷ Over time, it is thought that this will allow states to accumulate trust and build stable expectations for future cooperative efforts.⁷⁸

The need for diffuse reciprocity has been singled out by climate policy makers. Atiq Rahman argues that "The only way developing countries would feel comfortable getting into the system is through trust.... Once this happens I think the ice will break."⁷⁹ Former advisor to the Indonesian delegation, Agus Sari, has also argued that the U.S. decision to withdraw from Kyoto makes "rebuilding the climate of trust... imperative."⁸⁰

However, some policy domains and interstate relationships are characterized by conditions of mutual suspicion and deep distrust, and under these circumstances, there is a real risk that even tit-for-tat reciprocity will never occur. To overcome this obstacle, states actively seeking the trust of others must send a costly signal of reassurance to disinterested or resistant parties.⁸¹ Such signals "serve to separate the trustworthy types from the untrustworthy types; trustworthy types will send them, untrustworthy types will find them too risky to send."⁸² This has special relevance for international environmental politics since states vary dramatically in terms of the stock of accumulated trust underpinning their cooperative efforts. Western states have a long history of cooperating across a wide range of policy arenas, so arriving at new self-enforcing contracts is relatively inexpensive. However, in a negotiating environment characterized by high levels of mistrust and power asymmetries, as is the case in North-South environmental relations, **demandeurs must strategically manipulate the payoff structures of their would-be cooperators such that voluntary participation becomes economically rational.**⁸³ In some cases, they must send special signals of reassurance (i.e., their trustworthiness) to skeptical parties that are discernible, irrevocable, noncontingent, and costly.⁸⁴ Rich nations, for example, may devise compensation schemes or promote issue linkage to account for LDCs' competing policy priorities and high discount rates.⁸⁵ In the case of the Montreal Protocol, developing countries refused to participate in "deep cooperation" with rich nations until the threat to trade sanctions was offset by positive incentives.⁸⁶

Fourth and finally, states may seek to enhance conditions of mutual trust by evaluating other actors' expectations (and preferred strategies) ex ante and readjusting their own strategies in line with those expectations. This type of trust building tends to occur when there is a great deal of disparity between the goals of actors for a stable and effective

solution.⁸⁷ This is relevant to North-South environmental politics because inequality leads to preference heterogeneity, and as Knack and Keefer explain, "in polarized societies, individuals are less likely to share common backgrounds and mutual expectations about behavior, so it is more difficult to make self-enforcing agreements."⁸⁸ Yet, having experienced the world from different vantage points, states in a highly polarized global community are likely to perceive morality, justice, progressive reform, and the costs and benefits of cooperation very differently.

Take for example the way in which countries experience and calculate the "costs" of climate change. As we mentioned earlier, rich nations tend to assess the cost of climate change in terms of dollars, while poor nations tend to view the costs through the prism of lives lost and livelihoods destroyed. Given these vast perceptual differences, one way for states seeking to enhance conditions of trust and prospects for cooperation with more reluctant parties is to voluntarily put themselves in the shoes of their potential cooperators to better understand the pros and cons of cooperation from their point of view. There are some initial indications that Western nations may be moving in this direction. Since the COP-6 in Bonn, Canada, Denmark, Finland, the Netherlands, Norway, Sweden, Germany, the United Kingdom, New Zealand, Switzerland, Portugal, and Iceland have set up three climate funds specifically for developing countries: one that seeks to cover the costs of adaptation, technology transfer, and greenhouse gas mitigation for all developing countries; a second that rewards countries that intend to ratify the Kyoto Protocol; and another that targets the least developed countries.⁸⁹

It is also important that we not treat trust strictly in issue-specific terms. Ignoring the wider North-South trust deficit can lead to a remarkably thin empirical understanding of the relations governing interstate environmental negotiations. One of the more interesting points made by Gupta is that "[LDC] negotiators tend to see issues holistically and link the issue to all other international issues. Thus linkages are made to international debt, trade and other environmental issues such as desertification."⁹⁰ Students of global environmental politics have surely known this to be the case for quite some time, yet to our knowledge no one has sought to explain why we see this lack of generalized reciprocity and

how this climate of mistrust influences negotiating strategies and cooperation outcomes. One possible explanation for this gap in the literature is that institutionalists have selected on the value of the dependent variable; that is, they have chosen to focus on those cases where meaningful, long-term cooperation has occurred, rather than concentrating on cases where cooperation was seriously encumbered by a lack of generalized trust (or some other factor).⁹¹ Others may simply dismiss the lack of generalized trust as residual variance, something that matters only at the margin.

We do not find either of these arguments convincing. The standard narrative about trust and cooperation among rational-choice scholars is that rational individuals value trust for its instrumental worth. Therefore, people choose to trust only under certain conditions. However, this "strategic trust" narrative underestimates the importance of "moralistic trust." As Uslaner explains, "Trust in other people is based upon a fundamental *ethical* assumption: that other people share your fundamental values. They don't necessarily agree with you politically or religiously. But at some fundamental level, people accept the argument that they have common bonds that make cooperation vital. And these common bonds rest upon assumptions about human nature."⁹² It is therefore imperative that we understand the broad contours of North-South environmental relations, changing patterns in contemporary global political economy, and the wider conditions of (mis)trust governing interactions between rich and poor nations.

At the first international conference on the global environment in 1972, it became clear very quickly that no consensus would emerge between developed and developing countries on issues of global environmental protection. Late developers feared restrictions on their economic growth, emphasized the West's profligate use of planetary resources, and pushed for a redistributive program that would help them make the transition toward growth and development.⁹³ Developed countries wanted Western consumption off the negotiating table, Southern population growth on the agenda, and nonbinding language on issues of financial assistance and technology transfer. From the outset, global environmental negotiations were characterized by high levels of preference heterogeneity and deep discord.⁹⁴ Neither group was willing to budge, and deeply

held feelings of marginality and injustice among poor nations made for an adversarial negotiating atmosphere.

