



# On the self-interested use of equity in international climate negotiations

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## ABSTRACT

We discuss self-interested uses of equity arguments in international climate negotiations. Using unique data from a world-wide survey of agents involved in international climate policy, we show that the perceived support of different equity rules by regions may be explained by the ranking of their economic costs. Despite being self-interested, equity arguments may be perceived as being used for different reasons, for example, out of fairness considerations or in order to facilitate negotiations. Consistent with experimental and behavioral studies on fairness perceptions, we find that individuals are more likely to state reasons with positive attributes if they evaluate their own region or regions that support the individual's personally preferred equity rule. Negotiators perceive the use of equity by regions as less influenced by pressure from interest groups.

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“We talk on principle but we act on interest”

William Savage Landor (1775–1864)

## 1. Introduction

Bargaining situations and negotiations frequently resemble a striving for fairness. While bargainers argue to receive their “fair share” when they feel disadvantaged, the meaning of “fair” is often heavily debated. Negotiations thus become more complicated when there is more than one justifiable fairness norm (Raiffa, 1982). Here, negotiators could potentially choose those fairness principles which justify additional demands from their side. Equity criteria are also ubiquitously used in the international arena when it comes to negotiating multilateral agreements. However, their actual role in shaping negotiation processes has received only limited attention in the literature.

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This paper attempts to fill this gap by studying the importance of equity criteria in the formulation of negotiating positions of major parties in the UNFCCC (UN Framework Convention on Climate Change) process. Based on data from a world-wide survey of agents involved in international climate policy, we provide evidence that the use of equity arguments is in line with material self-interest. As this may suggest that equity arguments are purely rhetoric, we additionally analyze the perceived reasons for the use of equity arguments. Our paper is thus the first empirical study on perceptions of equity in negotiating positions in international climate talks.

Equity criteria are discussed in the (primarily theoretical) literature in different ways. They are sometimes seen as guiding negotiations (“focal points”, Schelling, 1960) and thereby as a means to reduce negotiation costs. Bosello et al. (2001) study the stability of international agreements if they are based on a single equity rule but do not find major improvements upon the relatively pessimistic predictions from traditional economic models of coalition formation (Barrett, 1994; Carraro and Siniscalco, 1993; Hoel, 1992). Böhlinger and Helm (2008) consider an axiomatic approach of fair division and calculate the burden resulting from such an allocation mechanism. Lange and Vogt (2003) and Lange (2006) take a different approach and consider preferences which display aversion to inequality. Such preferences may potentially increase cooperation rates but are based on the assumption that countries evaluate their position based on a single given equity criterion.

In international negotiations on the mitigation of climate change, however, different criteria of equity have been proposed. The UNFCCC recognizes the principle of “common but differentiated responsibilities and respective capabilities”. Principles such as “equal per capita emissions”, “polluter-pays”, or “sovereignty” all show different interpretations of fairness. Referring to this variety of equity criteria, Ringius et al. (2002, p. 3) state that “notions of fairness can provide a basis for an international regime only if there is a certain minimum of consensus among its members about what is fair and what is unfair”.

The perception of fairness may, however, differ across parties. Several strands of economic as well as psychological literature indicate that the understanding of what is fair is – at least to a certain extent – driven by the economic costs of the respective equity rules: Babcock et al. (1995) consider a “self-serving bias in judgments of fairness” in an experimental bargaining situation. This notion of self-serving biases usually refers to *unconscious* distortions in perceptions of fairness. In contrast, our paper establishes a *self-interested* use of equity which includes potentially intentional distortions of equity beliefs. Babcock and Loewenstein (1997) review psychological and experimental evidence for the interaction between material payoffs and fairness perceptions. Self-serving social comparisons from teacher contract negotiations are discussed by Babcock et al. (1996). In a different approach, Hennig-Schmidt (2002) shows the self-interested use of equity arguments in a video-bargaining experiment. If conflicting principles of fairness are part of the negotiation process, a potential agreement requires weighing and reconciliation of the different proposed equity bases.

In this paper we start with the hypothesis that the respective parties use equity criteria in order to influence the negotiation process in their own (material) self-interest. We assume that due to the consensus-driven nature of international cooperation, parties back their proposals with some notion of equity in order to increase their acceptability in the negotiation process. Statements about fairness may thereby legitimate further demands in the bargaining process and permit “the pursuit of self-interest with minimal condemnation or other costs” (Albin, 2001, p. 19).

To provide empirical evidence for this self-interested use of equity criteria, we study international climate negotiations as an example.<sup>1</sup> We concentrate on four major parties involved in climate negotiations: the European Union (EU),<sup>2</sup> the Group of 77 including China (G77/China),<sup>3</sup> Russia, and the United States of America (USA). We refer to these countries or groups of countries as regions. We first use the POLES model (Criqui, 2001) to project the costs for the respective regions when abatement burdens are allocated using different equity criteria. The implied cost rankings of the equity criteria inform our predictions for a self-interested use of equity.

We then perform an econometric analysis based on data from a world-wide survey of agents involved in international climate policy to assess the views of the negotiating positions of the respective regions. We find that the perceived support of equity principles is in general consistent with material self-interest. While the nature of our data does not allow to clearly delineate intentional or unintentional components of this self-interested bias, our study sheds interesting light on different perceptions of reasons for using equity arguments: for example, agents have a more positive view on regions that support an equity criterion which reflects the personal preference of the individual. Furthermore, negotiators state that the use of equity by regions is less due to pressure from interest groups. Together, these findings lend support to the hypothesis of self-interested use of equity in international negotiations as well as to the perception that views on fairness systematically differ.

The remainder of the paper is organized as follows: in Section 2 we describe different equity principles in international climate policy. In Section 3 we provide predictions on the use of equity arguments in negotiations based on behavioral

<sup>1</sup> In a companion paper (Lange et al., 2007), we study the personal equity preferences of individuals while the current paper analyzes how negotiating positions of the different regions are perceived.

<sup>2</sup> At the time of our survey, the EU included 25 member states.

<sup>3</sup> The Group of 77 was established in 1964 and today (2009) comprises 130 developing including China ([www.g77.org](http://www.g77.org)). Even though this group clearly shows large heterogeneities in terms of economic development and potential differences in their views on climate policies, it built one negotiation group within the climate negotiations. Therefore, and as we could only include a limited number of regions in our survey, we consider G77/China as a single player in our study.

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