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The Interplay of Domestic and International Politics in a Hierarchic International System

The Case of EU–U.S. Climate Policy

**University of Tampere
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In this thesis, I attempt to analyze linkages between international and domestic politics in a hierarchic international system. Theoretically, my purpose is to probe potential opportunities in simultaneously relaxing traditional assumptions about the anarchic nature of the international system and the hierarchic nature of the domestic system. Whereas the late 20th century saw important progress in holding one of these assumptions intact while relaxing the other, systematic theoretical studies attempting to capture the dynamics of a simultaneous change are still missing in the field.

I base my work on two prominent theoretical veins in International Relations: the Waltzian dichotomy of anarchic and hierarchic systems and the model of two-level games developed by Robert Putnam in 1988. I propose significant modifications to the first one, fully in line with recent attempts to come to terms with the developments triggered by the contemporary U.S. unipolarity; I only slightly modify Putnam's model to better fit a hierarchic international system.

Advancing in a framework of soft rational choice, I propose hypotheses about the interaction of the international and the domestic level. Most importantly, I deduce a theoretical justification for focusing on the political structures and processes within the leading two-level institution, that is, the U.S. Similarly, bargaining between the U.S. government and other actors is asymmetric not only due to straightforward differences in resources but also due to amplifying tendencies to be found in the nature of the contemporary international system.

Empirically, I probe my hypotheses in the case of EU–U.S. climate policy. The topic is suitable for my theoretical purposes because the EU is not a minor power the difficulties of which in bargaining vis-à-vis the U.S. could be explained away by a mere lack of power resources. Additionally, recent developments in climate policy show a pattern of competing interests. The EU has, broadly, attempted to further climate protection while the U.S. has been lukewarm at best in considering action to avert a potentially catastrophic imbalance in the climate system.

I conclude that the framework of two-level games in a hierarchic system contributes to a better understanding of International Relations. However, I also note that there are many developments in the empirical case that simply do not fit to a rational choice framework, reminding that there are limits to what abstraction can achieve. I also propose future ideas pathways towards a better theory, such as explicit formalization and a better integration to contemporary theories of scientific merit.

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Tässä tutkielmassa pyrin analysoimaan kansainvälisen ja sisäpolitiikan vuorovaikutusta hierarkkisessa kansainvälisessä järjestelmässä. Teoreettisena tavoitteenani on tunnistella niitä mahdollisuuksia, joita perinteisten kansainvälisen järjestelmän anarkkisuutta ja sisäpolitiikan hierarkkisuutta koskevien oletusten heikentäminen tarjoaa. Vaikka 1900-luvun lopulla otettiin merkittäviä edistysaskeleita heikentämällä jompaakumpaa näistä ja pitämällä toinen voimassa, systemaattinen teoreettinen tutkimus, joka tarkastelisi molempien oletusten yhtäaikaisen heikentämisen vaikutuksia, ei ole edistynyt tieteenalalla merkittävästi.

Työni perustuu kahdelle merkittävällä teoreettiselle suuntaukselle kansainvälisessä politiikassa: waltzilaiselle dikotomialle anarkkisten ja hierarkkisten järjestelmien välillä sekä Robert Putnamin vuonna 1988 kehittämällä kahden tason pelien mallille. Esitän merkittäviä muutoksia ensimmäiseen, kuten viimeaikaisessa Yhdysvaltain ylivaltaa tarkastelevassa tutkimuksessa on tehty. Putnamin mallia muokkaan vain sen verran, että se sopii paremmin hierarkkiseen kansainväliseen järjestelmään.

Kehitän työssäni hypoteeseja kansainvälisen ja sisäpoliittisen tason vuorovaikutuksesta pehmeän rationaalisen valinnan teorian pohjalta. Keskeinen johtamani hypoteesi on teoreettinen perustelu johtoasemassa olevan kaksitasoisen järjestelmän, Yhdysvaltain, poliittisiin rakenteisiin ja prosesseihin keskittymiseen. Vastaavasti Yhdysvaltain hallinnon ja muiden toimijoiden neuvottelujen asymmetrinen asetelma ei johdu pelkästään käytössä olevien resurssien epäsuhdasta, vaan myös nykyisen kansainvälisen järjestelmän tätä voimistavista piirteistä.

Empiirisesti tarkastelen hypoteesejani EU:n ja Yhdysvaltain ilmastopolitiikan tapauksessa. Aihe on sopiva teoreettisien tavoitteideni kannalta, sillä EU ei ole pieni toimija, jonka vaikeudet neuvotteluissa Yhdysvaltain kanssa olisivat selitettävissä pelkästään resurssien puutteella. Lisäksi viimeaikaisessa ilmastopolitiikassa on selvästi havaittavissa intressiristiriita. EU on pääpiirteittäin pyrkinyt edistämään ilmastonsuojelua, mutta Yhdysvallat on suhtautunut epäillen toimiin potentiaalisesti katastrofaalisen ilmastomuutoksen ehkäisemiseksi.

Johtopäätöksenä esitän, että kahden tason pelien käyttö hierarkkisessa järjestelmässä edistää kansainvälisen politiikan parempaa ymmärrystä. Huomautan kuitenkin, että tutkimassani tapauksessa on monia kehityskulkuja, jotka eivät sovi rationaalisen valinnan viitekehykseen; tämä on hyvä muistutus siitä, että abstrahoimisellakin on rajansa. Esitän myös mahdollisia tapoja kehittää teoriaa tulevaisuudessa, kuten sen eksplisiittinen formalisointi ja parempi integrointi nykyisiin, tieteellisesti ansiokkaisiin teoriasuuntauksiin.

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1. Introduction

1.1. Theoretical Reasons to Conduct This Study

The motivation to study International Relations stems from a variety of sources. For me, and I hope for others interested in the subject, the occasionally relentless inquiry is driven by the willingness to understand and explain fundamental structures and contingencies that drive, respectively, continuities and changes. These all are present and greatly relevant in politics yesterday, today and probably tomorrow. This dual character of every historical epoch or event, however, necessitates a study that is informed by rigorous scientific analysis on one hand and the ability to critically reflect upon the uncertainty and even subjectivity of the results that are derived. It also necessitates a focus on those things that pervade politics everywhere in a more significant fashion than others do, and if there is one thing that is poorly understood par rapport to its importance, there are good reasons for arguing that it is the overarching international system. It is almost trivially true that there must be a system, but approaching it scientifically is an awesome theoretical task. Where should one begin now that it seems that limiting one's analysis to unitary state-state relations no longer matches the prevailing intuitive or intellectual image of the world (see Agnew 2005; Rosenau 1990)? The purpose of this study is to find preliminary answers to this question, especially in from the viewpoint of things that have changed and things that have not.

The traditional wisdom of an international system has been, in addition to an exclusive focus on states, characterized by a divide between explanations based on domestic and international factors. Whereas the traditional liberal theory, as illustrated by writings of Immanuel Kant (1795) or Norman Angell (1913), considers the internal character of the actors (states) to be of primary importance, the realist tradition, apparent in writings of Thucydides (1964), Thomas Hobbes (1778 [1651]) or Edward Hallett Carr (1946), stems from a belief in the fundamental importance of security and power in the anarchic international sphere, often connected to a pessimistic nature of human nature. Furthermore, both of these traditions have a primary thesis on the present international system. For the liberalist, the most important change is the triumph of capitalism and liberal democracy that should finally do away with power politics and misery so pertinent to the modern world. For the realist, however, the most fundamental question is whether the unipolar hegemony of the U.S. can be sustained or is there a tendency towards a new multipolar order.

To me, however, both of these traditions seem to be lacking something despite their indisputable contributions to IR. Put in a more detailed fashion, they do not provide answers to the question how these developments interact and produce dynamics that cannot be captured with one underlying factor. Hence my attempt to bring at least something of them together, perhaps with a

risk of amalgamating substances that do not fit together. I do this by studying the interaction of domestic and international factors in a system that is hierarchic as opposed to anarchic but also characterized by a globalized economy and pervasively global political relationships, both between governments and other actors. Today, understanding the dynamics of these factors is of paramount importance as many things seem to revolve around the U.S. and the American form of capitalism.

The interest in this subject stems from two theoretical veins in the IR literature. First is the literature on the hierarchy–anarchy divide, probably touched upon already thousands of years ago, but most famously coined by Kenneth Waltz (1979) with the intriguing thesis that there cannot be hierarchy in the international system. There is renewed interest in the subject in the traditional IR powerhouses U.S. (see Anderson 2003; Lake 1996, 2005) and UK (see Dunne 2003), but also here in Finland and, particularly, at the University of Tampere under the auspices of which I have had the pleasure of writing this study. Secondly, however, I draw upon the tradition of two-level games, already incipient in James Rosenau’s work in the 1960’s (see Rosenau 1969) but most eloquently and with the greatest impact addressed by Robert Putnam (1988). This tradition has been vibrant ever since due to its elegance and explanatory power. Together, these theoretical approaches form an excellent way to see how domestic and international developments are intertwined when one of the domestic bases—that of the U.S. today—is of more importance than those of other actors. Beginning with two-level games, and also recognizing the importance of transnational relations (see Risse-Kappen 1995), I attempt to analyze what has changed with the rise of U.S. power and the expansion of its social model and what has not.

It is perhaps appropriate to write a few words on the relationship of the wide empirical domain of the study—the peculiar position of the U.S. in the world—and the question of the international system. A fact that can be derived logically from the assumption of hegemony, every hegemonic institution gives rise to a world order that might have something in common with other broadly similar situations; on the other hand, it might not. Thus, although I cherish the idea of abstract theorizing, I do not purport to claim that general theories of domestic politics and hierarchic world orders would alone go to a sufficient length in explaining what is happening around us. They do go at a great length, but the best possible result is derived by taking the best of both approaches. This means that I do incorporate imperfect information, endogenous preference-forming and culture to my study whenever needed.

1.2. Why Modeling and the Case of Climate Policy?

As indicated above, this study is theoretical in its nature. However, theoretical analysis is of little worth for the second part of the equation behind my interest in IR—understanding the present world better—if it is not, no matter how rudely, subjected to the judgment of empirical data. Even though

this study most certainly does not allow rigorous testing—and perhaps the subject matter itself does not because there are precious few cases of hierarchic world orders in the history—I try to probe my theory by the conventional and adequately proven method of generating hypotheses; no theory can be tested or assessed as a whole because the relationship between a theory and the reality is complex in every conceivable philosophical approach of any interest. This study is based on the instrumentalist idea of epistemological primacy in science in the sense that the reality itself is not, exact in a totally trivial sense, within the reach of the human mind. Consequently, theories are simply tools that can be used to better organize observations.

In order to organize the vast range of observations in today's world politics, I explicitly resort to the technique of modeling, although in a heuristic rather than a formal sense. My goal is to first filter everything but that which is absolutely necessary to understand two-level games in a hierarchic system, at the most abstract level possible based only on certain rational-choice and game-theoretical assumptions useful to derive hypotheses. Only then I add the diversity that our senses witness every moment. The model is based by the original two-level model by Putnam (1988), which enables me to take advantage of his tremendously useful hypotheses in two-level bargaining in an anarchic setting. Subsequently, I bring in the changes that hierarchy brings and modify the hypotheses and generate some that are new as a complement.

To probe the hypotheses, I use the most conventional way of studying IR, the case study. Fully understanding the impossibility of using one case to confirm or falsify anything, I hope it indicates whether there is any reason to believe that my attempt to build a theory has been successful. As a case, I will use the EU–U.S. climate policy. The reason to this choice is partially my own experience and knowledge of the subject matter, but it is also because it offers a convenient way to analyze bargaining that doesn't take place between disproportionate actors even in an anarchic system. The EU is the second thing to superpower in today's world so one could assume that in an anarchic system the U.S. government would have to be prudent in its deeds as advised by realists. It is also important that climate policy is not, despite the pejorative term 'low politics' used earlier to describe non-military issues, of little importance. Instead, the outcome of the EU–U.S. struggle for leadership in climate policy, as I will argue at length in Chapter 7, determines what is the global policy response to the most fundamental environmental threat that mankind has ever faced. The other side of the coin is that it also determines whether the present economy based on massive consumption of fossil fuels is fundamentally transformed to a more sustainable system or whether it does not take place.

This struggle that takes place both within the EU and the U.S. and at the international setting, formally in the form of UNFCCC Conferences and informally elsewhere, can be divided to three events: the developments before the Kyoto Conference which led to the adoption, and later

ratification, of the Kyoto Protocol, a significant intergovernmental treaty that is subject to ferment disputes; the period surrounding the announcement by the U.S. President Bush of the repudiation of the Kyoto Protocol; and the recent question of the future of international climate policy and the Kyoto Protocol. Together, these pictures form a picture that, for most parts, supports my argument of a hierarchic system with significant dynamics between the international and a domestic level. Furthermore, it also gives new insights for the public debate on climate policy that is often more influenced by the entrenched positions of the protagonists than a thorough analysis.

1.3. The Outline of the Study

Immediately after this introduction, in Chapter 2, I present the philosophical basis of the study. I will go through the school of instrumentalism, rational choice and game theory, modeling and the levels-of-analysis problem. The purpose is not to become entangled in philosophical or methodological debate, the first of which is not in the domain of my formal training and the latter of which is best served by full articles or monographs, but to situate the study in the field of IR. This is important in itself but especially so in the field of IR where there has been considerable confusion regarding the philosophical underpinnings of the study.

In Chapter 3, I begin with the Waltzian theory of anarchy and hierarchy. However, instead of taking the conclusion of Waltz as a given, I propose a simple modification in order to allow for hierarchic international systems. Having done that, I situate the present world order to the theoretical setting and argue that the U.S. is indeed on top of a hierarchic system at least for now. This is done in a way that can perhaps be considered as quite liberal in drawing upon different theoretical traditions, but I have attempted to remove explicit contradictions and at least explicitly recognize the challenges of this approach. In Chapter 4, I present the development of the theory of two-level games, emphasizing Putnam's original article and the research program directed by Evans et al (1993); on the other hand, I also bring into my model relevant parts of the excellent model by Milner and Rosendorff (1997) which answers the same questions in a more formal fashion. The purpose of this chapter is to lay a sound basis for combining two-level games to the scheme of hierarchic world order. This means that I have to omit certain factors of two-level games that are of great importance and intrigue in themselves, but that do not bear to changes in the international system from the original anarchy assumed in the original model.

In Chapter 5, the theories elaborated upon are combined to a model. I argue that two-level games as a model is primary to changes in international system because it can be changed by adjusting the parameters and adding only a few new conjectures. As the fundamental theoretical structure of two-level games remains intact, I develop my model hypothesis-by-hypothesis. I will discuss why some hypotheses are modified and why some new ones are added; I also give examples

in recent history what these theoretical ideas could imply in the present world order. Having developed a set of hypotheses, I devote Chapter 6 to the discussion of the case method and operationalizing the hypotheses. What follows can be summarized in the form of a table with hypotheses and the way that I will operationalize them in the empirical part of this study. In Chapter 7, I prepare the ground for empirical analysis by presenting the problem of climate change, the questions pertaining to international climate policy, and by briefly summarizing the history of international climate policy before the year 1995.

In Chapters 8, 9, and 10 I conduct the empirical analysis in three parts as discussed above. My purpose is to be as explicit as possible, which explains why I deviate from the standard way of presenting the results in a form of a narrative that represents the work of a historian's. Finding the connection between these narratives and the model used is often tedious work, and I am not confident that I could do it in a more understandable fashion. Instead, I directly begin by presenting the questions at hand and directly assessing the domestic levels of the U.S. and the EU in terms of win-sets, and only then present the bargaining that followed from these underpinning configurations, again trying to be as straightforward as possible.

Finally, in Chapter 11, I present my findings and propose one way to interpret them. I will discuss both the theoretical lesson learned, which is that the model holds promise to a certain extent but is also limited in its capability to explain singular events, and the way the model was helpful in developing a deeper understanding of climate policy. Importantly, I conclude by assessing future pathways to develop the model and to integrate it to the wider field of IR. After all, no branch of social sciences should take unnecessary distance to others without compelling reasons, and in my opinion there are none for heuristic and formal game theory alike.