The South's confrontational attitude built to a crescendo in the late 1970s under the banner of the New International Economic Order. During this period, developing countries put forth a "series of proposals . . . which included significant wealth redistribution, greater LDC participation in the world economy, and greater Third World control over global institutions and resources."⁹⁵ While notable successes were achieved,⁹⁶ many of the hardest-fought victories were rolled back during the years of Thatcherism, Reaganism, and neoliberalism. In the NIEO's heyday, late developers also became strident in their criticism of Northern environmentalism, an environmentalism they perceived as "pull[ing] up the development ladder."⁹⁷ The North for the most part ignored these calls until the conflict came to a head during negotiations over the ozone layer in the late 1980s.

The Montreal Protocol was a landmark event in global environmental politics because it set a precedent of compensatory justice, which before then had existed only on the pages of lofty conference declarations.⁹⁸ It is important to note that it did not spontaneously emerge from a socially shared understanding of "appropriate" principles among nations, as the logic of social constructivism would suggest. Rather, developing nations bargained hard for the side payments—environmental aid, technical assistance, and technology transfer—that would help them comply with their negotiated obligations. China and India, in particular, sent clear and credible signals that they would not participate in an ozone regime without financial compensation.⁹⁹ One Chinese environmental protection agency spokesperson warned that "the call for modernization is so irresistible that China will continue to produce these ozone depleting chemicals."¹⁰⁰ Even more explicitly, he later went on the record as saying "[W]ithout the help of developed countries, China will continue to quickly expand the use of harmful chemicals."¹⁰¹ India's environment minister, Maneka Gandhi, was equally clear about her country's position: "We didn't destroy the layer. You did. I'm saying that you [the West] have the capability and the money to restore what you have destroyed."¹⁰² While the West eventually did cave in and sign onto a more redistributive Montreal Protocol, President George H. W. Bush made his support contingent upon the protocol not being used as a tem-

plate for future environmental negotiations.¹⁰³ He used as plain words as possible to get the message across: "We do not have an open pocket-book."¹⁰⁴ In this regard, the United States clearly signaled its opposition to any recognition of compensatory justice as a generalized principle for future use.

However, in subsequent biodiversity, desertification, and climate change negotiations, calls for financial compensation and more equitable representation grew louder and more frequent.¹⁰⁵ Debate over the voting structure of the Global Environmental Facility (GEF), which distributes hundreds of millions of dollars of environmental aid each year, became especially conflict ridden. Poor and middle-income countries protested "donor dominance" and the lack of transparency in decision making, while rich, industrialized countries insisted that only the "incremental costs" of global environmental projects be financed.¹⁰⁶ Relations of trust deteriorated even further during the 1992 Rio Earth Summit.¹⁰⁷ As noted earlier, the South took a hard line, insisting that their cooperation be made contingent upon a "Rio bargain." The North initially seemed sympathetic, agreeing that a financial package of \$100 billion a year in new and additional concessionary funds for "sustainable development" and \$15 billion for global environmental issues would be necessary,¹⁰⁸ but ultimately failed to follow through on their policy commitments.¹⁰⁹

The 1990s did not see an improvement in conditions of mutual trust. In fact, relations between North and South became more polarized, and the South's "bruised optimism" after Rio matured into a profound suspicion of the industrialized North.¹¹⁰ At the COP-6, developing country delegations expressed outrage after the (Western) chairs allegedly deleted text that had been agreed upon earlier.¹¹¹ The G-77 and China also charged that many of the important decisions affecting developing countries at The Hague (COP-6) were being made in nontransparent Green Room meetings, attended only by powerful nations. This set the stage for the 2002 World Summit on Sustainable Development (WSSD), where one reporter observed that "[T]he reservoir of mistrust and cynicism between prosperous Northern nations and poor Southern ones has widened since the last Earth Summit in Rio de Janeiro a decade ago."¹¹² Najam also commented that "effective governance is [im]possible under the prevailing conditions of deep distrust."¹¹³

The Washington Consensus, the Development Crisis, and Declining Trust

Returning to Gupta's point that poor nation "negotiators tend to see issues holistically and link the [climate] issue to all other international issues,"¹¹⁴ we believe it is important to understand the wider context of mistrust plaguing North-South relations. The 1970s, 1980s, and 1990s were punctuated by seismic shifts in the rules governing the global political economy, and these changes in the external environment have made "late development" considerably more difficult than under the earlier Bretton Woods regime. The result of these changes has been characterized as "the decline of the development contract,"¹¹⁵ the shift from a "development project" to a "globalization project,"¹¹⁶ "the shrinking of development space,"¹¹⁷ and "the new agenda of global integration."¹¹⁸ However you label these changes, we believe they have had a nontrivial impact on levels of generalized trust between rich and poor nations and reduced the likelihood of "deep" North-South cooperation in matters of global environmental protection.¹¹⁹

Our argument is simple. When powerful states consistently treat weaker states like second-class citizens in areas where they possess structural power, they run the risk of weaker states "reciprocating" in policy domains where they possess more bargaining leverage. Since climate change is a problem that requires near-universal participation to solve, North-South negotiations have suffered this fate.

Explaining this erosion of trust requires a brief review of LDC goals and the degree to which they have been realized. This is critical to addressing climate change, but will take a few pages to explain. Briefly, the top Southern development policy objectives have been economic advancement and insulation from Northern opportunism. After World War II, relations between the global North and South were governed by a "development contract."¹²⁰ The main architects of the Bretton Woods institutions sought to balance the need for multilateralism, financial discipline, and social well-being. This is reflected in the IMF's original charter, which stated that the Fund would "facilitate the expansion and balanced growth of international trade and . . . contribute in this way to the promotion of a high level of employment and real income."¹²¹ Such

norms of "embedded liberalism" disallowed the IMF from "[opposing] any exchange rate change on the grounds that the social and political policies of the country led to the disequilibrium."¹²² Another distinctive characteristic of this period was the widespread recognition that "late development" required infant industry protection and domestic resource mobilization. For nations to "upgrade" their comparative advantage, it was believed that states would have to serve as "surrogate entrepreneurs" by creating large, concentrated, and competitive firms; coordinating investment; and drumming up finance through savings, taxes, and tariffs.¹²³ For much of the 1950s, 1960s, and 1970s, this "development contract" seemed to be a huge success. Though we do not have reliable cross-national data on economic growth during the 1950s, we do know that from 1960 to 1979, developing countries registered annual median per capita income growth of 2.5 percent.¹²⁴

The 1980s ushered in a period of sudden and spectacular change in the global political economy of development. Following OPEC's decision to quadruple the price of oil in 1973, oil-rich nations with huge trade surpluses began investing their rents in Western commercial banks, forcing Wall Street bankers to scour the globe for new lending outlets. Neither developed nor developing countries could absorb such large sums of money in such a short period of time, so private financial institutions began lending recycled petrodollars with adjustable-rate loans that were given without proper consideration to borrower creditworthiness.¹²⁵ This followed President Nixon's 1971 decision to suspend the dollar's convertibility to gold, which sent global liquidity skyrocketing even further (since the United States could only finance their current account deficit with U.S. government debt securities, or IOUs).¹²⁶ Leaders in the South, suddenly flush with hard currency, made massive investments in development megaprojects and their militaries, paid off their enormous import bills (caused by the rise in oil prices), and indulged in a number of infamous personal expenditures.¹²⁷

Then in 1979, OPEC again boosted oil prices and the United States contracted their money supply. This had the devastating effect of driving up international interest rates and leaving a large part of the developing world, which was holding variable interest rate loans, saddled with an oppressive debt burden. Needing new debts just to service their old

debtors, LDCs quickly found themselves begging at the doorsteps of international financial institutions. Fearing an entire collapse of the international banking system, rich nations provided funds through bilateral and multilateral channels, but conditioned disbursement on painful belt-tightening measures. In the early 1980s, most public lenders saw the debt crisis as a crisis of liquidity; therefore debtors were urged to pursue fiscal and monetary retrenchment. However, many countries, even those that avoided default, were unable to attract new capital flows and remained deeply mired in economic recession. Creditors soon began to think that what debtors faced was not a "crisis of liquidity," but a "crisis of solvency" requiring an overhaul or "restructuring" of the local economy. In response, U.S. Treasury Secretary James Baker spearheaded an effort to force "growth-oriented adjustment" on debtor countries, which meant that loans would be conditioned, not only on belt-tightening, but also on devaluation of the exchange rate, the privatization of state-owned enterprises, revisions to the tax code, liberalization of trade and financial markets, deregulation of foreign investment, and tighter monetary policies.¹²⁸

The list of conditions attached to World Bank, IMF, Paris Club, and U.S. Treasury funds also came to represent a certain intellectual convergence in development economics and the wider development community, a convergence dubbed by one IFI economist as "The Washington Consensus."¹²⁹ According to this view, if countries could "get the prices right"—that is, if they allowed markets to freely express themselves by removing all "distortions" like government support for consumer goods and services and subsidies to "infant" industries—economic growth and development would naturally and spontaneously follow.

The Washington Consensus was a disastrous failure. Creditors neither paced nor sequenced reforms and largely ignored local conditions and institutions.¹³⁰ Austerity measures tore at the very social contract binding governor and governed and led to unprecedented social upheaval.¹³¹ In some cases structural adjustment programs made countries poorer.¹³² In Russia and Poland, "shock therapy" taught us that liberalization in the absence of strong financial institutions leads to massive unemployment, and that privatization without sound legal institutions is a perfect recipe for asset stripping, corruption, imperfect competition, and higher prices.¹³³ In East Asia, where countries have consistently performed well on the

World Bank's measures of sound macroeconomic policy, crushing financial blows were experienced as a result of liberalization of capital markets—a reform tirelessly promoted by IFIs and the West, more generally, during the 1990s. During this period (1980–1999), the developing world registered annual median per capita income growth of 0.0 percent.¹³⁴

More telling still, countries that achieved consistently high, or even moderate, levels of economic growth throughout the 1980s and 1990s are now widely regarded as those that flouted the Washington Consensus. High-growth nations, such as China, India, South Korea, Taiwan, Mauritius, Botswana, Poland, Malaysia, and Vietnam, have all experimented with local institutional arrangements and pursued a mix of orthodox and heterodox economic policy reforms.¹³⁵ "[T]he set of policies which underlay the Washington Consensus," concludes Joseph Stiglitz, "are neither necessary nor sufficient, either for macro-stability or longer term development."¹³⁶

Stiglitz also points out that this empirical observation influences the causal and principled beliefs of developing countries and conditions of North-South trust. "[A]round the world," he explains, "anger at the traditional [Washington Consensus] policies is growing. The developing countries are saying to the industrialized nations: 'When you face a slowdown, you follow the precepts that we are all taught in our economic courses: You adopt expansionary monetary and fiscal policies. But when we face a slowdown, you insist on contractionary policies. For you, deficits are okay; for us, they are impermissible'.... A heightened sense of inequity prevails, partly because the consequences of maintaining contractionary policies are so great."¹³⁷