2. Modeling the Realm of the Social

2.1. The Importance of Philosophy of Science

International Relations is clearly an exceptional field in its emphasis on theory, and its essential subject matter remains contested (see Wight 1966, Lapid 1989). Its theory is often seen as having gone through four “great debates”, but even this typology can be contested as limited and misleading (see Waever 1996). Lacking consensus on what exactly is IR theory, conducting a study in the field requires choosing between strongly differing and often contradictory approaches; the differences between them usually extend to the underpinning layer of philosophical postulates. Thus, it is always necessary to carefully explicate and state reasons for the theoretical and methodological choices that are being made in the study. From the viewpoint of developing IR as a field of study, these choices are justified if they promote the development of theories that have strong explanatory power without obscuring important aspects of the field. Furthermore, due to the ambiguous nature of the subject matter it is important that these choices help raise new, intriguing questions and thus add to the exchange of ideas on the essence of the concept of *international*.

The choice, however, is a difficult one. The list of approaches could be lengthened almost infinitely, which corroborates the thesis that there is no unified theory of IR. In this situation, the difficulty of choosing goes hand-in-hand with the necessity of choosing. Choosing a theoretical approach based on its scientific promise and being willing to participate to a debate on its merits are requisite virtues if IR is not set to be an “essentially contested concept” (Gallie 1956), which would mean that its nature is such that it is impossible to reach any kind of consensus on its content; clearly it would be senseless to call IR a *scientific* discipline if agreement on its content would be axiomatically precluded. This does not mean that a scholar should not have the latitude to adopt multifarious and heterodox approaches; it means that theories must be compared from the viewpoint of their usefulness to scientific inquiry. The fact that there is no unified theory of IR does not imply that there could not be one. On the contrary, it implies that not enough attention is paid to pondering the philosophical questions that guide the development of theory and its empirical testing. It is necessary to find an approach that allows comparison, reasoned debate and scientific progress.

2.2. Instrumentalism

These philosophical considerations lend prestige and attractiveness to *instrumentalism* (see van Fraassen 1980: 10, 23) as an ontological and epistemological school of thought in IR. Indeed, it has been the most prominent approach in mainstream social science, spreading rapidly in all kinds of disciplines, an illuminating example of which is its dominance in American Politics (Gunnell 1986).

As Gunnell notes (1995: 924), instrumentalists do not ascribe value to a theory on the basis of its alleged trueness or falsity, since the supporters of the approach do not see theories as having these attributes. For the instrumentalist, theories are merely a convenient way to organize, generalize and abstract observations and thoughts in order to explain them. What is more, science is only a tool that can be used to further understanding and common good; reality as an ontological concept is beyond the reach of mankind, which belies the subordination of ontology to epistemology (Aronson 1984: 261). Instrumentalism, however, is not a post-positivist approach based on the subjectiveness of scientific information. Based on the proposition that theories are commensurable through assessing their convergence with observations, it is the mainstream, positivist way of analyzing the realm of the social.

Instrumentalist position is neatly illustrated in Friedman's "The Methodology of Positive Economics" (1953), which had an enormous impact on economists' own understanding of their field. For Friedman, the reality of an economic model is irrelevant if the model correctly predicts market outcomes. Should the model be somehow realistic, it would be useless for scientific inquiry because it would be composed of a vast number of tangential and irrelevant data. As a polemic example of the vices of alternative approaches, Friedman (ibid: 32) considers the case of incorporating data on traders' hair-color to an economic model; obviously, such realness would do little to further a scientific analysis.

The importance of instrumentalism to social sciences is that it provides a standard of good scientific theory without making truth claims about the nature of reality. This theoretical modesty helps to resolve many difficult questions such as the relationship of the subject and the object (see Enloe 1996) and the problem of value-laden data (see Vasquez 1995 for discussion) without relapsing into extremist relativism. For example, the possibility that a scholar working a theory could influence the dynamics of the system analyzed does not have such grave consequences for the purpose of the inquiry in instrumentalism, because the approach does not consider reality somehow sacred. The significance of the scholar's work is assessed against the standard of its utility for scientific purposes, which means that if the work does more good than harm, there is a case for doing it. Further, the standard justifies making simplifying—and often intuitively ridiculous—*as-if* assumptions that are immensely useful for analysis, such as *homo oeconomicus* in Economics. After all, without this assumption it would be virtually impossible to construct models and test them. Instrumentalism helps here to focus the attention to the essential and to leave out that which is not important for the study.

These advantages make instrumentalism a useful approach to IR. Obviously, IR as a subject field is in need of strong simplification and pursuit for parsimony if anything in terms of a theory is to be said. To say anything about general patterns that can be observed in international events

necessitates excluding a considerable amount of otherwise interesting data. For Waltz, whose *Theory of International Politics* (1979) is perhaps the most applauded and criticized work in the history of the subject field, the crucial simplifying assumption is to regard all states as similar units with the same goal of survival (though see Wendt 1987: 351). I will later go on to criticize Waltz's assumption, but the approach itself is of paramount importance to the development of IR as a field; without making assumptions and taking distance to the requisite of realness, a systemic theory of International Relations would be difficult to conceive of (for a critique of neorealist assumptions, see Ashley 1986).

Having praised instrumentalism for its advantages, I can turn to the allegedly awkward relationship of instrumentalism and explaining as the priority in scientific inquiry. After all, it can be maintained that instrumentalist theories do not explain anything except at a very trivial level: it does not have a direct relationship to reality, so there is a possibility that another theory, based on different assumptions, could produce same outcomes with vastly differing assumptions from the first one. This possibility is both relevant and, in many ways, very probable, as is seen by taking a look at the different models that are for example offered to explain foreign policy (see Allison and Zelikow 1999 for a prominent categorization).

However, it does not have to have deleterious consequences. If a theory is considered possessing explanatory power when it can provide us with a theoretical, but not real, causal mechanism that can account for actual observations, instrumentalism no longer seems that awkward; in a hypothetical situation where scientific inquiry would be pursued to its logical endpoint, a grand theory of everything, there would be no actual difference between the instrumentalist and the scientific realist theory even if the realists would prove right. The instrumentalist grand theory would anyway be better suited to explain and predict observations than any of its competitors. Meanwhile, in the world of acute lack of information, instrumentalism helps to focus on the actual scientific work. The intuitively confusing fact that instrumentalist theories, striving to explain and predict at the same time, could be built from an infinite number of assumptions, does not hinder scientific progress because it is always possible to challenge these theories by contesting their predictions in relation to the real world.

2.3. Game Theory and Rational Choice

Instrumentalism is a philosophical school, but it does not offer tangible tools to the analysis of international events. It allows myriad different approaches, and the choice among them depends on the purposes of the study. In my study, I adopt a game-theoretical approach based on rational choice theory. Additionally, I divide the vertical range of explanations to world politics to three different levels, of which I will emphasize the international and the domestic level. These assumptions and

choices are sufficient to construct an informal model of domestic politics in a hierarchic international system.

In game theory, the focus of the analysis is on the strategic interaction between different players and their environment (see Morrow 1994 for an introduction). The purpose is not to assess the underlying values that cause a player—be that a state, a firm or an individual—to follow a certain course of action. Instead, the preferences of the players are taken as given or exogenous, and the analyst has to see how a certain configuration or a game affects the strategies and outcomes that the players choose. For example, one could ask which features of the market setting were most important in determining the positions of a given industry to different proposals for an international climate regime. In game-theoretical terms, the analyst would pay attention to the costs of emissions reductions, the amount of information that different firms have, the resources that the industries have to affect the outcome, and the possible benefits—such as reputation—that they would gain from endorsing strong regimes.

The approach is necessarily based on rational choice. According to this view, actors make consistent choices between alternatives to maximize their utility within the constraints of any given system or structure (Allison and Zelikow 1999: 18; Elster 1986: 4). For an instrumentalist, the view is very useful: it has immense explanatory power because it can account for a wide range of observations with a very simple assumption (Harsanyi 1966). On the other hand, without the assumption of rational choice, game theory would be rendered useless. It would be impossible to attribute strategies or aims to players, should there be no commensurable measure of utility.

Game theory can be used in multiple ways, the most popular one being formalization. This means that the game is constructed using equations. The approach provides rigor to the analysis because the interrelations of all assumptions must be shown in terms of the game. It also helps communicating complex ideas unequivocally and exposes the study to the critique of the scientific community. However, in my study I refrain from mathematical formalization because of the tentative nature of the attempted theory development. It would be very difficult and arduous to begin probing the possibility of combining the two approaches of the study by formalization, and it would not serve the purpose of the study well. My choice is more informal: game theory is used as a heuristic device that helps clarifying the analysis, but the rigor of mathematics is not required. This is also the approach of numerous scholars in the field of IR and Political Economy (see Schelling 1960; Snidal 1985), including the only systematic research program that has been conducted to empirically test Putnam's (1988) two-level games (see Evans et al 1993).

Game theory and rational choice are based on *as-if* assumptions that do not have to converge with the detailed causal mechanisms that are found operating in observed events. The most important use of these approaches is in bringing that which is essential to the fore. For example, in

studying climate policy, it would be very difficult to incorporate all aspects of the issue to one study in a theoretically rigorous way. Choosing game theory does not hinder other scholars from studying how the human–environment relationship (Macnaghten and Urry 1998) affects climate policy or how the discourse on climate policy has evolved over the last decades (eg Tirkkonen et al 2001), but it relegates them to the sideline in order to help the analyst to see how cost-benefit calculations, institutional power mechanisms and the amount of information affect the outcomes once the preferences are there.

Notwithstanding, the limits of the approach must be recognized. The most important of these is the way assumptions drive the model, which can be more obscuring than illuminating if these assumptions are not sound (see Elster 1979, 1986). For example, all individual decisions are not made in a consistently rational way, and as perfect information seems to be only rarely available to all players in international negotiations, it would be overstretching to try to violently bend the empirical events to the game. A better approach is to leave sufficient latitude to anomalies and to concentrate on pondering if the rational choice does more to improve the understanding of the observations than its competing theoretical assumptions or not.

2.4. Levels of Analysis

In IR, a key difficulty in developing theories is the choice of the most appropriate scale of “heights” of analysis (Buzan 1995: 204) to which the causes of international outcomes can be attributed. The options range from micro-level analysis of human nature or even biology to macro-level analysis of global structures and systemic features. Mixing explanations from a range of levels would certainly go in depth to explain a particular outcome, but it would undermine parsimony and explanatory power of a more general theory. If no choice was made and the question would be neglected, theory would be hopelessly confusing and of little use. However, it must be mentioned that theoretical orientations outside the instrumentalist-positivist mainstream of IR, such as Wallerstein’s world system analysis (1974) and the school of critical realism (see Patomäki 2001), do have their own, differing solutions (eg centers and peripheries).

The levels of analysis were elaborately dealt with in Waltz’s *Man, the State, and War* (1959), which divided the explanations of war between states to three *images*: the international system, the state, and man. For Waltz, the anarchic international system provided the most plausible explanation. Human nature, on the contrary, is too general for explanation, and all kinds of states have fought wars so the characteristics of a given state do not go to great extent in explaining wars. Two of these levels—state and the international system—were analyzed in a more general way by Singer (1961), and since then the debate between the proponents of these two levels has been in the limelight of the field. In this study, which is based on the theory of two-level games, both of

Singer's levels are chosen. There is a sound theoretical basis for this: as I will show later on, there are dynamic interactions between these levels that cannot be captured if one refrains from a multilevel analysis of the general equilibrium (Putnam 1988: 434; see Caporaso 1997: 573–575 for elaboration and critique). Additionally, empirical puzzles point towards a lack of explanatory power in approaches that eschew two-level analysis.

For example, explanations of climate policy based on domestic sources (see Busby 2003) neglect the systemic difficulties of agreeing on cooperation in a situation where everybody is better off increasing emissions if others reduce emissions. In this situation, which is essentially a problem of free-riding and public goods (see Conybeare 1984), refraining from international explanations would attribute too much weight to the costs of emissions reductions. Similarly, systemic explanations neglect the importance of domestic interest groups such as energy-intensive industry and power companies (see Harle and Moisiu forthcoming).

Other typologies, such as five levels (Buzan et al 1993; Buzan 1995; to be sure)—adding a regional and a sub-state level between Waltz's three original ones— have appeared, but for my work, which does not deal with regional issues and which does not assume state to be a unitary actor, thus eradicating the difference between the state and the sub-state level, these are largely irrelevant. To be sure, this work of Buzan also stems from an entirely different approach to IR than that of rational choice; it can, however, be used to illustrate available alternatives.

An important clarification must be added before venturing any further. I consider levels of analysis in this work as the available vertical scale for organizing the units; I do not attribute structural explanations solely to the international-systemic level. The Waltzian (1979) neglect of domestic-systemic factors is not viable because there is nothing inherently non-systemic in the way states form their foreign policies if they are not assumed to be unitary actors (see Buzan 1995; 1997). In terms of types of explanation—which is not the same thing as levels of analysis—the focus of this work is in structure and preferences of the units or players; cultural and other intangible factors are taken as given. In practice, this means that I do not, for example, analyze the reasons for the median U.S. citizen's opinion of environmental protection but do pay attention to it in analyzing the strategic choices that different actors do.

2.5. Modeling

Constructing a model can be useful in explaining and predicting outcomes in a given system. When modeling is chosen as a methodological approach with instrumentalism as the underpinning philosophy, the task of the researcher is to depict the theory, not the empirical observations; a model does not have to resemble our conception of an objective reality but a world of abstract theoretical terms that are useful for scientific inference (Waltz 1979: 7; Nicholson 1983: 108; see Lave and

March 1975 for an opposite view). A map of a geographical area can be considered an example of this (Snidal 2004: 227). Although it does not depict the area realistically, it is very useful in finding one's way. Had the map been made to resemble the area as much as possible, it would be practically useless due to its huge size. Model is simply a systematic way of presenting something that is seen useful, and for the instrumentalist a theory is judged in terms of utility or usefulness. Thus, a model is used to present a theory—a general explanation for something—in a simplified form of interrelated variables.

Models do not have to be based on game theory, but game-theoretical approaches are almost axiomatically based on models. This follows logically from the core features of game theory because the hypotheses that are drawn are only valid under certain assumptions. If the game would not be constructed as a model, that is, as showing the workings of the complete system (Gaddis 2002: 314), game theory would be of little use because the rigor of interconnected assumptions would be lost. This logic of analysis implies that modeling shares a number of advantages with game theory. It is analytically rigorous, especially if conducted formally, because one invalid assumption would render the model itself useless and the assumptions and dynamics of a model are unequivocal and easily communicated (Snidal 2004: 227). Furthermore, models have a tendency to produce counterintuitive results that are often extremely difficult to deduce if a theory is constructed verbally (Nicholson 1983: 11). One very useful application of this is modeling theories that are usually presented in a less systematic fashion. In my case, this is illustrated when I argue for my hypotheses in terms of a heuristic model of two-level games. However, it should be noted that some theorists, such as Green and Shapiro (1994: 6), claim that the results acquired are often uninteresting due to the problems in assuming the universality of politics and the problems in operationalizing hypotheses.

As mentioned earlier, the method that I use is somewhat softer than that of rigorous formalization. It compromises some of the advantages but also mitigates certain disadvantages such as rigidity. This has tremendous practical implications for the research as there is no need for mathematics but the requirements of constructing a model remain intact. What I present here is an ideal construction—indeed a “model of model-building” (Lave and March 1975: 19).

Obviously, the first requirement is to choose a focused question and to consider whether there are more suitable options than modeling, such as verbal theory or an idiosyncratic empirical analysis. In this case, I construct a model mostly because of its overall theoretical virtues and systematic nature, but it can also be maintained that my research questions, which pertain to the dynamics of different actors in a given structure of distributive politics, are fertile ground for modeling. The second phase, which is a very tricky one, consists of somehow generating a set of assumptions and rules that form the skeleton of the model. As Popper (1959: 31–32) rightly asserts,

this is the part of any science that cannot be formalized. In my case, I have a theoretical background (see Milner and Rosendorff 1997; Putnam 1988; Waltz 1979) that I can rely on. For this work, Waltz (*ibid.*: 10) identifies four primary tools: isolation from tangential factors, abstraction in order to clarify, aggregation to reduce the number of factors or units, and idealization (assuming perfect workings of the system) to avoid confusing ambiguity. Finally, hypotheses are generated from the model and subjected to empirical testing.

The empirical testing of models is probably the most important reason for the controversy surrounding them. It can be methodologically challenging to assess whether empirical outcomes follow the logic of an abstract model that does not claim to present the reality. Thus, modeling always necessitates modesty in the testing phase and the workings of the abstract system must be situated in the context. In practice, this means that models should be compared to the work of historians but to the work of other modelers and theorists who try to develop theories of general nature. If the model is used to explain more than it is capable, it will be bereft of its advantages and could leave an overly ambitious impression.

2.6. Models and the Progress of Science

The comparison of competing models that purport to explain or predict a given phenomenon is a relatively straightforward matter of thorough analysis of its virtues. If one takes a long-term perspective, in terms of the progress of science, the issue becomes much more complicated. Although the assessment of the accomplishments of different models would be relatively easy in the framework of logical positivism (see Neufeld 1995, 32–38) and even in terms of the Popperian (1959) principle of fallibility, the importance of which was in developing a more flexible and useful principle of scientific progress than the arrogant tenet of confirmation, later and more elaborate views of scientific progress pose new questions. Most important of these is Imre Lakatos' (1970) theory of progressive and regressive research programs.

For Lakatos (1970), the central problem in the history of science was that theories were rarely if ever developed in an idealized way of Popperian (1959) fallibility. However, at the same time Lakatos (*ibid.*: 178) rightly dismissed the Kuhnian (1962) theory of incommensurable paradigms as rendering science “a matter of mob psychology”. Lakatos (*ibid.*: 132–138) observed that theories consist of two parts, the core and a protective belt of auxiliary hypotheses. When a theory is challenged on the basis of empirical observations, it can often be easily salvaged with small changes to auxiliary hypotheses. This, however, is often deleterious because it leads to a stagnation of scientific progress as theories become more complicated without actually making any progress as the core theories are never exposed to real challenges.

Analyzing early 19th century physical theories, Lakatos (1970: 116–117) invented a clever solution to the problem (see Moravcsik 2003: 39–43 for some reservations about the solution). If changing auxiliary hypotheses is seen as the prevailing custom in science, and it cannot be easily changed, it is necessary to develop criteria for assessing the implications of the changes that are made. This necessitates a shift from assessing single theories to wider research programs, a concept that contains the idea of social choices made by scientists as individuals. According to Lakatos (ibid: 116–119, 134), the criteria for a progressive instead of a regressive research program is as follows:

1. The changes made to auxiliary hypotheses mitigate or remove the empirical anomaly.
2. The changed program explains previously unresolved empirical puzzles.
3. At least part of this change is empirically corroborated.

Interesting conclusions on the progressive or regressive nature of modeling can be made on the basis of these criteria. Because all assumptions and hypotheses of a model should be strongly interconnected, modifying auxiliary hypotheses is not as easy as in the case of verbal and more flexible theories. In general, it can be maintained that modifications to a model are less ad hoc than to other forms of presenting a social scientific theory. On the other hand, there are situations that should work as an alarm sign to modeling a given issue area. As modifying models on basis of empirical observations takes a lot of time, modeling issues that are poorly understood can prove dilative, and it might a better idea to refrain from ambitious formalization in order to avoid rigidity and stagnation (see for example Walt 1999). The possibility of this happening supports choosing soft rational choice in this study.

The correspondence between Vasquez (1997) and Waltz (1997) is an illuminating example of using this approach to the progress of science and models in IR. For Vasquez, empirical evidence of balance of power in different international systems is a reason to discredit the core assumptions of neorealism although the theory has been saved with modifications to the auxiliary hypotheses. However, Waltz disputes Vasquez's argument on the basis that the international system is still pointing towards balance of power (see also Waltz 2000). Here, a Lakatosian perspective clarifies the debate on the merits of neorealism. Similarly, I contest the validity of Waltz's unitary actor model in the study of the international system and argue that a model based on two-level games would serve scientific progress better. In other words, I argue that this proposed modification would fulfill all of Lakatos' criteria: it would help solving empirical anomalies while leading to a better

understanding of empirical outcomes, and some of these outcomes are at least tentatively corroborated by the case study that I use to illustrate my thinking.

3. A Hierarchic International System

3.1. The Prevailing Wisdom of an Anarchic International System

Since Waltz's *Theory of International Politics* (1979), the prevailing wisdom of most IR theory has been that the international system is anarchic because there is no superior power that would stand in a hierarchic relation to sovereign states (see, however, Walker and Morton 2005). There has been a vivid debate about the implications and importance of this structural ordering (see Keohane 1984; Krasner 1982; Vasquez 1997 for views differing from neorealism) but attempts to deny the necessity of anarchy from a positivist viewpoint have been rare (however, see Kaplan 1957 for a preceding account; Clark 1989; Lake 1996, 2005; Harle and Moisis forthcoming). However, even if state would be assumed to be the only actor worth of attention in IR, neglecting the impact of domestic and transnational actors, there is ample reason to contest the theory of an anarchic international system. After briefly summarizing the conceptual framework underpinning the theory of an anarchic system, I will propose a modified conception of the ordering principles of the international system.

The purpose of a theory of international system is to provide an explanation to international outcomes without attributing the cause to the units, that is, to individuals and states (Waltz 1959). Even though there are a number of classic writers that attribute the distinct problems of international politics to the workings of the system, such as Kant (1989[1795]; see Huntley 1996 for a good account) on democratic peace, and Morgenthau (1948) on the theory of Political Realism, these writers did not do so in a consciously systematic fashion. The main rivalry was to be between Kaplan's (1957) six different types of international systems and Waltz's (1979) one, anarchic international system. Of these two, Waltz has been immensely more important to the extent that it is not an exaggeration to title Waltz as the most influential IR theorist of the 20th century, which justifies the focus on Waltz's theory.

Waltz (1979: 81–82) develops his theory of the international system as a contrast to the domestic system, which is hierarchic because “the units ... stand vis-à-vis each other in relations of super- and subordination”. This hierarchy is based on the *formal* differentiation of units on the basis of their authority. As a simple example, one can consider the roles of different units in a democratic system: the legislatures, the executive branch, and the judicial branch have different authorities in different issues. The specific function of a unit—for example, the executive can be a Prime Minister or a President—and the distribution of capabilities between the units can change, and these changes can lead to changes in the system (ibid: 100–101). Only a change in the functions, however, has the potential to transform the system from a hierarchic one to an entirely new one, such as anarchy.

For Waltz (1979: 88–99), the international system is not characterized by such formal differentiation; instead, the units of the international system are similar, sovereign units. Consequently, the structural environment forces them to concentrate on surviving just like the microeconomic structure of a market economy forces the competing firms to drive their profits down (see Varian 2003 for an introduction to microeconomics), which implies that there can be no functional differentiation between them. Even though single states can sometimes defy these structural constraints, it is impossible in the long-term because, sooner or later, a situation that jeopardizes the survival of the state appears, and states that do not adapt to the prerequisites of survival will disappear from the system. This means that the functions of the states cannot bring about a transformation of the system from anarchy to a hierarchy; overall, this could only happen should a world government be formed.

Obviously, their capabilities can differ, and Waltz (op. cit.) does not see this as including unit-level analysis because the capabilities are compared at the international level without heeding the specific structures and processes behind them. These differences in capabilities can lead to changes of the system that are determined by the number of major powers. The anarchic international system can take any form from unipolarity to multipolarity, but in the long term the logic of survival always points towards a system of multipolar balancing as hegemons come and go (see Waltz 2000).

Table 1. The implications of changes in functions and distribution of capabilities in hierarchic and anarchic systems. Modified from Waltz 1979: 101.

	A hierarchic system	An anarchic system
Changes in functions	Can lead to a change in the system and to a transformation to an entirely new system	Is precluded because of structural constraints
Changes in the distribution of capabilities	Can lead to a change in the system but cannot directly lead to a transformation to an entirely new system	Can lead to a change in the system but cannot directly lead to a transformation to an entirely new system

3.2. The Key to Reformulation: The History of Anarchy

The Waltzian theory of international system excels in parsimony and explanatory power in certain issue areas. Nevertheless, the challenges to the theory remain many, ranging from a fundamental critique of what is seen as atomistic, gender biased approach to IR (see Tickner 1997) to critiques willing to reform Waltz’s theory (for example this work). I will later argue that most important of

them is neglecting domestic factors; a theory based on black-boxing the state is prone to anomalies and weak explanations. However, even without including domestic politics there are grounds for revising the principles that define a system.

Empirical analysis quickly reveals that not all relations between nations can be characterized as anarchic. Recent cases of clearly hierarchic relations include the relationship between colonial powers and Third World countries that have recently achieved independence, the U.S. and Soviet spheres of influence in Europe after World War II, and the U.S. and Latin America and the Caribbean (Krasner 1999; Lake 2005; N'Zatioula Grovogui 1998; Hobson and Sharman 2005). It is plausible that an analysis of the relations and international issues among these countries based on the assumption of anarchy would not produce satisfactory results. This is also acknowledged by Waltz (1979), for whom international politics is a matter of major power politics, which implies a focus on the global level at least after World War II. Furthermore, Waltz (ibid: 88) goes on to argue that temporary alliances and shifting relations do not constitute a change in the system. This would mean, for example, that the two hierarchies built around the U.S. and the Soviet during the Cold War would produce an anarchic environment at the level of major power politics.

An obvious point of departure in a critique of this view is its exaggerated emphasis on major power politics. Concentrating only on great power politics in one research project or, for that matter, during one scholarly career, is not a bad idea, but devising grand theories that preclude the analysis of, say, the implications of Cold War to the states that the U.S. and the Soviet used to wage proxy wars, casts a dark shadow over the whole field of IR. This focus leads to a narrow thinking (see Hoffmann 1977 for similar concerns) and falsely connects a positivist approach to great power politics. The problem is that assuming an enduring anarchy obscures more than it elucidates. Even though it might be superficially correct to say that systems always point towards balancing, clinging to this assumption does great damage to the analysis of actual IR in those eras that do not fit nicely to the framework of anarchy. The same phenomenon can be seen in microeconomics, where analysis is definitely not limited to the analysis of a pure market structure but also includes oligopolies and monopolies (see Cheng 2002; Krishna 1993; see Milner 1998 for a typology of approaches in IR). Anarchy might form a convenient framework for analyzing interstate relations but adhering too rigidly to this standard is not beneficial to the development of the subject field.

The history of ideas behind the assumption of anarchy is well-understood. As Patomäki (2002) notes, there is an enduring illusion of state as a person among IR theorists. Furthermore, this illusion can be traced far back in the history. Hobbes (1978 [1651]), who posed a sovereign *Leviathan* as the means to avoid a war of all against all, giving rise to a 'domestic analogy' between Hobbesian individuals and states in the international system, has strongly influenced Western thinking about IR. Clearly, these concepts of war of all against all and domestic analogy facilitated

the development of the notion of anarchy in IR. However, the concept of like units necessitated a uniform view on different states, be they small or great, and this was offered by Vattel's (2005) [1758] "fiction of sovereign equality" (Dunne 2003), which worked as a cornerstone for the development of the theory of international society (see Bull 1966; Buzan 2005). As this review of a consensus between often rivaling schools shows, an analogy between an individual, in addition to its other deleterious consequences, made it excessively difficult to accept the idea that a state can be less than sovereign; after all, the development of IR thinking saw with itself a strong growth in individual rights, at least in the formal sense of the word, in the Western world. Consequently, it is no surprise that Waltz's elaborate and systematic theory stroke a chord in the IR community.

3.3. Bringing Hierarchy Back In

The eminence of sovereign formality in IR thinking helps one to understand why formality as a criterion to hierarchy was so warmly welcomed in Waltz's (1979) work. From a broader social scientist point of view, it is also easy to understand why a dichotomy of formality and informality is easier to understand than a "fuzzy-set" approach that would introduce a spectrum between anarchy and hierarchy: most quantitative methodology is based on linear data analysis, which leaves little space for fuzzy and separates qualitative and quantitative analysis very effectively (see Ragin 1998; and Milner 1991 for considering anarchy as a continuous variable in IR). Fortunately, this formality is also an excellent key to reconsidering the principles of the Waltzian system. Instead of trying to reconceptualize authority and power (Lake 2005)—even though I will later consider soft power as a part of capabilities in a more empirical way—or going straight to the business of seeing where the present world order fits in the Waltzian typology of systems (Harle and Moisio forthcoming), I will reformulate the dynamics of the ordering principle, the functions of the units, and the distribution of capabilities in the system. Simply put, my purpose is to subordinate the type of the system to the distribution of capabilities and to the functions of the units.

As I noted earlier, in Waltz's (1979) thinking it is the lack of formality in the international system that renders it anarchic. This argument is very odd and does not bear a critical glance. After all, formality is simply one, distinctively Western way of reifying power relationships among different units in a political system. Empirically, however, it needs not be the case that formal relationships would always overrule informal ones, that is, have a qualitative edge over them. It is possible that a unit is "entitled to command" (ibid: 88) even though there are formal rules that would explicitly deny this possibility: a look into the constitution of Stalinist Soviet Union or Maoist China strongly corroborates this view. Assuming a political system depicted in their constitution would paralyze the study of these systems. Similarly, formality as a precondition of hierarchy leads to a situation in which systems that have the features of a formal system are seen as

anarchic, that is, as ephemeral and superfluous incidents that can be relegated to the sidelines of the analysis.

If formality is not seen as a prerequisite for hierarchy, the possibility of a hierarchic international system emerges. Here, a new criterion for hierarchy is needed. Among scholars who maintain that a hierarchic international system should be considered, such as many contemporary proponents of the English School, the Vattelien concept of sovereignty or the ability to “lay down the law to others” (quoted in Dunne 2003: 308) is gaining ground (Dunne 2003; see Harle and Moision forthcoming). Thus, hierarchy could be seen as a theoretical concept that includes the thought of such superiority that is sufficient to make other actors to follow its will or at least refrain from active resistance, be it due to whatever sources of power (see Dahl 1957 for a traditional view; Nye 2002: 68–74 for an introduction to soft power). This implies that hierarchy is something more than unipolarity and actually resembles the notion of hegemony (see Keohane 1984). However, using hierarchy as a theoretical concept focuses more attention to the systemic implications of this preponderance.

This conceptualization of hierarchy enables one to investigate the dynamics of a systemic transformation from anarchy to hierarchy. Here, I will argue that the best way to do this is to reverse the order of the principles of a system so that the distribution of capabilities is seen as preceding the functions of the units, which is seen as preceding the ordering principle of the system. Beginning from a default system of anarchy, this view permits one to adopt a parsimonious model of a transformation of the system.

In the first place, this transformation depends on a change in the capabilities of one of the actors. Regardless of the scope of the system, a hierarchic system necessitates that only one unit gains disproportionately in comparison to other units; if two or more units gain, the outcome at the level of the system resembles that of anarchy, even though there can be a change in smaller subsystems. However, even if one unit gains, it is not necessary that anything more happens in the system. This unit could shun using these power capabilities. For example, the U.S. could give up attempts to influence climate policy and instead try to modify its policy on a piecemeal basis in order to avoid turbulence at the international level. This would not mean subordination or using power resources to shape the global political arena to its own advantage.

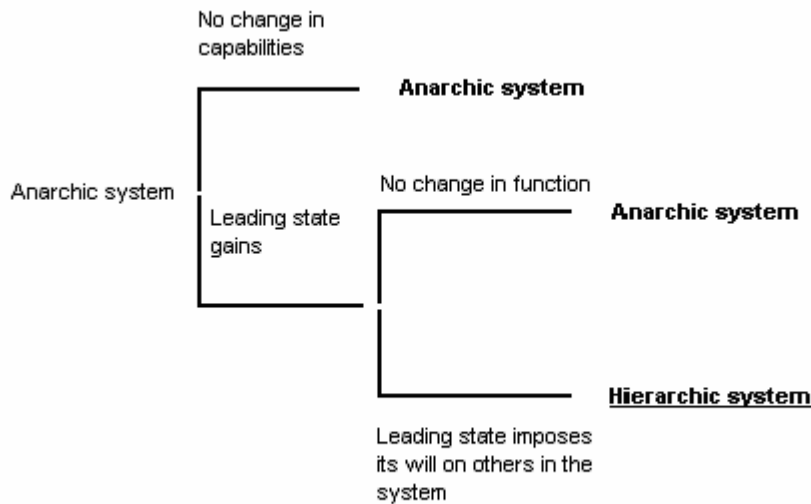


Figure 1. Possible outcomes of changes in the system.