The main goals of developing nations—economic growth, poverty reduction, and industrial transformation—have also proved elusive due to unfavorable changes in the global rules for multilateral trade, investment, and intellectual property rights. Poor nations have adamantly opposed these changes, but in matters of international political economy, there are "makers, breakers, and takers."¹³⁸ to borrow a phrase from Stephen Krasner, and in all of these issue areas, most developing countries are takers. In a sense, the best that they can hope for is a rule-based system that reduces uncertainty and insulates them from the discretionary actions of the North.¹³⁹ However, their risk aversion presents a paradox because they actually "may become protagonists of institutions

that disfavor them substantively.”¹⁴⁰ “[T]he ‘price’ of multilateral rules,” one author argues, “is that [LDCs] must accept rules written by—and usually for—the more developed countries.”¹⁴¹ Lloyd Gruber argues that powerful states, particularly those with large markets, possess “go-it-alone power” in that they can unilaterally eliminate the previous status quo and proceed gainfully with or without the participation of weaker parties. “Faced with a choice between joining the winners’ new cooperative system or being completely shut out,” writes Gruber, “the losers enthusiastically submit their applications for membership. They do so, however, only because the winners’ actions have had the effect of removing the status quo from their choice sets, leaving them with what they view as a bad option (cooperating with the winners) and an even worse alternative (incurring the costs of exclusion).”¹⁴²

The notion of go-it-alone power has many applications in North-South political economy, but perhaps the most fitting example comes from the so-called “Grand Bargain” at the end of the Uruguay Round trade negotiations in 1994.¹⁴³ From the outset, poor nations knew they were getting a bad deal, but it was a deal nonetheless, and as British economist Joan Robinson once said, “The only thing worse than being exploited . . . is to be exploited by no one at all.”¹⁴⁴ In what came to be known as the Single Undertaking, rich nations agreed to provide poor nations with unprecedented market access (for mostly primary and low value-added products) and technical assistance, in exchange for lower tariffs and compliance with three new trade-related agreements: TRIMS, GATS, and TRIPS.¹⁴⁵ There is still an important debate over how voluntary this agreement actually was, but there is a general consensus that rich countries rewrote the rules of the game to their advantage.¹⁴⁶

Under TRIMS, developing countries lost their ability to control many requirements they placed on multinational corporations: prohibiting the use of domestic content requirements, trade balancing, foreign exchange restrictions, and local procurement requirements for public agencies.¹⁴⁷ Previously, these had all served as tools for creating jobs and income, building local industrial capacity, encouraging export diversification, and moving up the value chain in the international division of labor.¹⁴⁸ East Asian countries, for example, required foreign investors to employ local labor and use local inputs as way to promote forward and backward linkages, build a trained workforce, and create a more resilient, internally articulated economy.¹⁴⁹

The introduction of GATs further weakened the ability of states to protect their service sectors. The agreement was drafted to include private goods such as tourism and financial services, but also public goods such as health care, education, and water and sanitation. Countries were required to provide a “positive list” of sectors they were willing to protect—as opposed to a “negative list” that left any sector not specified as “protected”—and allow foreign firms to compete with every other service sector. Again, this agreement represents a significant encroachment into the “domestic policy space” of countries.¹⁵⁰

Finally, the TRIPS agreement placed restrictions on the ability of states to refuse patents for certain products, standardized the period of patent coverage at twenty years, limited third-party access to patented products, clamped down on the use of compulsory licensing, and made non-compliance punishable through the WTO’s dispute resolution mechanism (DSM).¹⁵¹ The strategic use of patents has historically played an instrumental role in late development.¹⁵² East Asian countries, such as Korea and Taiwan, successfully upgraded their industrial capacity by allowing local entrepreneurs to reverse engineer and imitate foreign technologies under patent protection in order to encourage domestic innovation, knowledge diffusion, and technology transfer. It is also important to note that almost every other Western country also did the same during the early stages of their own development.¹⁵³

Notwithstanding their dubious effect on development, TRIMS, TRIPS, and GATS are extremely costly for poor countries to implement. It is estimated that it “costs a typical developing country \$150 million to implement requirements under just three of the WTO agreements (those on customs valuation, sanitary and phytosanitary measures [SPS], and intellectual property rights [TRIPs]), . . . which is a sum equal to a year’s development budget for many of the least-developed countries.”¹⁵⁴ Yet, “[f]or the advanced countries whose systems are [already] compatible with international conventions (or vice versa) the WTO brings no more than an obligation to apply their *domestic regulations* . . . at the border.”¹⁵⁵

Deteriorating conditions of mutual trust are also attributable to the unraveling of the “Grand Bargain.” After years of crusading for a comprehensive North-South trade regime that would cover investment, services, and intellectual property rights, rich nations ultimately failed to hold up their end of the bargain. They reneged on their commitment to

expand market access for developing country goods and services and failed to keep earlier promises to scale up technical assistance.¹⁵⁶ Making matters worse, developing countries find themselves at a comparative disadvantage under the WTO's new dispute settlement mechanism. The DSM represents a move toward a more rule-based trading system, which just about everyone assumes is a good thing, but as Busch and Reinhardt point out, "the new premium on legal capacity...[makes litigation] less burdensome for most of the advanced industrial states, which generally maintain large, dedicated, permanent legal and economic staffs tasked with WTO and trade law matters.... But for poorer countries, such a move simply substitutes (or compounds) the traditional source of weakness—namely, the lack of market size and thus retaliatory power—with a new one: legal capacity."¹⁵⁷

Finally, a series of events in international monetary relations has also contributed to the growing trust deficit between rich and poor nations. Here again, the rules seem to have been written to the advantage of rich nations (especially the United States) and to the detriment of poor countries. Much like the "development contract" of the 1950s and 1960s, international monetary relations prior to the mid-1970s were governed by a set of norms that leveled the playing field between rich and poor nations. From the late nineteenth century onward, gold served as the anchor of the international monetary system. By providing a store of value and a medium of exchange that no one nation could manipulate to its own advantage, it functioned as a self-adjusting mechanism from which every nation could benefit. Countries running trade deficits—importing more than exporting and therefore paying out gold reserves—would eventually induce a contraction in domestic credit, which would in turn push prices down and trade competitiveness up. Lower export prices would then pull gold reserves back into the central bank's coffers as national exporters deposited their earnings, restoring balance to the current account. Countries running trade surpluses would experience the opposite process. The "Gold Standard" had certain weaknesses, in particular the inability to prevent devaluation of competitive currencies, but its underlying logic of self-correction remained intact even through the Bretton Woods era. Fixed exchange rates were again established during the post-World War II monetary regime to keep countries out of perpetual external imbalance, but the U.S. dollar became the anchor currency. The idea

was that countries would hold dollars and the U.S. Federal Reserve would stand ready to change those reserve dollars into gold.