Consequently, a significant change in the distribution of capabilities among the units—for example through military conquest or economic growth—is a *necessary but insufficient* condition for a transformation of a system. If the primary unit decides to use its newly acquired power to impose significant changes in the system, be they harmful or beneficial to the others, it can bring about a change in the function of the unit. In the case of climate policy, this could mean that the U.S. would try to shatter the system based on the United Nations Framework Convention on Climate Change to create an alternative system of environmental agreements (see U.S.–Asian-Pacific countries’ Vision Statement 2005), or that it would use its newly acquire power to strongly invest to new technology in order to delay difficult structural changes in the economy. At this point, two of the three principles of the system have been changed. Furthermore, a change in the function of the primary unit is a, just like in the case of the distribution of capabilities, a necessary but insufficient condition for a shift towards a full-blown hierarchy. After all, the primary unit could adopt functions that would not have strong systemic implications because it could adopt functions incrementally like in the case of technology-development. However, if the primary unit would engage in restructuring the international structure, and would bring about significant changes, it can be said that the international system has transformed into a hierarchy, in which one unit is capable of pursuing its preferential policies by laying down the law to others; in other words, it is more sovereign than others in a Schmittian (1985) “state of permanent exception” (Harle and Moisis forthcoming; Sartori 1989).

3.4. The U.S. and the World—Not a Lost Hegemony

Even though it is not exactly known how theories and models come about, it can be safely assumed that they are intertwined with certain empirical outcomes—ruling out induction as a legitimate method of scientific inference does not mean that theories would really come about in a vacuum. For this work, the empirical puzzle is the position of the U.S. in the world. This puzzle not only worked as a catalyst for the attempted probing of interaction between domestic and international politics, but also offers an excellent avenue for illustrating hierarchy as an informal condition.

It is widely agreed that the U.S. emerged as a mighty hegemon from WWII. It produced half of the world's aggregated industrial output (Bairoch 1982: 304), liberated the Europe from Nazi power, and took a tight grip of post-war Japan's development. However, unlike many other mighty victors in world history, the U.S. did not use its preponderance to impose its will on its sphere of influence; nor did it retreat to isolation as it did after WWI. Instead, it chose to create an institutional order, giving up immediate gains to increase the longevity of its liberal democratic hegemony (Ikenberry 2001: 199–210). Even though the reasons behind this policy are multifarious and complex, the military power and the seemingly expansionist policy of the Soviet Union were of paramount importance. The logic of bipolar competition led to a situation in which it was not expedient to ruthlessly exploit smaller, notably European powers because that would have endangered the long-term viability of the Western international community (Ikenberry 2001: 214). Thus, two hierarchies were equivalent to an anarchic bipolar international system. In the 1970s, it is often argued, the hegemony of the U.S. began to crumble (see Gilpin 1981; Keohane 1984; see, however, Strange 1987). Its share of world industrial output was in a steady decline, and the monetary, trade, and oil regimes experienced turbulence (see Keohane 1984: 184–216).

In the beginning of the 21st century, after the demise of the Soviet Union, however, it is no longer sure that the decline was to be inevitable. In a number of issues, such as the Kyoto Protocol, the International Criminal Court, and the war on Iraq, the U.S. adopts strikingly unilateral politics and gets its will through. Before assessing other aspects of hierarchy, it must be asked if the economic growth surges and the continuing leadership in many “leading sectors” (see Modelski and Thompson 1996), such as weapons systems and information technology, are oddities of the time or whether the U.S. has managed to break the alleged cycle of “rise and fall” of the great powers (Kennedy 1989). Here, the notion of hierarchy can be contrasted to two competing approaches: the neorealist position that the present unipolarity is simply an ephemeral oddity, not worth of a thorough theoretical investigation (see Waltz 2000), and the argument of ‘hyperglobalization’, which implies that something so profound has permanently changed that there is no longer reason to

conceptualize power and international politics in the way it is usually done, as a matter of states—challenging the whole state-based Waltzian enterprise (see Agnew 2005; Fukuyama 1992).

What is it that is exactly at stake here? If one looks at a recent and very important hyperglobalist account by Agnew (2005), it is possible to situate the discussion to the possibility of political action in a structure. While the neorealists maintain that the structural environment of anarchy greatly constraints the possibility of norm- or culture-driven politics, the hyperglobalists seem to step in from an entirely different direction but to end up in maintaining that there is, nevertheless, little space for real politics. In this study, these 'iron cages' are challenged at least in the case of the U.S. with a key hypothesis presented in Chapter 5.

3.5. The Sources of U.S. Power

Traditionally, power or capabilities has been calculated in terms of aggregate industrial output, population, military spending etc. In this study, I will divide these traditional sources of power to economic power, which I will analyze in terms of overall output and leading sectors, and military power. However, in the present world order also the concepts of structural power (Strange 1988) and the impacts of globalization (Hardt and Negri 2000; Agnew 2005) must be considered and, for the purposes of this work, reframed to better fit the mainstream framework. Finally, it must be assessed whether the U.S. has been able to maintain the lure of its lifestyle, that is, its soft power as the beacon of liberty and wealth in the world.

In terms of military power, the U.S. hegemony is self-evident. The U.S. spends annually approximately 400 billion dollars to military purchases, which is to say that it spends more than other the next 14 powers combined (Center for Arms Control and Non-Proliferation 2005). Even though conventional weapons could be seen as superfluous in the politics of the nuclear age, it has become clear that the U.S. is now able to globally intervene if it wants to overthrow a regime that it does not like, as is illustrated by the shock and awe warfare in Afghanistan and Iraq. Furthermore, the U.S. now possesses the “command of the commons” (Posen 2003), which means that it is able to control the outer space, the seas, and the airspace with its modern weaponry; no other state is capable of challenging it at the global level, probably for decades to come. Finally, the U.S. has set up a global network of military bases that covers all important areas in the world (U.S. Department of Defense 2004); other major powers could not challenge it in Latin America and the Middle East, and is capable of challenging major powers everywhere in Asia. It can also be noted that the significance of military power should not be underestimated. Even though a war between major powers seems improbable, military balance can be a key factor in determining the control of natural resources, as the example of Iraq shows, and securing the loyalty of certain allies.

In terms of economic power, the U.S. condition is somewhat trickier situation. Its aggregate economic output still clearly outperforms that of other nations, and it has been able to maintain a constant population and economic growth (U.S. Bureau of Economic Analysis 2005; U.S. Census Bureau 2004), which is almost unique among the more mature industrial nations. Nevertheless, there has been a widespread concern over the U.S. current account deficit, which has climbed to a staggering 7 per cent of the GDP (U.S. Bureau of Economic Analysis 2005). Thus, the U.S. is partly funding its economic growth and military might in an unsustainable way, as it is not clear how long the hegemony of the dollar can be prolonged. However, there are certain caveats that should be made. First, the current account deficit does little to erode U.S. hegemony in the short term as it seems that the government of China, the growing Asian powerhouse, is willing to secure the exports of the country by funding the U.S. deficit; China's foreign exchange reserve is already more than 700 billion dollars. Second, it is rarely understood that U.S. foreign investments produce twice as much profit as world average foreign investments. From this fact, and heeding the balance of foreign investment returns and debts, it can be calculated that the U.S. can maintain a current account deficit of 3.5 per cent without becoming more indebted—in other words, the U.S. only needs to halve its deficit in order to achieve sustainability (Kouparitsas 2005). In sum, even though the U.S. deficit might cause trouble in the future, and there are obvious challengers to its preponderance, such as the enlarging EU and China, there is no reason to assume that U.S. would not have the necessary economic resources to maintain its preponderance in the short run.

More important than concrete capabilities, the U.S. has strong structural power—power in embedded into the institutions of the world economy. As the *primus motor* of globalization, it stands out among other nations in such institutions as the World Bank, IMF, and WTO. Concrete events, such as the sudden removal of the peg of China's yuan to dollar and the disruption that President Bush's announcement of the impossibility of ratification of the Kyoto Protocol, demonstrate that the U.S. has even more economic power than its concrete resources would show (see also Ikenberry 2001: 69–72; Ferguson 2004: 18–19). Due to globalization, it could be said that there is a paradox of waning control sovereignty working for the benefit of the U.S. government: it is the only nation still able to alone influence world economy; even though it has not been isolated from the negative consequences of globalization, its relative position to other actors has actually improved. This structural power renders the neorealist position that essentially nothing has changed inadequate, but it also undermines proponents of hyperglobalization that imply, each in their own terms, the demise of the power of the U.S. government.

Probably the most interesting and definitely the most controversial, soft power can be of utmost importance. Nye (2002: 8) has succinctly defined that soft power is working when “a country may obtain the outcomes it wants in world politics because other countries want to follow it,

admiring its values, emulating its example, aspiring to its level of prosperity and openness. In the case of the U.S., the most important means of soft power has been the promise of extravagant wealth that has paved way for the triumph of global consumerism and capitalism. At the same time, the U.S. has been able to retain a surprising amount of admiration and awe among the policy elite of other countries because it has avoided explicitly imperial policies (Ikenberry 2001). However, recently the U.S. has more consciously sought to promote its policies without regarding to the requisites of international law, multilateralism, or even the views of its closest allies, as President Bush's contempt of Prime Minister Blair's grand plans for climate change as a key theme of the presidency of the UK in G8 in July 2005 show. The theory of hierarchy goes to a length in explaining the policy of the U.S. as an enabling condition, but it must also be noted that the U.S. has also seen the limits of its preponderance: it has, for example, run into deep trouble in Iraq, Afghanistan, and in the creation of an all-American economic bloc; it might just be that hierarchy itself can be counterproductive as the lack of constraints causes reckless policies that undermine soft power.

In sum, this brief review of the recent world political events and the basis of the U.S. power shows a pattern of hierarchy, though admittedly fraught with risks and even some inconsistencies. However, it would be an exaggeration that the demise of the Soviet Union has not given the U.S. leverage and latitude in foreign policy. Thus, the fact that the bipolar structure disintegrated in the demise of the Soviet Union without a corresponding decline in the U.S. power base implies that there has been a change in the distribution of capabilities between the U.S. and other major powers.

3.6. War on Terror—A Change in Function

The U.S. has not left the opportunities offered by its growing preponderance unutilized. These changes in the foreign policy considerations of the world's leading military and economic power have contributed to a change in function. After a 'short decade' of multilateralism in the aftermath of the Cold War, the U.S. has grown more aggressive in its commercial relations to other powers and more willing to externalize its economic problems through the hegemony of the dollar. This change in function was conclusively defined in the events of September 11, as the U.S. saw its national security threatened by the terrorist face of the "multi-centric world" (Rosenau 1990). Without these events, the U.S. might not have been willing into such a major—and risky—foreign policy initiative as the war on terror.

In the 1990s, it seemed as if the end of the Cold War would bring about an unprecedented era of peace and multilateralism. At the Earth Summit in 1992, a multilateral framework convention on climate change was created, even though after difficult negotiations (Brenton 1994). The GATT trade regime on trade was developed further in the form of World Trade Organization (WTO),

which was soon able to gain the status of the most important forum of international trade negotiations. However, towards the end of the decade signs of an increasingly unilateral world order began to surface. The intervention of the NATO to Kosovo in 1998, ridiculing the UN peacekeeping system, was a sign of things to come. Moreover, the repudiation of the Kyoto Protocol and the excessively recalcitrant position towards mitigating climate change by the Bush cabinet in 2001 show that there were already reasons to be skeptical about the multilateralist world governance of the 1990s. Obviously, the Bush presidency was an important contributing factor, but it remains questionable if the U.S. would have been willing to express such contempt towards its closest allies in the heyday of the Soviet Union.

After the events of September 11, the pattern became clear. Even though a number of states offered their support to the U.S., and the terrorist attacks could have been brought to the consideration of the UN system, the U.S. quickly embarked upon allegedly headhunting Osama bin Laden in Afghanistan. Furthermore, the U.S. quickly increased its military spending and increasingly considered itself unfettered by international conventions or international law (Anderson 2003: 38). As Kagan (2002; see also Crockatt 2003), a leading neoconservative ideologist, puts it, the U.S. has “double standards”: one set of rules is used in the civilized world and another one in the “jungle”, which includes most of the world. This doctrine became most obvious when the U.S. decided to overthrow Saddam Hussein in Iraq, accusing the regime of developing weapons of mass destruction. After briefly trying to persuade the UN Security Council to take decisive action on Iraq, it gathered a “coalition of the willing” and invaded Iraq, soon winning the interstate war but running into trouble in trying to stabilize the country. Not only did the U.S. begin the war against the will of most major powers in the world; it also seems to be adopting policies in Iraq and elsewhere that stand in stark contrast to the liberal ideals of human rights and international law (Byers 2003). Even though other countries might have pointed to these violations, recognizing a gap between rhetoric and reality, they did not have the power resources to somehow punish the U.S. for its deeds.

The U.S. considers the war on terror as a legitimate reason to impose its sovereignty on individuals and states alike, and it uses its power to dictate its will on the rest of the world wherever it sees this expedient. As the discrepancy between the capabilities of the U.S. and other major powers has grown, and a new enemy has emerged in the form of the al-Qaeda and other terrorist groups, the U.S. has become ever more ready to resort to measures that would have been considered exceptional before September 11. These measures pertain to military operations, intelligence, and economic policy. It is not only that the war on terror has increased anti-terror activities and military spending around the world; issues that were earlier considered multilateral are today seen less in this light. Even though it would be a mistake to assume that there is no vivid debate on the correct

course of the foreign policy (Halliday 2000: 98–99)—even among the laymen as the fluctuating popularity of President Bush indicate—it can be safely noted that the terms of the discussion have changed from the 1990s. Today, environmental policies and the economy are implicitly seen as intertwined to national security, and even commentators that disagree with the Bush doctrine on a given issue do so in terms of national security.

In this study, one implication of this change in function, international climate policy, is analyzed more carefully. At this point, it suffices to say that such U.S. behavior can be anticipated from the transformation towards a hierarchic international system. As the only sovereign, the U.S. reserves itself the right to decide how and to which extent climate change is seen as a problem that needs to be resolved—the solution might be to its long-term detriment. For the U.S., the Kyoto Protocol appears, due to its sovereignty-bending features, more a threat than the relatively remote, though potentially destructive, consequences of global warming. Had there been no September 11, the U.S. would probably have been more ready to reconsider its priorities and engage into serious negotiations with its European counterparts, although the probability of ratifying the Kyoto Protocol would anyway have been miniscule.

Explaining the changes in the U.S. foreign policy solely with domestic politics, such as the relative popularity of those advocating multilateral and unilateral policies, proves inadequate if the systemic factors—the distribution of capabilities and the function of the U.S. vis-à-vis other actors in the international system—are neglected. If the U.S. would face an enemy that would be capable of overtly deploying power resources and offering a seemingly viable alternative to the global capitalism orchestrated by the U.S., even the most unilateral President would have to cherish good relations with their closest allies. In front of the faceless terrorist threat, the U.S. has hierarchized the international system because the challenge to the U.S. does not come within the international system. As long as the U.S. is able to maintain its superior capabilities and is willing to use this lack of restraints to maintain distance to other states as the only true sovereign, this hierarchy will remain intact.

Having shed light on the changes in the distribution of capabilities among the units of the international system and in the function of the U.S., it is possible to sum up this depiction of the shape of the hierarchy in the beginning of the 21st century. The U.S. is, more clearly than ever, the “imperial republic” (Aron 1975), and its policies imply a strong national spirit of uniqueness. Even though the global economy has become more and more despatialized and the terrorist threat comes from outside the traditional state system, the U.S. remains as a distinct geographical entity that has the resources and the will to restructure world politics in a number of issue-areas; these resources are underpinned by the Americanization that follows the technological and economic processes of globalization. The U.S. has released itself from the constraints of what Bull (1977) and other

proponents of the English School call “international society”, seeing its own needs as overriding international law and principles of sovereign equality (see Dunne 2003 for the relationship of hierarchy and international society). At this point, it remains to be seen if the U.S. will suffer the fate of the earlier hegemons, overstretching its power resources and falling into a state of paralysis due to overly ambitious and arrogant policies, or if it will be able to strike a balance between power resources, relations to other actors, and grand strategy.

3.7. A Challenge within the International System: Issue-Area Leadership

To analyze the implications of a hierarchic international system on the interplay of international and domestic politics empirically, it is necessary to ensure that the hypotheses to be studied can not be attributed to simple power disparities between the actors. It cannot be maintained, for example, that the fact that the U.S. often prevails over African countries in trade disputes would somehow corroborate a change towards a hierarchic international system. Should these cases be studied, it would be simply enough to assess the impact of power disparities among the countries and see they contribute to the outcomes that are observed (for such an analysis see Kivimäki 1993). On the contrary, a hierarchization of the international system implies that there is also a clear pattern of super- and subordination in the relations among the major powers of the world; some of them should be able to pursue their preferred policies to a much greater extent than others. In an anarchic system, this would be hardly possible according to the theory of neorealism because it would soon lead to balancing.

In this study, the European Union is chosen as the counterpart of the U.S. Even though the supranational character of the EU somewhat complicates the analysis—a point I will later elaborate on—the union does possess power resources not available to many other powers at the moment. Its population of more than 450 million people and GDP of 11,000 billion dollars in purchasing power parity certainly lend it a key position in international politics. Unlike such major powers as China and India, it is mostly a mature industrial society, which increases its leverage and expands the scope of possible activities. Furthermore, the EU has been active in a number of issue areas: environment and development, international trade, relations to former socialist states of the Eastern Europe, and technological cooperation. The EU has “civil power” (Keisala 2004) because the prospect of expanded cooperation and even possible integration is extremely lucrative to any society that is willing to develop its economic capacity through international trade and foreign investments. Thus, a bargaining situation between the U.S. and the EU should be characterized by a clearly uneven situation only if a hierarchization of the international system has taken place.

The case of climate policy offers an excellent subject matter to study the implications of hierarchization, as the EU has clearly taken a leadership role in an issue area of vast importance.

For the study, it is not the elusive concept of leadership and the theoretical challenges of using it that are of paramount importance. Thus, the mainstream approach to studying leadership is taken as such and leadership is seen as one form of resistance to the hegemon in a hierarchic system. Giving an elaborate account of the complexities of leadership would unnecessarily complicate the analysis and do little to further the pursued understanding of the dynamics of the international system. There is a relevant analogy to this in using a case to test theories. In such an approach it is not necessary to engage into a full analysis of the idiosyncrasies of the case because there is an implicit understanding that the theory must be aimed to generalizations, and at the present stage of social scientific theory development it would be naïve to maintain that these generalizations are able to account for all detailed interactions of variables within the case (see Eckstein 1992). Similarly, in this study the ‘peripheral’ issue of leadership is simplified to a great extent.

Leadership as a concept refers the ability of an actor to influence the behavior of “‘a significant’ pool of other actors” (see Andresen and Magrawala 2002: 50). There are, however, a number of ways to achieving influence. A useful typology is offered by Gupta and Grupp (2000: 18–23), who draw on a literature by Underdal (1994), Young (1991; see also 1994: 45–46), and Malnes (1995). According to this literature, there are three general types of leadership: structural, instrumental, and directional. Of these types, structural refers to the use of power resources in coercion or creating incentives for other actors. Instrumental leadership, on the other hand, refers to using negotiating skills to solve problems and to overcome obstacles of achieving efficient and politically feasible outcomes. Clearly, neither of these types is relevant for the study at hand. First, studying structural leadership in a hierarchic international system would effectively undermine the theory itself. If the EU would be able to use significant power resources to coerce or buy the allegiance of other actors, there would be no case for considering the international system as hierarchic. On the other hand, instrumental leadership is hardly relevant for the study of the implications of hierarchy. Good negotiating skills are not connected to power resources, and their source can often be in the personalities of the negotiators themselves. Both in an anarchic and in a hierarchic international system, any actor can try to further its cause through instrumental leadership.

Directional leadership, however, is very relevant to the study of hierarchy. It refers to championing ethical or moral issues, and is inseparable from setting an example. Thus, an actor can try to alter the perceptions of other actors to promote new ideas and policies (Gupta and Grupp 2000: 21). Here, it is essential to understand that directional leadership works to stretch the boundaries of rational choice and game theory—the theoretical underpinnings of this study. Should rationality be defined as pursuing utilities as defined by neorealists, directional leadership would be rendered a meaningless category. As discussed in Chapter 2, integrating domestic politics offers a pathway to including different utilities. If, for example, a sufficient amount of interest groups,

citizens, and politicians in the EU are willing to promote mitigating climate change, it can be defined as their preference; then, the analysis of the bargaining can be conducted without significant additional trouble. Clearly, the EU has played this role in international climate policy, as will be discussed more in-depth below. Nevertheless, the hierarchic character of the international system has posed additional difficulties to the attempts of the EU to influence international climate policy, rendering the case of the EU–U.S. climate policy an excellent way to illustrate the interplay of international and domestic politics in a hierarchic international system.

4. Two-Level Games

4.1. Beginnings

Until now I have not discussed the details of including the substate level to the analysis of IR, and in Chapter 3 I characterized the hierarchization of the international system in terms of states as unitary actors. As the idea of this study is to analyze the interaction of international and domestic variables, this assumption must be relaxed and substituted by a systematic theoretical framework—indeed, a base for my model—that allows a rigorous analysis of both international and domestic systems in a fully strategic setting (see Milner 1998: 769). To this end, I will use the model of “two-level games” that was originally developed by Putnam in his seminal “Diplomacy and Domestic Politics: The Logic of Two-Level Games” (1988). This model is later fitted with the assumption of hierarchy in the international system, but its essentials remain intact for the simple reason that, despite promising theory development, there has not been a satisfactory attempt to revise the core assumptions of the framework. However, it is useful to situate the framework to a wider and deeper debate on the role of domestic politics in International Relations. In order to do this, I will revise certain key works in this theoretical vein, the fundamentals of which were already introduced in Chapter 2 in terms of the problem of levels of analysis.

Perhaps the most important early attempt to develop the two-level analysis of international and domestic politics was Rosenau’s (1969) “linkage politics”, a thorough typology of linkages between these two levels. It seems clear, however, that this approach did not attract too many supporters in the following years because the theory showed little if any advancement. Fortunately, certain other theoretical problems, without explicit interest in linkage politics, attracted interest that helped to spur theoretical research that proved to be useful for the theory later on. First, Gourevitch’s (1978) “second image reversed” complemented the Waltzian (1959) second image with a reverse mode of explanation based on international causes and domestic outcomes. This theoretical analysis, which for Putnam (1988) presents “merely ‘a partial equilibrium’”, brought about a new interest in the debate on levels of analysis. A little earlier, Allison (1971) had included the model of “bureaucratic politics” to his hugely influential account on foreign policy decision-making and especially Cuban crisis in 1962. This work, however, emphasizes the decision-making inside the bureaucratic machine and thus concentrates more on the actual policy process, even at the level of the individuals, than the effect of other and perhaps more fundamental international and domestic factors. Third, there has been some interest in assessing the impact of “state strength” (see Katzenstein 1978) but it is obvious that emphasizing the influence of the state apparatus obscures

the differences, for example, different political parties—“a very apolitical argument” (Gourevitch 1978: 903) indeed!

It is impossible to tell how the domestic-international interaction would have been theorized upon, had the IR community not become obsessed with Waltz’s (1979) systemic theory. As a recent conclusive analysis of the impact of neorealism shows, there was very little breathing space for other approaches in the 1980’s mainstream literature (Walker and Morton 2005), and only a miniscule part of this was dedicated to domestic-international interaction. Nevertheless, it is interesting to contrast Waltz’s (1979: 65) logic of avoiding the uncontrollable flood of variables that would follow from including the domestic level to recent analysis of the same puzzle. For the development of two-level games, this question must have been at least implicitly present even though Waltz’s argument is not explicitly mentioned in Putnam’s (1988) article; why would anybody in the mainstream of IR try to account for this interaction if it would necessarily prove impossible to use the account for a systemic study?

Milner (1997: 254–255) discusses Waltz’s argument in the conclusion of her work on the formalization of two-level games. She argues that it is a mistake to label the domestic level as somehow non-systemic because different states or other political units can, just like the international system, be analyzed in commensurable terms, which is shown in her superior game-theoretical analysis of different institutional settings and two-level games (see also Hollis and Smith 1991: 106–108). Similarly, Buzan (1995; 1997) bereaves the notion of structure—a concept intimately connected to the concept of system—its entanglement with any given vertical level of analysis. A good discussion of the problem is also offered by Moravcsik (1997) as an argument his “liberal theory of IR”, which is based on an analysis of different ways to formulate state preferences in different countries, and the interaction among them. His argument significantly undermines Waltz’s case and provides a sound theoretical base for a new type of IR theory in the future. There is no logical reason to exclude the analysis of domestic politics in IR theory. On the contrary, it would have been very odd to find out that the much more systematic theory of, for example, American politics would be based on a subject matter that cannot be systematically analyzed.

4.2. A Model of Two-Level Games

The simple and informal model of two-level games developed by Putnam (1988) yields many useful and interesting hypotheses, though the informal nature of the model renders them moot. It is not necessary to give a detailed description of all of them here because the purpose of this study is not to develop the theory of two-level games per se but to integrate the analysis of the international system to it. However, after presenting the base of the model it is useful to briefly summarize the most important of them for the study. I will proceed in the manner of first discussing the hypotheses

developed by Putnam (ibid), Evans et al (1993) in their comprehensive research program and, and other scholars who have used or tried to develop this theory. As a special case, I will later discuss the formal model developed by Milner and Rosendorff (1997) and argue for integrating some parts of it to the original model without formalizing them. I will end this chapter by setting the framework for analyzing the U.S. and the EU as structural environments for two-level games.

For Putnam (1988: 434–436), the central problem in analyzing domestic-international linkages is to capture the essentials of the game that a negotiator faces in international bargaining (in this study, I will consider bargaining as comprising of formal and informal, hostile and friendly interactions). If it is assumed that the negotiator is negotiating on behalf of a state, the head of the state is set to the center of the analysis. Obviously, this negotiator could just as well represent any other actor, such as the International Monetary Fund (IMF) (see Kahler 1993). Regardless of the participants, the negotiator has to play the game on two levels: on level I, he will face his foreign counterparts, and on level II, he will face his domestic constituency. The negotiator then has to find a balance between these demands and, at the same time, try to promote his agenda (Putnam 1988: 434–436; Moravcsik 1993: 31–32). An important feature of the model is using the negotiator as the gateway between the international and the domestic level, which reduces the amount of interactions between variables without entirely precluding one of the levels (Moravcsik 1993: 17).

The game is divided to two turns that can be reiterated infinitely. First, the negotiators bargain at level I according to their own preferences and strategic considerations. If they are not able to come to a conclusion, the negotiations collapse as level II groups cannot directly engage into international bargaining. Should they be able to come up with a mutually satisfying proposal, they must present it to their level II constituents in order to gain a ratification, which is usually formal in democracies but which can also be informal. If the proposed treaty is ratified according to the rules of the prevailing institutions at both negotiators' domestic levels, it is concluded. However, if the ratification fails, the negotiators can either start over or consider it impossible to find an agreement that is acceptable to everyone. Here, it is important to distinguish between “voluntary” and “involuntary” ratification failure, the latter of which refers to a situation in which the negotiators find an agreement that is unacceptable to one or both of the domestic constituencies. (Putnam 1988: 436–441.)

Putnam (1988: 436–441) uses the concept of *win-set* to allow the investigations of constraints at multiple levels. Win-set is defined as the set of acceptable outcomes to the aggregated domestic constituency, and the negotiations are successful if the negotiators' win-sets overlap. However, to allow for the negotiators' own agendas their acceptable outcomes can be introduced in the form of *acceptability-sets*, as is done in the research program by Evans et al (1993).

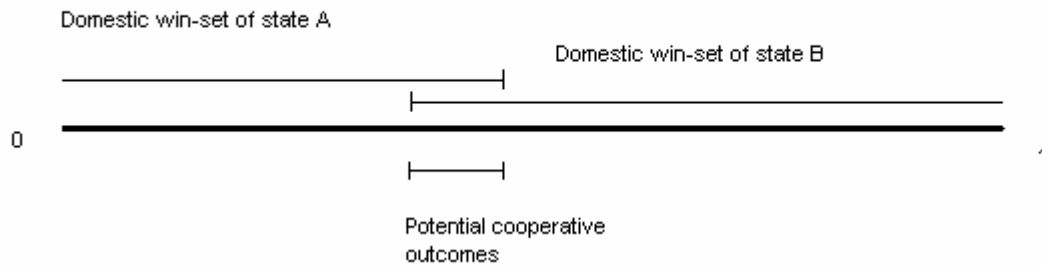


Figure 2. Cooperative outcomes are to be found at the overlapping part of win-sets. The figure does not include acceptability sets.

The size of these sets is affected at least by three types of factors (Putnam 1988: 441-444). First and foremost, the size is defined by the preferences of the actors and the cost of status quo to them. Here it is important to investigate whether the negotiators face homogeneous or heterogeneous resistance. If the resistance is heterogeneous, that is, there are both dovish and hawkish actors among the domestic constituency, the situation is much more difficult than in the case of homogeneous actors where the domestic level is either more willing to enter into an agreement or more resistant to it. In the latter case, the negotiator can be quite sure that concessions made to some groups do not spark resistance by other important groups. Similarly, the level of politicization of the issue under observation and the degree to which the costs are concentrated to some groups affect the size of the win-set. If the issue is very political and the costs are disproportionately borne by a strong interest group while the costs are evenly diffused in the society, heavy resistance is to be expected (*ibid*: 444-446). Second, institutions at domestic and international levels affect this size. I will consider a very good account by Milner (1997: 99-128) later, so the example of the 2/3 majority requirement in the U.S. Senate to approve international treaties suffices at this point as an example of curbing the win-set by institutional agreements.

Third, the strategies that the actors can adopt to promote their own preferences sometimes affect the sizes of the win-sets. This is the centerpiece of the model because it allows developing numerous hypotheses on the strategies different actors, and most notably the negotiator, can adopt. On top of the obvious strategies that can be isolated to a particular level, such as side payments and issue linkages, it is possible to find cross-level strategies the dynamics of which could not be captured in a partial equilibrium analysis (Caporaso 1997: 564; see Snyder 1993: 104-105). First, the negotiators can agree to modify the terms of the negotiations at level I to expand their win-sets, a strategy that Evans et al (1993) call “collusion”. This strategy can also be extended to the situation in which the negotiators restructure the domestic political setting to further other causes. Second, the international negotiations can reverberate to the domestic levels (Putnam 1988: 455-456). The

difference to collusion is that the negotiators are either deliberately using level I one to affect their own or their counterpart's level II to without the consent of the other or that the reverberation is not deliberate. Third, the model of two-level games reinvigorated interest in the "Schelling conjecture" (1960: 19–28), which states that a negotiator can benefit from a small win-set because he can plead problems of ratification if the counterpart does not give in on a certain question (Putnam 1988: 436–441). This conjecture is very controversial and there is a vivid debate on its logic and empiric relevance (see Bailer and Schneider 2003; Milner and Rosendorff 1997), which is neatly illustrated by the fact that exactly the opposite strategy was found more common by Evans (1993: 402–403).

An interesting but intuitively sensible hypothesis is the relative decline of the executive position in the course of bargaining. According to Evans (1993: 403–405), the executives seem to have more leverage as agenda-setters in when the bargaining environment is little developed, such as when a new issue is emerging or there has been a major crisis that has eradicated previous institutions. When the amount of available information increases and the positions of different actors become entrenched, the executives' latitude is constrained.

The role of information is somewhat more complicated than in a unitary actor model. It is not only that the negotiators have to consider what strategies their foreign counterparts adopt and what preferences they have on level I; they also have to consider the impact of their domestic constituencies and even the impact of their counterpart's constituencies (Putnam 1988: 452–453). Somewhat surprisingly, the negotiators seem to often have very few information on their domestic constituents' preferences and strategies, which renders strategies based on hiding or falsely presenting information (Evans 1993: 408–412).