However, during the late 1960s and early 1970s, the United States began to consume much more than it was selling internationally; U.S. multinationals began investing significant amounts of money abroad; and the government was financing an expensive war in Vietnam. In so doing, the United States accumulated a tremendous external deficit, and countries holding dollar surpluses began to request gold. As the flow of gold hemorrhaged out of the Federal Reserve, the dollar experienced a rapid decline in confidence, which in turn encouraged further withdrawals. Fearing a massive recession in the United States or even a collapse in the international monetary system, in 1971 President Nixon suspended the dollar's convertibility to gold. This ushered in a new monetary system—what has been called the "Dollar Standard."¹⁵⁸ Under this new regime, the logic of self-adjustment ceased to exist for the United States. Freed from the "gold restraint," the United States began to finance its current account deficit by issuing debt denominated in its own currency; in other words, by printing U.S. Treasury bills (or IOUs). This exemption from the "debtor's curse" essentially freed the U.S. government from the balance-of-payment constraints faced by other countries.¹⁵⁹

The shift to the Dollar Standard after 1971 also had far-reaching implications for developing countries. The creation of excessive liquidity has generated unprecedented levels of domestic financial fragility in the South and led to more frequent and more dangerous financial crises. During the 1990s, the composition of financial flows to the developing world shifted away from commercial bank loans and toward portfolio investments.¹⁶⁰ The rise of bonds and equity instruments, which both have deep secondary markets, push and pull capital flows in and out of emerging markets much faster and in much larger amounts than ever before, and can leave LDCs in financial ruin literally overnight when investor sentiment shifts.¹⁶¹ "Hot money" wreaks tremendous havoc when states lack the capital controls necessary to dampen euphoric expectations and prevent investor herding behavior. In the case of the Asian financial crisis, "countries which had largely kept their capital controls were protected from the...attacks which followed: China, Taiwan, Vietnam and India. Those that had liberalized in the key areas

found their macroeconomic management failures **exploited by** devastating speculative attacks. And even Hong Kong, which could not have been said to have had serious macroeconomic problems but **did** have a liberalized capital account, was to be subjected to sustained, repeated hedge fund assaults for more than a year."¹⁶² Yet throughout the 1990s, and even during financial crises, the U.S. Treasury, IMF, and Wall Street crusaded single-mindedly for liberalization of capital markets in the developing world.¹⁶³ When the World Bank and IMF's recommendations to reduce government influence on the economy did not work, rich countries turned to "the threat of sanctions or ... [withheld] needed assistance in a time of crisis."¹⁶⁴

The Spillover: How the Development Crisis Breeds Mistrust in Climate Negotiations

To summarize, when one looks at North-South relations holistically, it becomes much clearer why conditions of trust are declining. The "development contract" governing North-South interactions prior to 1980 has all but disappeared;¹⁶⁵ the Washington Consensus has proven a spectacular failure; the Grand Bargain has unraveled; the Dollar Standard has shifted the burden of adjusting to the creation of excessive liquidity onto the developing world; and on many occasions powerful regime makers have imposed their will on weaker, regime-taking, developing countries to achieve short-term economic gains.

Yet interestingly, while developing countries have little influence over the substance of these development issues, they do possess unprecedented leverage in global environmental politics, and thirty years of environmental negotiations show that they will use this leverage when they can. We therefore must not rule out the possibility that coercive or "go-it-alone" power in certain (highly valued) issue areas will have negative spillovers in other policy areas. In fact, our reading of the evidence is that Northern callousness and opportunism has for three precious decades eroded conditions of generalized trust and dampened the South's enthusiasm for participating in global environmental solutions.

Casual observation supports this link between generalized mistrust and unwillingness to participate in global environmental institutions. At

the World Summit on Sustainable Development in Johannesburg in 2002, LDC leaders repeatedly linked issues of political economy to their willingness to cooperate on environmental matters. Tewolde Berhan Gebre Egziabher, head of the Ethiopian Environmental Protection Authority, for example, noted that "There is a greater distance between the North and the South now. . . . Rio actually brought us together. . . . [But] now we've seen the creation of institutions like the [World Trade Organization], and we've had international trade talks, and the trends clearly show it is the rich who have benefited from them, not the poor."¹⁶⁶ In the run-up to the WSSD, the European Union's (EU) environment minister, Margot Wallström, also acknowledged that Northern agricultural protectionism was breeding a considerable amount of mistrust among poor nations. "A lot of the tensions in Johannesburg," she explained, "will be about the lack of trust from the developing countries in our ability to actually implement what we are saying and to be serious about our own objectives and targets."¹⁶⁷

There are those who remain cynical about negotiating multiple issues simultaneously and tying developmental issues to environmental cooperation. Former U.S. environmental treaty negotiator Richard Benedick sees all of this talk about a North-South trust deficit as distracting and unhelpful—nothing more than the bluff and bluster of politicians. Revealingly, he describes himself in a 2001 article as being mystified as to why rich nations would ever include developing countries in the Kyoto Protocol's monitoring and compliance system. "A major and dubious concession to the South," he writes, "was an agreement to grant developing nations, who have no commitments, a decisive role in the protocol's compliance system, assessing and enforcing the commitments of industrialized countries."¹⁶⁸ His comments in many ways resonate with the rational-choice models that assume away issue spillover, generalized mistrust, and weak conditions of diffuse reciprocity. We would argue that Benedick, like many rational-choice theorists, focuses so much of his attention on individual trees that he loses sight of the larger forest.¹⁶⁹ It does not occur to him that rich nations may need to rebuild conditions of trust with poor nations before asking them to make costly policy commitments.¹⁷⁰