This game and the hypotheses inferred from it form the model—or metaphor if formalization is seen as a prerequisite for a model—provide a good base for analyzing the interaction of domestic and international politics. The model also allows for transnational relations but the development of this "third level" is somewhat limited (see Knopf 1993; Risse-Kappen 1995). In climate policy, it seems that the most potential transnational actors, such as companies and non-governmental organizations, have had most impact to their own governments, so it is not necessary to elaborate on the problems of transnational relations here (see for example Tjernshaugen and Lee 2004). The model has also attracted a fair amount of interest by researches, which has for example led Schoppa (1993) to develop further the analysis of issue linkages and Mayer (1992) to analyze the use of side payments to expand win-sets. The theory has also been usefully complemented with an analysis of different ways of ratification—authorization, approval, and acquiescence—which refer to the strictness of ratification procedures: authorization requires a priori ratification, approval ex post ratification, and acquiescence only a lack of explicit resistance (Martin and Sikkink 1993:

52–354). These ratification rules will be later configured empirically in the case of the EU and the U.S.

One more interesting application begs mentioning. A two-level game can also be constructed around a threat instead of bargaining (Odell 1993; Zeng 2002). In this case, a hostile action at the international level also has to be somehow ratified at the domestic level. The case of a threat also neatly illustrates that two-level games are not linked to formal interactions between two states or other institutions as threats that are implemented are never accepted by the counterpart.

4.3. The Milner–Rosendorff Model

To give an extra edge to my model, I will utilize some interesting results by the formal approach of Milner and Rosendorff (1997; see Mansfield and Milner 1997; 2004 for application). I will not present the rather complex formal theory but adopt the most important features that are missing in the original, heuristic model. These features are using the concept of ideal point and the distance from it instead or in addition to win-sets, a way to differentiate between a number of common institutional arrangements in states, and the concept of polyarchy to instead of hierarchy in domestic politics.

Milner and Rosendorff (1997: 71) use the concept of ideal point to achieve greater analytical rigor than that of Putnam's win-sets. Like in the case of the win-set, the possible outcomes can be posed horizontally from 0 to 1. In the case of a win-set, however, all proposals in the win-set are equivalently ratifiable. Thus, it is not possible to fully utilize the theory of rational expectations in analyzing the way the actors can use the knowledge on the choice that the other actors face to their advantage. Regardless of the win-set, every rational actor should choose an outcome that is closer to their preferential point than status quo. Importantly, this approach makes it necessary to consider the way actor preferences are aggregated. Unlike in the case of win-sets, there must be a way to, at least theoretically, exactly define the preferential point. Luckily, this can be done by using a median voter theorem, which is one of the most robust results in Political Science. In the case of a democratic country and formal ratification, the median voter would be a median legislative who would try to decide their position under the influence of different legislative committees, interest groups, and the media.

This description of preferences is, however, problematic because not all negotiations can be presented unidimensionally, and it is very often the case that all actors do not have a clear preferential point due to lack of information. For example, a median voter might be somewhat indifferent between different pathways of emissions reductions, but certain thresholds of, say, gasoline price, could bring about a consumer movement against the legislative and the executive wing. Recognizing both the advantages and disadvantages of using the system of preferential point,

I will adopt it as a supplementary approach to that of win-sets. In empirical analysis, this means that both the size of the win-set and its focal point must be considered. Clearly, as the potential agreements approach the borders of the win-set, uncertainties about the acceptability of the proposal, and thus the impact of asymmetric information, become greater. Hence, it could be said that the border areas of the win-set are 'blurred' whereas the center of it is 'clear'.

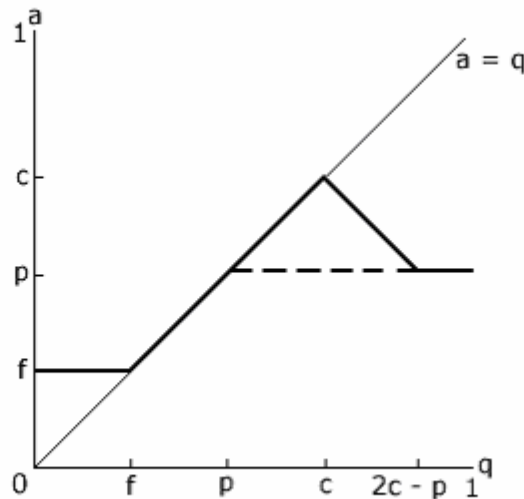


Figure 3. An illustration of the Milner-Rosendorff (1997) model. The vertical axis a refers to cooperative outcomes and the horizontal axis to status quo. Points f and p refer to negotiators' preferential points, c to domestic legislative referential point, and $2c-p$ to the point which has the same distance from c as p . The dashed line refers to outcomes without the domestic level. Outcomes that are on the line $a = q$ are not cooperative.

Building on this formal approach to two-level games, Milner (1997: 99–127) does a superb job in integrating the analysis of different institutional settings. She considers a number of possible power-sharing arrangements between the negotiator—the executive in this case—and the domestic constituency. For her, four different institutional powers are of most interest: the right to initiate negotiations (executive or legislative), to amend proposals (legislative), to ratify (legislative), and to veto (executive). Of these, the more the executive has and the less the legislative has, the better is the position of the executive. The right to negotiate, however, is practically always reserved to the executive. I will consider these institutional rules in connection to the ratification rules in the case of the U.S. and the EU later. There are also other institutional arrangements that have an impact on the political setting in the two-level game, but they are often more idiosyncratic and thus difficult to capture in the form of a game. For example, the 2/3 majority requisite in the U.S. senate does not necessarily be beneficial to the median legislative, even though it certainly makes it more difficult for the executive to gain the ratification.

The concept of “polyarchy” (Milner 1997: 12; see also Dahl 1984: 74–93), which refers to a system that is organized according to principles somewhere between the extremes of anarchy and polyarchy, proves also useful in analyzing two-level games. In this study, I will use the basic

dichotomy of anarchy and hierarchy to generate ideal points that allow meaningful theorization at both the international level (Chapter 3) and the domestic level. Polyarchy as a concept, however, is theoretically interesting because it focuses the attention to the differences between power-sharing institutions at the domestic levels. It is not very useful to analytically render all states or other institutions of the two-level game as hierarchies without considering the power-sharing at the domestic level. For example, a totally hierarchic domestic level would reduce the need for conducting a multi-level analysis because the state or institution would be the more unitary the more hierarchic it would be; recall the discussion of hierarchy and my critique of formality as the definition for it (Chapter 3). Thus, the concept of polyarchy can be used to finalize the new theoretical concept of hierarchy and anarchy as a spectrum in which the position of the system analyzed is used to define to which extent it is useful to conduct an analysis based on a systemic analysis of the idealized type (anarchy or hierarchy).

4.5. The U.S. and the EU in Two-Level Games

An analysis of the two-level game in any given case makes it necessary to give grounds for considering the states or other institutions as two-level structures. In this study, this means that the characteristics of the U.S. and the EU decision-making processes in international climate policy must be meaningfully put in to the model. A more detailed analysis of these structures, however, can be safely left to the empirical illustration of this theory, as it is most important to show the workings of the model at this stage.

In the case of the U.S., the conclusion is straightforward: it is clearly a good idea to consider it a two-level institution even to the extent that it can be maintained the whole theory of two-level games is too strongly based on the specific political structures of the U.S. (see, however, Milner 1997: 119–122). In the case of a formal ratification, the U.S. Constitution requires that a proposed international treaty gains a 2/3 majority in the U.S. Senate. In the case of climate policy, and many other issues for that matter, not all bargaining is about formal international treaties. As it is clear that there is not enough political will in the U.S. for ratifying the Kyoto Protocol, the question is more about such informal issues as how the U.S. government and legislatures are willing to integrate the U.S. to the UN climate policy system and to restructure the domestic economy and structure to allow for climate protection in the future. Essentially, it is a question of informal ratification based on acquiescence. In the process, the U.S. negotiator on the behalf of the government enters in a bargaining process and the media and interest groups try to frame the negotiation strategy to the domestic audience so that it will best further their own cause. For example, environmental NGOs lambaste hawkish approaches to the international negotiations, while the fossil fuel lobby applauds them and tries to frame any other approaches as detrimental to

the economy. At this point it suffices to say that this informality renders the analysis more complex; it is clear that only the executive has the right to negotiate but at the same time the domestic constituency can try to undermine the executive position by setting up other initiatives such as domestic emissions-trading schemes or tax incentives. It is also necessary to see how different initiatives can be implemented in the U.S. political system and whether the executive has an effective veto or not. In sum, it must be seen how specific strategies in the actual negotiations and during the relevant periods before and after them can be situated to a two-level game between levels I and II in the EU and the U.S.

The case of EU is a little trickier. It is obvious that decision-making in the EU is actually a “three-level game” (Patterson 1997; Wood 2004) because in addition to the international negotiator, and the EU domestic level formed by the Commission, the European Parliament, interest groups and the executives of the member states in the Council, one must also pay attention to the domestic levels of the member states. Despite these difficulties, I argue that it is useful to consider the EU a two-level institution. First, there is not a single case in the relevant period of 1997–2005 in which a member state would have formally blocked a negotiated outcome. It means that the domestic levels of the member states have an effect to the international outcome predominantly through bargaining within the EU. This leads me to my second argument, which stems from the way the negotiations are organized. The EU is always represented by the ‘EU troika’ consisting of the President, the head of the Commissions and the future President (the competencies are shared; see Vogler 1999), while the EU negotiation strategy is prepared earlier by the executives, be it in the European Council or in the Council of the European Union, where the ministers bargaining. It must be noted, that this can sometimes impede the EU negotiator’s capability to react swiftly when facing major surprises, because he has to obtain authorization from the Member States. Nevertheless, it is possible to split the EU decision-making to two different two-level games: first, the EU strategy for international bargaining with other states, notably the U.S., is formed, and second, the EU President and the Commission try to implement this strategy at the international level. In reality it is obvious that these phases overlap because there is international bargaining going on before actual international negotiations, and the member states are also present in international negotiations.

The first phase should also include other political initiatives in the EU that have a relevant bearing to the international climate policy. For example, the Commission and the European Parliament have a role in enacting legislation that can be very relevant for the EU strategy, such as the EU Emissions Trading Scheme (see Wettestad 2005). The challenge is to limit the analysis to the most relevant political debates at the EU level and to see how they become entangled with the EU international climate policy. In the second phase, on the other hand, it must be seen if the heads of the member states and other EU level actors acquiesce to the way the EU negotiator bargains at

the international level. Here the domestic levels of the member states can be left unaccounted for—except for the EU President level—because the heads of the state have already chosen their strategies, and the challenge of the EU negotiator is more in assessing how to avoid resistance by the heads of the state.

Like in the case of the U.S., the two-level game is mostly carried out in informal terms. Different policies that are affected by the international negotiations or that have a relevant bearing to them must each be analyzed in terms of the relevant decision-making structures in the EU.

5. Two-Level Games in a Hierarchic International System

5.1. Deriving Hypotheses

Having briefly analyzed the philosophy of science underpinning the study and the two essential parts of the model that is to be constructed, it is possible to advance to laying out the hypotheses that can be derived from the model. This is best done by directly tackling these hypotheses instead of, say, going through the assumptions of the model, because the core assumption of the analysis is that the model of two-level games is, with the modifications outlined in Chapter 4, still adequate to capture the dynamics of interaction between levels. When the assumption of anarchy at the international level is altered (see Milner 1991; Ruggie 1986 for discussion), it will not produce changes in the fundamentals of the model; there is still a situation in which two or more two-level institutions negotiate, and both of them are captured in terms of two-level games. The changes at the international level affect, however, the parameters (see Lucier 1979) of the model—the factors that determine which specific results the interaction of variables can cause. In terms of political analysis, this means that rationally behaving actors adapt their behavior to the new situation. These changes in the parameters can then be subjected to probing and later testing, and if they seem to be irrelevant or false the interactions have to be thought over again, maybe in a more formal way.

The effects of a hierarchic international system to two-level games can be best elucidated as three sets of hypotheses. First of these sets refers to the state that is in the hegemonic position, which is the U.S. in this case. The other set refers to other two-level institutions that are part of the system but do not possess hegemonic abilities. In a way, the hypotheses of the first set are exactly reversed: when one actor gains in power, other actors lose in relative terms. This leads on to the logical conclusion that the best way to analyze these hypotheses is to first take a look at the way the leading two-level institution—from here on referred as the leading state for simplicity—faces the changes in its structural environment, and then proceed to analyze the impacts to other actors. Third, there are hypotheses that can be drawn from looking at the changes in both (or all) actors at the same time. In this study, the hypotheses are mainly about the relative importance of the domestic and international level, and on the way the negotiators face constraints in a new situation. It is good to bear in mind two caveats: first, the exact impact of the hypotheses sketched in a general way depends on the details of the hierarchic system, which means that a hierarchy could be very different in an era of globalization than in an era of autarchy; second, many smaller two-level institutions, most notably states with little power resources, are less affected than major powers that are not hegemonic, because a small state is often in a hierarchic subsystem of an anarchic system.

5.2. Hypotheses on the Leading State

For the leading state, the most important implication of hierarchy is the removal of a number of external constraints. In comparison to other states and institutions, it has superior resources and no serious, visible threat is expected in the near-term future. In the traditional literature on IR, it is often argued that this leads either to a “hegemonic stability” as the leading state provides the necessary institutional setting and provides public goods (Keohane 1980; Kindleberger 1981), or to an “imperial overstretch” as this state expands too aggressively due to the lack of external constraints (Kennedy 1989). These hypotheses are very ambitious, and I will give them a brief consideration after I have discussed my less ambitious ones. In brief, I argue that the hierarchization of the international system results in following changes in comparison to Putnam’s (1988) framework of anarchy within the leading state:

1. There will be a shift towards hawkish position both by the negotiator and the domestic constituency.
2. The Schelling conjecture loses importance due to its relative uselessness.
3. Most importantly, the domestic level of the leading state gains in importance in comparison to the international level.

To begin with the first hypothesis, here one has a relatively simple causal relationship between abundant power capabilities and actor behavior. To a certain extent, this hypothesis follows the logic of unitary actor assumption: more power means less willingness to ensure cordial relationships to smaller powers. There is, however, an important difference if the domestic level is included in the analysis: there is a fairly good chance that either the domestic level or the negotiator becomes significantly hawkish than the other due to other, contingent circumstances. This would imply that the lack of real and perceived external constraints not only leads to aggressive foreign policy, but also exacerbates the disagreements regarding it and increases the possibility of a divided government (see Alesina and Rosenthal 1995: 243; Laver and Sheppsle 1991: 251–252). Unlike in an anarchic structural environment, the domestic constituency does not feel the need to follow a 'strong leader'. Consider the case of war on terror: the nationalist spirit lead to an aggressive foreign policy and helped to reframe the national security and foreign policy debate, but recently the domestic level has become increasingly disappointed with war on Iraq. If the U.S. would have really lacked power resources to do anything about the threat to its national security, the stringent

measures would have probably been adopted with less argument about the details and the necessity of them. Similarly, it is not a natural law that the U.S. does not invest heavily to mitigate climate change: it possesses the resources but not the political will. To give a caveat, this does not mean that a perceived threat is equivalent to full latitude in foreign policy, as the example of Vietnam—the domino piece of Southeast Asia—shows. Nevertheless, it seems plausible that in general one should see a more aggressive foreign policy and a more heated debate on it in the leading state in a hierarchic international system.

In the same vein, the change in relative power resources and the ensuing hawkish foreign policy leads one to ponder how the Schelling conjecture relates to these changes. Even though Schelling conjecture might not be very important for the analysis of the international system, it has an important place in negotiation and strategic theory so it is worthwhile to mention it here. Recalling that Schelling conjecture is essentially a strategy by the negotiator to extract gains from other negotiators, it seems quite clear that abundant power resources and the ability to use them decrease the incentive of the leading state to use such strategies to extract gains from other negotiators, because these same resources also allow for achieving the same goals in other ways. In order to avoid repetition, I mention here only briefly that the same goes for other institutions in negotiations with the leading state: they are rarely in a position to really extract gains. This hypothesis about Schelling conjecture, if a little more elaborated upon and subjected to critical scrutiny, could have some relevance to the debate on the importance of the conjecture. There is still a lot of uncertainty about the relevance and even theoretical rigorousness of the conjecture (Milner and Rosendorff 1997: 92–94; Mo 1995; Stephanie and Schneider 2003; Tarar 2001), and taking into account that the U.S. is the subject of many studies on negotiation, it might be a good idea to analyze how the power position affects the use of Schelling conjecture. It also explains why the reverse strategy of expanding domestic win-sets could be used (Evans: 402–403); the idea of expanding the win-set itself implies that the agenda of bargaining is shaped by the negotiator and not by the domestic constituency.

For the wider field of IR and Political Science the most important—and most difficult to test rigorously—hypothesis is the impact of hierarchization on the relative importance of the international and the domestic level. The hierarchic international system is based on the premise that the leading state has the will to use the power resources to shape the international setting, which means that it will not only strive for a secure isolation but tries to reflect the outcomes of its internal political debates to the outer world. This means that *the domestic level of the leading state will gain in importance as anarchy is transformed to hierarchy*. This is exactly the opposite of what happened in the aftermath of WWI when the U.S. as the only major power with a functioning

economy, escaped to isolation. Unlike in the 1920's and the 1930's, there is now a national spirit in the U.S. that allows for a significant input to world politics.

I have already indicated that there is nothing inherently non-systemic at the domestic level. Recall, as an example of systemic analysis of domestic politics, how Duverger's (1986) law explains why two-party systems often ensue from a first-past-the-post electoral system, or the median voter theorem (see Morrow 1994). The domestic level is, however, much more recognized as a sphere where norms, culture, and history also have a key role in shaping outcomes than the international level is in the thus far triumphant literature on IR. These factors become the more important the stronger the key state in the international system is, opening new avenues to multifaceted conceptualizations of power (see Barnett and Duvall 2005) already coagulated in Political Science but still struggling in IR.

A careful reader might argue at this point that there seems to be a contradiction: if hierarchy must be underpinned by a change in function that can only be led from a clear change at the national level, where is the space for real debate or politics in the public-space and participation sense of the word? The contradiction, however, dissolves when one takes a closer look at the different aspects of foreign policy and input to the international system. Even though there might be a consensus within the U.S. to wage a war on terror in a very vague sense of the word, it does not mean that the important question of how is predetermined. There are a number of ways to influence world politics, but hierarchization transforms the terms of the debate from international-political to domestic-political: the *why* of grand strategy might be logically necessary in a hierarchic system but the *how* is determined to a great extent at the domestic level. To be sure, the lack of external constraints promotes hawkish positions as there is no reason to worry about the near- or mid-term impacts of dissolving alliances, but there might be other, contradicting tendencies, such as a genuine willingness to adopt multilateral policies. Two-level games in a hierarchic system can be analyzed systematically, but some of the (superficial) rigor of neorealism is lost because more space must be given to politics in the process-oriented sense of the word. The more hierarchic the world is, the more "unit-level processes" (Ruggie 1986: 151) produce international outcomes, although only at one, geographically limited domestic level.

As I already mentioned in Chapter 3, this key hypothesis has a bearing on the debate on political action and process in a world with a structure, be it a neorealist or a hyperglobalist one. If the U.S. still has, as I argue, significant power resources in world politics, domestic actors in the U.S. gain power to the extent that most people outside the U.S. could have more at stake in the U.S. presidential election than in their own. This leads to an interesting potential conclusion: the new leverage of political action within the U.S. could grow to such extent that a significant part of world politics is a continuation of U.S. domestic politics. Lest I be blamed of exaggeration, it must be said

that this potential could just as easily wane with "the unipolar moment" (Krauthammer 1991). Regardless of the empirical adequacy of these considerations, it is interesting that the discussion on domestic politics and a hierarchic international system can be connected to such concepts of systems analysis as structure, process, and actor, with potentially insightful results on a systemic differentiation of domestic and international levels.

5.3. Hypotheses on Other Two-Level Institutions

The hypotheses that pertain to other two-level institutions in bargaining with the leading state are generally negations of those pertaining to the leading state. In comparison to an anarchic environment, they face a more difficult negotiating environment. There is very little headway for balance-of-power strategies as the leading state is in a good position to break up alliances with threats and incentives. The leading state is much less dependent on the goodwill of other two-level institutions in comparison with a more anarchic system, while these institutions must go along with the broad lines of the leading state unless they are ready to face significant losses. In a more detailed fashion, the hypotheses can be outlined as follows:

1. The win-set at the domestic level and the acceptability-set of the negotiator are curbed from the hawkish (leadership) endpoint and extended from the dovish endpoint.
2. Following hypothesis 1, policy initiatives and leadership are uncertain and indecisive. In the special case of 21st century hierarchy, the specific circumstances of globalization strengthen this effect.
3. A negotiator willing to show leadership very vulnerable to advertent reverberation by the leading state.

The first hypothesis is relatively straightforward: as the leading state is able to restructure the international political setting, the costs of resisting this order or, in terms of two-level games, the costs of no-agreement, are great while there are gains to be made by subduing to the line of the leading state. This mirrors the effect of hierarchization on the leading state. In a more detailed fashion, however, there is an interesting dynamic working in the case of the negotiator. The lucrativeness of showing leadership is brake to the process of becoming more dovish, but at the same time it is exactly the negotiator that has to face the difficulties of an underdog in a situation of hierarchic bargaining. This is at the level of a pure conjecture, but intuitively it would be logical to expect that the elusive gains of showing leadership would weigh less than the concrete risks of

taking an explicitly opposing stance to the leading state. In the case of climate policy, this is seen in the way most states are inclined to see the re-entry of the U.S. as a requisite for a strong global climate policy; in the case of war on Iraq, the resistance remained at the level of outcry and it was not that long until many governments began the process of restoring relations to the U.S.

The second hypothesis is a logical consequence of hypothesis one, and the most important reason for including it as a separate subject of inquiry is its testability. The position and the size of the win-set are difficult to analyze, but the fate of a policy initiative or self-proclaimed leadership can work as an indicator of this development. To be sure, regime theory is still, after almost 30 year of theorization, in the phase of developing measuring standards for regime effectiveness (Young 1999). It is certainly very difficult to tell if a policy initiative succeeded or failed, but it should be somehow possible to see if a given attempt to break ranks in a hierarchic system proves short-lived or stillborn by a careful case study. This set of failures should also include those policies that are strongly pushed by the negotiator but end up as ratification failures. The analysis is facilitated by the fact there is no need to conduct an investigation of the usefulness or expeditiousness of the policy; it is enough to see if a more frequent failure of these policies is observed and it can be explained with the theory of two-level games in a hierarchic system. Given sufficient data, this could even be done as a statistical analysis.

In the present hierarchy, one could expect a maximum impact of hypotheses 1 and 2 because the current world political system is characterized by the despatializing force of globalization, as already discussed in Chapter 3. This means that global economic competition, which tends to entangle to the political and economic system of the current leading state, the U.S., will force other negotiators to carefully consider how their actions affect their competitiveness. The current system makes it very difficult to set up alternatives to U.S. style neoliberalist capitalism, and the U.S. government can mobilize power resources to support this neoliberalist agenda if it is not successful in its own terms. If a two-level institution is willing to protect the climate, it could run in deep trouble because it is still unclear what the impacts of emissions reductions are to employment and economic growth in terms of political economy, though they are not prohibitive in the long-term from a welfare point of view as and convincingly argue. The U.S., on the other hand, could mobilize its efficient innovation system and attract other states, such as Japan and the European states, to benefit from cooperation in these terms more easily.

The third hypothesis states that one of the most effective weapons against a negotiator that is willing to show leadership in a hierarchic system is advertent reverberation. Again, this hypothesis is closely connected to the two previous hypotheses that pertain to other two-level institutions than the leading state. It can also be empirically tested by looking at the policies and bargaining strategies that the leading state has undertaken in a period of interest. If the negotiator of the leading

state is, for example, in the period that precedes the actual negotiation setting up new international policies that can either do damage or at least deprive those two-level institutions that resist the prevailing hierarchic order of significant gains, it is very probable that reverberation is playing a role here. Inadvertent reverberation will also become more pertinent but this effect is already accounted for by the two earlier hypotheses and does not become more testable as a separate hypothesis.

5.4. Hypotheses on the Interaction of Negotiators

Hypotheses on the negotiators themselves are more straightforward than those that pertain more directly to the interaction of them on the international level, but hypotheses that are best analyzed at a more general level of interaction are of equivalent interest—and even more for many scholars. After all, they are those hypotheses that give a special role to the analysis of IR, while the other hypotheses belong almost equivalently to the analysis of Political Science. My reasoning is that the following two hypotheses follow from a hierarchization of the two-level game:

1. The nature of cooperation will change towards a bandwagoning situation in which the leading state frames the terms of it and other two-level institutions decide if they want to follow or not.
2. A specific situation in which the leading state could yield to the demands of other two-level institutions more easily is an attempt to restructure its own domestic political setting.

The first hypothesis follows from recognizing that the political influence of the leading state creates a strong incentive for others to follow its course. This hypothesis, already recognized as a distinct hypothesis pertaining to other two-level institutions than the leading state, is actually a recognition that a hierarchization of the international system might or might not increase the amount of cooperation, defined as “actors [adjusting] their behavior to the actual or anticipated preferences of others, through a process of policy coordination” (Keohane 1984: 51–52, quoted in Milner 1997: 7), between the leading state and other two-level institutions. Note that this definition does not attach normative consideration to cooperation, a concept that is often seen as a beneficial feature of the social life: there might be a situation in which negotiators cooperate to suppress their domestic oppositions. What is expected to change, however, is the framework for cooperation. A hierarchic system should promote policy coordination that is closer to the preferential point of the leading state than that of others, while in an anarchic system one could expect that both should benefit, preferably against an external threat, for cooperation to come about. The development of the U.S.

grand strategy after the Cold War is again illustrative, because the global anarchic system gave the U.S. a reason to create a relatively beneficial hierarchy in Europe and a number of other countries.

The fact that the amount of cooperation does not necessarily increase means that the inclusion of domestic politics bears to the hegemonic stability thesis. This inclusion does not imply that hegemonic stability would be exactly the reverse of what one would expect to happen, but it casts a shadow of doubt on the idea that a leading state would always create public goods that other states could then enjoy, thus alleviating structural crises and turbulence. This is, however, possible if there is a domestic constituency within the leading state that can also benefit from these public goods. Here the complexity of politics can once again be observed: it might be arguable whether the domestic constituency that is often more interested in short-term material gains—just think about businesses and electoral cycles—gains more through exploitation or a more beneficial strategy; thus, values and norms, especially those that create a feeling of community with non-domestic actors, could be decisive in the course of a grand strategy of a leading state in a hierarchy.

The second hypothesis is a very intriguing one for a student of strategy. If it assumed that most international pressures that cause others to cooperate with the leading state work more to the benefit of the leading state, the situation in which two negotiators face stiff domestic political situation might allow for cooperation that is more equitable, and it might even lead to a situation in which other negotiators are able to benefit from the domestic weakness of the negotiator bargaining on behalf of the leading state. The negotiators could try to reframe the negotiations in terms that solve political gridlocks at both domestic levels, or the leading state negotiator could observe that is has to adopt policies that ameliorate the international position of the other two-level institution as an exchange for side-payments or other changes in the international proposal that he can use to his own advantage in the sphere of domestic politics. The inclusion of the domestic level to negotiation analysis undermines the most naïve theories of power that are based on the calculation of material resources within a given state.

Before moving on to the configuration of the case that is used to illustrate my theorization, it is a good idea to consider two-level games and the theory of imperial overstretch. Again, it seems that imperial overstretch is not a logical necessity, even though it will be statistically probable if the timeframe is very extensive. The domestic level has a key role in the determination of the course of events: a hierarchy can be maintained in many ways, some of which are based on an extensive use of material resources, others on more beneficial and economically less straining. In the current hierarchy, it remains to be seen if the U.S. government is at some point able to overcome the risks to the sustainability of its economy and to find a way to remain the sole superpower in a world in which global military presence might become increasingly difficult as new major powers build up their capacity. I will come back to these questions in the conclusion of my work, but there are

strong reasons to give more attention to immaterial factors such as innovation mechanisms, the effectiveness of domestic political system, and the ability to mobilize resources, than to simply calculate GDP or military expenditures, even though they might be seen as prerequisites for power.

5.5. Taking Stock: The Model Revised

The problems of a two-level game approach stem from the same source as do its most distinctive advantages. Expecting the category of possible actors and structures, both of which are essential elements for a social scientific analysis (See Wendt 1987), will make it very difficult to strive for parsimony before venturing into empirical analysis. Yet, I would argue that there is a solid ‘skeleton’ of theoretical knowledge that can support an effective analytical device. The division of international politics to two levels and setting the negotiator between these levels as a link at least gives a relevant starting point for feeding in actors to the model. Similarly, the hypotheses outlined above are useful for considering the focal points that an analysis must capture. These questions will be central in the following chapter, which I will use to configure the case study that I use to illustrate my theorization.

6. Configuring the Case

6.1. Case Study and Theory Development

Case study as a methodology is notoriously difficult to define because it can be used in a variety of ways, ranging from what is effectively a ‘1-n quantitative study’ (see King et al 1994) to in-depth process-tracing that resembles more a work of a historian than a social scientist striving for generalization (see Seligson 2003). Hence, stating that one adopts the case study method does not reveal much of the underlying school of thought or the goals of the study at hand. In order to gain a better understanding of the philosophy of science, the particular use of the case must be better defined, a point which I will consider below. To be sure, I will reiterate that for this study the case is used as a device for generalizing about social phenomena, not as the subject of interest per se or to note that I eschew quantitative methods and causal explanation like proponents of a postmodern orientation do.

Luckily, it is possible to give an adequate definition of a case as “an instance of a class of events of interest to the investigator” (George 1979; see Bennett 2004 for a discussion). The benefit of this broad definition is that it leaves the exact configuration of variables open, unlike, for example, Eckstein’s (1975) definition of case as a “phenomenon for which we report only and interpret only a single measure on any pertinent variable”. In this study, the period of climate policy that is analyzed is an instance of bargaining in a hierarchic setting. Here, it is important to note that case is not only defined as an empirical phenomenon, but the theoretical definition and demarcation of the aspect of interest is a critical condition.

The benefits of using a case study depend on the exact use of the method. According to Bennett (2004: 19), these are generally

Identifying new or omitted variables and hypotheses, examining intervening variables in individual cases to make inferences on which causal mechanisms may have been at work, developing historical explanations of particular cases, attaining high levels of construct validity, and using contingent generalizations to model complex relationships such as path dependency and multiple interactions effects.

For this study, the notions of construct validity and examination of intervening variables seem to be the most relevant ones. The hypotheses developed in Chapter 5 are tentative, so it is necessary to see how the assumed theoretical processes behave in a real-world situation, which would be impossible in a large-n quantitative study. Obviously, the problems that follow—selection bias, contingency, and indeterminacy, for example (Bennett 2004: 19–20)—must be recognized in order to have an adequate view on the potential of the study.

A useful way to capture the exact use of case study here is to locate it in Eckstein's (1975; see also Lijphart 1971) typology of case studies. For him, there are four essential types of case studies. A configurative-ideographic case study is essentially a case study that does not relate to generalizations. It could be from a work of historian, trying to exactly depict and understand the case from within. A disciplined-configurative case study, on the other hand, is a middle ground between strict hypothesis-testing and a historical case study: it purports to show how the theories work in a given historical environment. A heuristic case study is used to develop new hypotheses. The fourth type is the hypothesis-testing case study: crucial, most likely, and least likely test cases, referring to the extent to which the hypothesis is damaged if it stands in contrast to empirical evidence, are used to test hypotheses. Clearly, this study is not a configurative-ideographic case study. Instead, it has features from a disciplined-configurative case study because I use it to illustrate my theory and to see if the hypothesis have any relevant bearing, but it has also a twist of hypothesis testing because it aims for judgments about the usefulness of the hypotheses developed; a good term to describe this would perhaps be "probing" (Moravcsik 1993: 33) instead of testing.