Trust, sincerity, and diffuse reciprocity, we argue, can only be sustained by principled, consistent behavior. By contrast, current North-South

relations are characterized by mutual suspicion, zero- and negative-sum attitudes, and what Robert Wade calls "a-bit-better-than-the-jungle-morality."¹⁷¹ Many poor nations, convinced that they have been bamboozled in global environmental negotiations and a series of issues related to trade, debt, investment, intellectual property rights, and finance, are in our judgment guarding themselves against what they see as further Northern opportunism.¹⁷²

As a result of this growing trust deficit, North-South expectations have failed to converge around a stable set of mutually acceptable principles, norms, rules, and decision-making procedures. Instead, what we see are informal, ad hoc, extra-legal rules that leave plenty of room for selective interpretation, shirking, and opportunism. This aversion toward legalization poses a number of serious problems that impede cooperation.¹⁷³ First, informal rules tend to increase the costs of transacting because they force parties to constantly renegotiate standards of behavior "according to new, untested criteria."¹⁷⁴ Second, informal rules decrease the credibility of state commitments and make enforcement more costly since they create space for states to interpret the law in self-serving, opportunistic ways.¹⁷⁵ Hard law "allows allegations and defenses to be tested under accepted standards and procedures." Soft law, by comparison, puts implementation failure and defection in the eye of the beholder.¹⁷⁶ Ambiguous and unstable rules also promote mutual suspicion because they make it more difficult for parties to determine who can and cannot be trusted. Recent work in domestic politics suggests that "[t]he more universal, uncorrupted and impartial the government institutions responsible for the implementation of laws and policies are, the more social capital you will get."¹⁷⁷ The same is probably true in international politics.¹⁷⁸ In short, conditions of generalized reciprocity and trust require stable expectations, and informal rules do less to advance this cause than formal rules.

Having examined the larger external environment in which North-South environmental negotiations are enmeshed, we now return to the issue of climate change, which threatens to reinforce, if not exacerbate, current patterns of global inequality. As we document in the coming chapters, some LDCs will suffer the effects of climate change worst and first, enjoy fewer economic benefits because of the disproportionate amount of environmental space expropriated by rich nations, be asked

to forgo significant amounts of "cheap" economic growth, and shoulder relatively larger implementation costs. In light of these compounding inequalities, we argue that developing countries are highly averse toward cooperative equilibria that will mothball existing asymmetries and are unlikely to seriously consider proposals that offer absolute gains but ignore distributional concerns. Global inequality no doubt has strong direct effects on the prospects for cooperation, but we argue that the indirect effect of inequality on trust is considerably more potent.¹⁷⁹ This basic insight reinforces the need for long-term, incremental trust-building efforts.

Thinking Post-2012: Inequality, Fairness, and Getting to Full Participation in a Climate Treaty

The ratification of the Kyoto Protocol by the Russian Duma in November 2004 led to its going into effect in February 2005, less than three years before the beginning of the deadline by which nations would have to meet their reduction goals from the 1990 baseline year. This is a daunting prospect; growing economies now face double-digit reductions in emissions in just a few years. As the five-year (2008 to 2012) averaging period ends, nations such as China (soon to be the world's largest emitter) that have no commitments to reduce their emissions, will still have no binding limits on their carbon-dioxide emissions. Kyoto's limited scope has prompted much thinking about ways to bring developing nations on board, although many nations are extremely hesitant to even discuss post-2012 cooperation. One proposal under consideration is that policy makers should explicitly address the principled beliefs of developing countries.¹⁸⁰

Cynical analysts suggest that "[e]quity is merely a word that hypocritical people use to cloak self-interest."¹⁸¹ David Victor writes that "for most states most of the time, the decision-making process is mainly a selfish one. Consequently, there exists very little evidence that fairness exerts a strong influence on international policy decisions."¹⁸² This position cannot not be dismissed out of hand. Members of the Alliance of Small Island States, which probably are feeling the effects of climate change earliest and most profoundly, have pushed forcefully for early action on climate change.¹⁸³ OPEC countries, by contrast, stand to lose

considerably in the short term (and perhaps the medium term) from reductions in fossil fuel use and have demonstrated high levels of resistance to carbon reduction commitments. Australia and the United States, both of which have strong fossil fuel lobbies, have also opposed Kyoto. Then there are the “emissions entrepreneurs,” states in which mitigation projects are already under way to gain some of the potential investments from trading carbon permits or technology transfer.¹⁸⁴ These nations have been very savvy about turning emissions trading programs and reforestation and preservation projects into opportunities for financial redistribution. Students of environmental treaty signing and ratification have described these broad patterns as groupings of “leaders and laggards,”¹⁸⁵ or in the case of the Kyoto, “greenhouse skeptics and greenhouse entrepreneurs.”¹⁸⁶ At a descriptive level, such patterns suggest that states base their behavior on material self-interest.¹⁸⁷

However, theories that assume rational, egoistic actors are unable to account for an important empirical anomaly: Almost all developing countries, including those with intense and weak preferences for climate stability, have resisted scheduled commitments for future emission reductions in the name of fairness.¹⁸⁸ It is of course possible that much of this is rhetoric and fairness is in fact a codeword for self-interest, as some have suggested.¹⁸⁹ However, we argue that under certain circumstances principled beliefs do indeed affect the form, frequency, timing, substance, and depth of international environmental cooperation.

The idea that “fairness matters” has gained currency among some policy makers and scholars familiar with climate negotiations; however, we still lack a solid understanding of how fairness can matter and under what conditions. For this, it is worth assessing models of game theory, whose assumptions may not capture the complexity of decision making in the real world, but can be useful because of their parsimony. Game-theoretic models simplify the complex social world by paying attention to the most important elements of cooperation games—namely, strategic interactions among rational, self-interested unitary actors with fixed, transitive preferences. Economists and political scientists have developed a number of metaphors that claim to explain the underprovision of public goods. Garrett Hardin’s “Tragedy of the Commons,” Mancur Olson’s *Logic of Collective Action*, and Robert Axelrod’s “Prisoner’s Dilemma” all yield the same basic prediction: Actors lacking the ability to make a credible commitment to a particular policy adjustment face

strong incentives to free ride.¹⁹⁰ Knowing this, each actor anticipates the defection of every other actor. According to the standard noncooperative game-theoretic storyline, rather than accepting a “sucker’s payoff,” rational actors, conscious of their partners’ payoff structures, will choose not to cooperate. Hence, in the absence of a Leviathan that enforces contracts and coerces trust, international agreements must be self-enforcing. Stated differently, contracts must be structured so that no sufficiently important country stands to lose by participating, and no country stands to gain by not participating.¹⁹¹

This is no easy task. Global public goods require the participation of many players as well as costly information about the players’ past behavior and future intentions. As the number of players increases, the intensity of preferences for environmental protection often declines, pushing international agreements toward a least common denominator.¹⁹² Potential cooperators must also be assured that other players are abiding by the negotiated rules; without reliable information, this is almost impossible.¹⁹³ Finally, since states must make decisions in the presence of uncertainty, it is important that they make institutions robust enough to withstand unforeseen, exogenous shocks.¹⁹⁴

These issues, as well as a number of others, make fairness considerations especially important when crafting self-enforcing international agreements. Climate negotiations illustrate this better than almost any other environmental issue. Since no state can force another to sign or ratify an agreement, and the large number of parties necessary for an effective climate treaty are highly heterogeneous in terms of both preferences and capabilities, states that are eager to stabilize the global climate have virtually no other option, short of economic and military warfare, than to strategically manipulate the incentives facing more reluctant parties. As we saw with the case of the Montreal Protocol, this often means paying special attention to the long-term interests of poor nations.¹⁹⁵ However, here’s the problem: Poor nations may possess strong fairness preferences. Here we briefly explore three ways in which Southern utility functions may be at variance with the standard assumptions of economic theory. We integrate these insights with more conventional arguments about principled beliefs that do not require relaxed assumptions.

First, poor nations may forfeit absolute gains for the sake of maximizing their power relative to rich, industrialized nations. The ongoing development crisis, the decline of the development contract, the failure

of the Washington Consensus, and the perceived **disingenuousness** of Northern intentions have shaped poor nations' worldviews, causal beliefs, and self-perceptions; reinforced enduring assumptions about Northern opportunism and callousness; and contributed to an erosion of generalized reciprocity and mutual trust.

Second, poor nations may hold certain fairness preferences that can only be explained by socially shared norms of what is "right," "fair," or "legitimate." For example, one of the founding principles of international relations, outlined in the Charter of the United Nations (Article 2.1), is the right of sovereign states to be free from outside interference. Every developed country publicly advocates this principle, yet as we will see in chapters 3 and 4, poor nations appear to be suffering from the increased frequency and intensity of climate change-related disasters due to profligate use of natural resources in the industrialized world. Some say that the threat to nations and cultures has become an **ethnicide** that approaches genocide.¹⁹⁶ The Universal Declaration of Human Rights, a document championed by Western nations, also states that "everyone has the right to a nationality," and "no one shall be arbitrarily deprived of his [sic] property."¹⁹⁷ What motivates Southern preferences for fair outcomes may therefore be nothing more than a desire for a stable and predictable rule-based system that treats all nations equally.¹⁹⁸

Third, poor nations may base their behavior on what they perceive to be fair because of emotions. The role of emotion in decision making has gotten little attention theoretically, but the empirical reality is that poor nations have a lot to be angry, envious, and spiteful about. They feel snubbed in matters of trade, investment, debt, aid, finance, and intellectual property rights. Many of the environmental problems of most concern to them have been ignored by rich nations, and they are routinely marginalized in global environmental negotiations.¹⁹⁹ It is therefore not surprising that they often thumb their noses at the West when they are asked to limit their development in order to promote First World global environmental issues.

Our argument, to summarize, is that the global economic system, the history of global environmental politics, and the three central issues of climate change—vulnerability, responsibility, and mitigation—have a profound impact on how developing countries perceive the fairness of proposed solutions and the prospects for meaningful North-South cooperation. At the same time, fairness does not always matter, and develop-

ing countries hardly have a monopoly on what constitutes a fair deal. Definitions of fairness are highly elastic, and countries frequently manipulate definitions for their own narrow advantage. Furthermore, there are strong constraints on where, when, and how "fairness" may affect international bargaining, monitoring, and enforcement outcomes.²⁰⁰ We attempt to identify some of these conditions. National perceptions of fairness, we argue, affect state behavior and international policy outputs and outcomes by either increasing or decreasing the costs of negotiating, monitoring, and enforcing agreements.

First, norms and principles of fairness, embodied in institutions, can reduce the costs of negotiating international agreements. It is now widely held that institutions are more than the epiphenomena suggested by realist and neo-Marxian scholars.²⁰¹ By providing information and lowering transaction costs, mutually acceptable "rules of the game" are said to reduce uncertainty, stabilize expectations, constrain opportunism, increase the credibility of state commitments, and promote collective action.²⁰² For example, in coordination dilemmas, where multiple equilibria exist along the Pareto frontier, establishing shared principles, norms, rules, and decision-making procedures can enable states to zero in on a limited range of possible equilibria and enhance their prospects for cooperation.²⁰³ Shared understandings of fairness therefore provide what game theorists call "focal points." By isolating one point along the contract curve that every party would prefer over a noncooperative outcome, states can stabilize expectations for future behavior and reduce the costs of arriving at a mutually acceptable agreement.²⁰⁴ However, there are often huge differences in perceptions of what is fair, so for cooperation to occur, states often need to be explicit in identifying potential focal points. Mutually acceptable focal points are most likely to emerge when states are willing to reconsider and negotiate their own beliefs about what is fair.²⁰⁵

In collaboration games, where states have mixed motives for cooperation and face powerful free-rider incentives, fairness principles may also affect the costs of monitoring and enforcing agreements.²⁰⁶ Every state faces a strong temptation to free ride on others' climate stabilization efforts in collaboration dilemmas because asymmetric information reduces the observability of deviant behavior, and the benefits of a stable climate are nonexcludable and nonrival. Thus, it is in every state's self-interest to disguise their preferences and misrepresent their level of

contribution to the collective good. For these reasons, *demandeurs* may address concerns about fairness by making compliance economically rational for more reluctant nations through financial compensation schemes, issue linkage, and other forms of incentive restructuring.²⁰⁷ This can significantly weaken incentives for cheating and defection. Argentine Ambassador Raúl Estrada-Oyuela has said that "equity is the fundamental condition to ensure compliance of any international agreement."²⁰⁸

In addition, norms and principles of fairness can help cement a collaborative equilibrium and reduce monitoring and enforcement costs through their impact on the domestic ratification process. Benito Müller lays much emphasis on this point: "[A skeptic] might . . . concede that equity has a role to play in the selection of *initial* allocation proposals. But surely, he is bound to interject, the *outcome* of the negotiations will be determined by good old-fashioned strategic bargaining, reflecting only the bargaining powers of the parties and the bargaining skills of the negotiators. [What the skeptic has overlooked is that] an agreement has to be implemented. This, in turn, requires political ratification which normally is beyond the power of mere negotiating agents." He bluntly states that "It would be foolish to assume . . . that bodies such as the U.S. Congress or the Indian Lok Sabha could be . . . bullied into *ratifying* an agreement [because] parties may refuse to ratify an agreement if they feel it deviates unacceptably from what *they* perceive to be the just solution."²⁰⁹ After the Kyoto Protocol negotiations came to a close, former IPCC chair Robert Watson pointed out that "the ultimate success [of Kyoto] depends on whether national governments can sell it back home to the parliaments and lawmakers."²¹⁰ At the same time, an internationally agreeable fairness principle may be flatly rejected by domestic audiences. This point is explored in chapter 5.

Institutions do not only have efficiency implications; they also have distributional consequences. Norms and principles of fairness therefore also influence the costs of bargaining.²¹¹ Developing countries are particularly sensitive to distributional concerns because of their structural vulnerability to changes in the international system.²¹² As one author explains, the South, "as a self-professed collective of the weak . . . is inherently risk-averse and seeks to minimize its losses rather than to maximize its gains; . . . its unity is based on a sense of shared vulnerability

and a shared distrust of the prevailing world order . . . [and] because of its self-perception of weakness [it] has very low expectations."²¹³ Stated differently, to prevent power asymmetries from widening and to insulate themselves from Northern opportunism, developing countries may seek relative gains, rather than absolute gains.²¹⁴ A number of international relations scholars therefore suggest that efforts to close the distributional gap can induce a Pareto improvement by reducing the costs of bargaining.²¹⁵

In the study of international environmental politics, "social" preferences, the nonmaterial components of players' incentive structures, are rarely recognized as important causal variables affecting state behavior and cooperative outcomes.²¹⁶ However, economists have recently cast their theoretical and empirical spotlights on the idea that "if somebody is nice to you, fairness dictates that you be nice to him. If somebody is being mean to you, fairness allows—and vindictiveness dictates—that you be mean to him."²¹⁷ Fehr and Gächter, for example, find from experimental evidence that sanctioners continue to punish defectors even when this entails a personal utility loss.²¹⁸ Scott Barrett, an environmental economist at Johns Hopkins University, suggests that fairness is no less important in international relations.²¹⁹ He argues that states possess social, or fairness, preferences, which dictate that "all countries should play their part—that the equilibrium for symmetric players should itself be symmetric."²²⁰

Do these claims survive serious scrutiny? Can we assume that states behave the same way ordinary people do? The extant literature has not seriously wrestled with this question; however, a small number of scholars have suggested that emotions play a nontrivial role in institutional bargaining.²²¹ Take for example a passage from Oran Young's 1994 publication, *International Governance*: "Some [N]ortherners may doubt the credibility of [threats from Southern nations to damage the global climate] and advocate a bargaining strategy that offers few concessions to the developing countries. But such a strategy is exceedingly risky. Many of those located in developing countries are increasingly *angry and desperate* . . . Faced with this prospect, [N]ortherners will ignore the demands of the South regarding climate change at their peril."²²² The implication here is that some nations sometimes act out of envy, spite, or some other emotion, rather than material self-interest.²²³ Adil

Najam also explores how feelings of marginalization, frustration, anger, bitterness, and hopelessness have affected bargaining positions held by developing countries, and explains that retaliatory --or "getting even" attitudes frequently lead to zero-sum outcomes.²²⁴

In this chapter we have tried to explain the various ways in which trust between the global North and South has reached a low ebb, and how this has made arriving at a meaningful climate treaty only a dim possibility. Even as we complete this book, the Kyoto Protocol is in effect, but its future is uncertain beyond 2012. Our point is this: Without addressing the economic and social needs of developing countries, Kyoto is going nowhere. The next two chapters examine the impacts that Southern nations are already facing from climate-related disasters, using both qualitative and quantitative approaches. Below the proximate causes cited by scholars and journalists, we again argue, lies an ongoing development crisis. This suggests that efforts to provide "relief" and "adaptation assistance" will only address short-term problems. Rather, aid to address climate change needs to be reoriented and combined with much more favorable trade, debt, investment, finance, and intellectual property rights policies that promote transformational development.