A difficult problem haunting the use of case study is its complex relationship with comparative studies. There are reasons for this: cases often consist of events, the notion of which resembles that of a case, and cases are often implicitly compared to other cases. It is, however, important to understand that comparing cases requires a different methodology than a within-case study (see George 1979) because the research setting transforms to a comparison of independent and dependent variables across different configurations. The events within one case do not allow for comparison in this sense because they are necessarily path-dependent. In this study, the theoretical aspect of hierarchic bargaining precludes the comparison between the events that form the relevant period. This is not to say that they cannot be contrasted to each other in order to illustrate the workings of the model, but using them to make causal inferences about the variables would give heavily biased and useless results.

To be sure, the difference between a case study and comparative research does not imply that the investigator is able to detach the case from the milieu in which it is embedded. Surely the investigator has to somehow choose the case, even in the case where those that are shortlisted are then randomly filtered; this can only be done through some kind of comparison, be it explicit or not. Otherwise the case would not have any relevance to the broader IR problematique, nor would it be useful in gaining knowledge about the dynamics of the system to be studied. Recognizing the pitfalls of comparative methods in one case and the necessity of some comparison is a good middle ground that allows a scientific investigation without dogmatically endorsing instant rationality in the realm of the social.

6.2. Testing, Probing, and Illustration

I already alluded to the difference between testing, probing, and illustration above. As this difference is of paramount importance for the study, I will elaborate upon it before venturing any further. The overall point of this study is that it aims at the same time to illustrate the theory that I am developing and to probe the hypotheses, and thus the model, that is generated. The best way to coherently deal with the differences of these approaches is, however, to begin with testing, as it is the most fundamental of them.

Testing hypotheses is the essential cornerstone of science. There is a vast literature on the subject in the field of philosophy of science (see Aronson 1984; Popper 1959), which belies the importance of the subject. As a theory is developed, it should yield hypotheses about natural laws or, in social sciences, recurring patterns, to avoid overstretching. Testing theories differs dramatically from everyday reasoning, as it is a very structured enterprise of operationalizing variables and using data to see if it fits or not. It is a well-known fact that this testing is very difficult, not least in social sciences, and certain scholars regard the problem as insurmountable to the extent that the Enlightenment ideal of theory development and testing should be abandoned in science (see Kuhn 1962). Regardless of the stance taken in this debate on the universality and progress of science, it is logical that one should always be careful in claims of testing in social sciences because the extent to which rigor is needed might prove very difficult to achieve.

Testing is beyond the grasp of this study. Even though hypotheses are structured and organized as variables below, I recognize that the constraints of a single case study do not allow for adequate testing; furthermore, the qualitative and elusive nature of the case adds complexities that necessitate a careful and modest approach to the results. Thus, I would prefer speaking about probing instead of testing. This somewhat diminishes the strict demands for testing, and allows one to conduct a relatively simple case study to see if the research orientation seems to be any good for the development of theory. At the same time I hope that the other aspect, illustration, is not lost. If the hypotheses seem to be somehow relevant and useful for explaining climate policy, they will also work as a good way to illustrate how two-level games in a hierarchic international system can be studied. Recalling the problems that the a priori amorphous framework of two-level games poses, this is a very important consideration even though illustrative cases are often taken much less seriously than those that explicitly set their aim to be testing.

6.3. Configuring and Operationalizing the Variables

Every empirical research includes a number of research design tasks, the purpose of which is to facilitate the organization of the task ahead and to ensure that the research is conducted according to

the standard procedures of science. Bennett (2004: 26), building upon the work of George (1979) and George and McKeown (1985), argues that for case studies and comparative case research, these are:

1. Define the research objective, the class of events to be explained, the hypotheses, and the kind of theory building to be undertaken.
2. Specify independent, dependent, and intervening variables, and decide which are controlled and which vary.
3. Select the cases to be studied.
4. Consider how to best describe the variance in variables.
5. Specify the structured questions to be asked of the case to establish the values of variables.

I have already considered tasks 1 and 3 earlier: my research objective is to analyze bargaining in a hierarchic international system, my class of events follows logically, and I try to develop a broad but modest theory building on two-level games and the Waltzian notion of principles of a system; the case to be studied is that of climate policy. Tasks 2, 4, and 5, however, are only implicitly dealt with. To complete these tasks, I will structure my hypotheses to be dependent variables, and the hierarchization of the system to be the independent variable that is supposed to explain the values of dependent variables. As intervening variables that should be controlled, I will propose a number of factors that pertain to the case of climate policy, but the elaboration is left to the empirical part of this study. In operationalizing my hypotheses, I will also consider the description of variance in their values. Finally, I will specify the structured questions to be asked. Below, I have sketched my hypotheses and their operationalization as a table to make the whole a little easier to comprehend.

Table 2. The configuration of hypotheses and variables for the empirical study.

Variable / hypothesis	Variable type	Expected value	Operationalization
Hierarchic international system	Independent	Hierarchic	Assumed, rising after September 11 2001 (see Chapter 3)
The preferences of the U.S. negotiator and median legislative	Dependent	More hawkish	Congruence, (counterfactual)
Schelling conjecture	Dependent	Rarely used	Congruence
The relative importance of the U.S. domestic and the international level	Dependent	U.S. domestic more important	Congruence
The leverage of the EU negotiator and domestic level relative to the international system	Dependent	International more important	Congruence
The consistency of the EU leadership	Dependent	Weak	Congruence
The exposure of the EU domestic level to U.S. reverberation	Dependent	Significant	Congruence, (counterfactual)
The nature of cooperation	Dependent	U.S.-led	Congruence
The need to restructure domestic political setting as an especially facilitating situation for cooperation	Dependent	Most common reason for cooperation	Congruence
Domestic political setting (U.S. / EU); history and culture; economic situation; amount of information; personal characteristics of negotiators	Intervening / Independent (?); Controlled	Not available	To be controlled according to the circumstances

The challenge of this study is manifold, but two peculiar details need special attention: I only have one independent variable, and it is difficult to assert the exact type of controlled variables as hierarchy could have an important bearing to them or not. The first problem is due to the fact that the departure point of the assumption of hierarchization is in a systemic theory (see Waltz 1979: 80). One all-important feature is used to explain a number of outcomes. Obviously, this means that the conclusions are at best directional: hierarchization guides the dependent variables but it is not possible to assume constant causalities or even attribute probabilities to them (there would not be enough degrees of freedom anyway). The general problem of such theories is that their testing is

almost by definition a vast task because they aim more to explanatory power and broad scope than to exact depiction of certain events. In the field of economics, however, this theory has formed a solid base for analysis (though see Hollis and Nell 1975). Hopefully we would have at the same point theories that could connect hierarchization to different regime types and economic systems, but the challenges to testing seem insurmountable as you only can have one leading state at a time.

The second problem is familiar to all social scientists. The division of variables to controllable and others is artificial at best, because the control itself can only be based on counterfactual thinking. The key point here is to recognize the problems and to explicitly assess which variables could account for the values of the dependent variables. For example, it will be very difficult to compare the relative importance of the 2000 regime change from Democrat to Republic government and the impact of U.S. unipolarity for climate change. Nevertheless, the same challenges face those who do not strive for generalization, so the disadvantage of us emphasizing the science of social sciences is more psychological and pertaining to overly ambitious expectations than to the actual study.

I have already discussed both the independent and the dependent variables, but there is still the task of considering the operationalization—making the variables measurable—of the dependent variables. The controlled variables, on the other hand, are best considered in the empirical part as I must retreat from the bold position of claiming that I could consider them as systematically as I can consider the variables of interest.

There are always a number of ways to operationalize variables. In large-n statistical studies, this is done in terms of correlation, perhaps using regression or factor analysis (see Western 1995); the large number of cases is considered a sufficient advantage over the fact that they cannot be studied in-depth and that the actual causality of variables can be difficult to argue. In case studies, this methodology is not available, so other means must be used. Usually, these within-case methods are divided to process-tracing, congruence, and counterfactual analysis (Bennett 2004: 22–26). Of these, process-tracing (see George and Bennett 2000) is clearly not useful for this study, as it is a method that purports to construct the process of the case in a detailed fashion. It might be that at some point such reasoning might be needed, but this is either done in an implicit fashion or by using accounts by others.

Of the two remaining methods, congruence testing is most relevant here. As it refers to simply testing the values of the dependent and the independent values, it is a suitable method in a situation in which the intervening and controlled variables are difficult to account for. Furthermore, it fits neatly to the framework of systemic theories that are based on the assumption that there can be other factors, but that their overall importance only becomes significant in the framework of the systemic theory. A rigorous analysis that is used to falsify hypotheses cannot be based solely on

congruence testing. Notwithstanding, it is a good way to illustrate and to probe hypotheses because it allows the researcher some latitude and enables doing studies without perfectly polished theories, which a clear necessity in social sciences.

The last available method, counterfactual reasoning, is philosophically the most challenging and the most interesting one. It refers to the logical consequence of “if X is a necessary condition for Y” that “if not-X then not-Y”, and that “if X is a sufficient condition for Y” then “not-Y is only possible if not-X” (Bennett 2004: 25; see also Fearon 1991). From the philosophy of science point of view, it also states that these comparisons can only be used in comparing alternative, ‘not-realized realities’ that have similar constitutive relations to their environment that our realized reality has (Sylvan and Majeski 1998: 81–89). For example, it might be a good idea to consider how a Democrat U.S. President would have behaved regarding the Kyoto Protocol, but it is not necessary to consider the case of a parrot as the U.S. President because this ‘reality’ does not have common factors to our reality. The problem with counterfactuals, however, is that while they are always a necessary way of thinking, they are very difficult to use in a scientifically rigorous way (Tetlock and Belkin 1996: 13); this is consistent with the notion that if our theories were perfect, there was no need for counterfactuals, so they are a form of reasoning characteristic to imperfect understanding. Thus, I avoid using them in the study as much as possible, but should it be necessary, I will follow the advice of Tetlock and Belkin (*ibid*: 16), which states that the variables must be clearly defined, the history must be rewritten to the minimum extent possible, and the results should be as consistent as possible with established theories.

Of my dependent variables, I consider only two as potential for counterfactual reasoning. The preferences of the U.S. negotiator and the median legislator (or some other ideal actor if more suitable for the instance) should be readable from their statements, accounts of closed negotiations, and other sources. Thus, there could be some hints for conceiving of a case in which there would be less hierarchy. If, for example, the U.S. negotiator is emphasizing the need for the U.S. to project its power around the world, it would imply that without this power he would be more modest in his policies. Of course, the relationship of rhetorics and ‘real’ intentions must be taken into account, but there is nevertheless a way to conduct such an analysis. In analyzing the exposure of the EU domestic level to U.S. reverberation, it is again possible to look at the statements of the relevant actors, such as business, and to look for other evidence regarding their stances.

My other six dependent variables, on the other hand, are not very suitable for counterfactual analysis because they would imply significantly rewriting history or would be otherwise overly ambitious. In the cases of the Schelling conjecture and the importance of the domestic and international levels, it would be very difficult to say how the situation would have exactly changed. There are always a number of strategic choices that can be substituted for Schelling conjecture, and

there is still the theoretical dispute of whether the conjecture itself is useful even in an anarchic setting. Similarly, the importance of different levels is extremely difficult to consider in counterfactual terms because it refers to macrotheoretical analysis that is not very promising for an analysis of first- or second-hand evidence. The consistency of the EU leadership is also such a theoretically challenging concept that it is not advisable to try a counterfactual analysis.

The two hypotheses that pertain to the interaction of the EU and the U.S. directly—the nature of cooperation and the importance of domestic restructuring as a facilitator for more equitable cooperation—are also very difficult to capture in terms of counterfactual analysis. It would be trivial to say that since a leading state can often dictate the terms of cooperation, it cannot do so if it is not the leading state; in this case the counterfactual analysis is also complicated by the fact that the only point of comparison would be a strong Soviet Union, which lends prestige to another explanation of cooperation (anarchy with hierarchic subsystems, one of which is the multilateral U.S. setting). Similarly, there is no real reason to expect that negotiators would not collude to restructure domestic setting in an anarchic system. It would be overstretching to say that one can rigorously compare the importance of domestic and international factors in counterfactual terms, just like when one is interested in the overall importance of these levels.

Unlike counterfactual reasoning, congruence testing is relatively simple. The values of different variables are generated from the empirical data, and these values are then compared. Obviously, this analysis can be complemented with a more flexible consideration of the factors and processes behind them and the importance of the findings, but the analysis itself is quite simple. Hence, there is no need to detailedly analyze this operationalization unless it proves somehow elusive in a given empirical situation.

6.4. The Subject Matter, the Data, and the Set of Questions

Every case has to be spatially and temporarily limited. In the case of climate policy as hierarchic bargaining, it would not be sensible to begin analyzing the underlying politics from the 1970's when first international conferences on the subject were organized. As a natural cutting point, one would consider the period beginning from the United Nations Conference on Environment and Development (UNCED) in 1992, soon after the demise of the Soviet Union. The negotiations leading to the United Nations Framework Convention on Climate Change (UNFCCC) that was signed in 1992 and came into force in 1994 are, for example, analyzed by Brenton (1994), and certain interesting patterns are already observable at that time. It is, however, important to consider two factors that undermine the case for beginning from the year 1992: the amount of information and the short post-Cold War era that was characterized by an entirely different intellectual climate than that of the present world.

First, it is obvious that the first IPCC Assessment Report (1990) is very inconclusive, and the importance attached to climate change as a problem was not very high at that time. Furthermore, there was very little accurate information about the changes required to mitigate global warming. Finally, the negotiations were at a very premature phase so that the positions were less entrenched and there was still some room for instrumental leadership. These facts make the assessment of the strategic situation more difficult than that of today, when one has quite good estimations about the magnitude of the risk and the distribution of mitigation costs.

Perhaps more importantly, the early 1990's was also characterized by a widespread surprise due to the end of the Cold War. Even though politics never disappeared, there was a moment of simultaneous confusion and hope that the world would never be the same again. In the academia, writers such as Fukuyama (1992) sketched the "end of history", and in European politics the liberation of Eastern Europe was widely hailed as a sign of the new era. This point is, obviously, impossible to quantify but it seems a plausible assumption at least in taking into account how it was only in the late 1990's that the U.S. began the use of military force without the approval of the UN.

Due to these factors, I will begin from the period leading to the 3rd Conference of the Parties of the UNFCCC in Kyoto in the year 1997. At that point, binding emissions reductions were first seriously considered, and the contrast between the aspects of the EU and the U.S. became visible. Even though it might be an exaggeration to see the negotiation process of the international climate policy after Kyoto as one, simple pattern, the focal point of the negotiations was to be the necessity of binding emissions reductions (see Bodansky 2004 for treaty architectures). I find it most suitable to isolate two other events of the case: the crucial period between The Hague and Marrakech conferences in 2000–2002, and the bargaining on post-Kyoto climate policy that began soon after the ratification of the Protocol on 16th of September 2005. In the Hague-Marrakech period, the Kyoto Protocol was transformed to a real treaty that could be implemented, and one could also observe dramatic outcomes such as the announcement by President Bush that the U.S. would not ratify Kyoto Protocol, and the sequential failures and high points in the negotiations. The third phase, which is the current status quo, could be the most important one because the negotiations have evolved to the point where it is the time to decide if there are binding emissions reductions after the end of the first period of the Kyoto Protocol in 2012. Here if anywhere one should be able to analyze bargaining in a hierarchic international system.

As an empirical process can rarely be analyzed through one type of primary source, the data to be used is gathered from a variety of sources. Perhaps most importantly, detailed accounts by scholars of climate policy are used to gain insights into the issues that do not surface on their own, although with the necessary critical reading and skepticism as argued by Schroeder (2000). This data is supported by official UN, EU, and U.S. documents, accounts and position papers by relevant

actors at the domestic level, newspaper articles, and data and reports on emissions and the economy. Unfortunately, the resources for the study are not adequate for conducting interviews with officials responsible for the policy. In order to avoid a bias towards accepting the hypotheses, I systematically analyze the official UNFCCC decisions and the official positions of the EU and the U.S. and analyze a sufficiently great range of other primary documents.

The set of structured questions to be presented to the data is in every period generally as follows:

1. What is the structural environment? What are the focal points of the negotiations?
2. What are the relevant actors, and their interests, positions, and resources? How can they be aggregated to acceptability-sets and win-sets?
3. Which parts do the events consists of? What is their relative importance and how do they stand in relation to each other?
4. Which strategies are negotiators and other actors using in bargaining? How do they relate to the hierarchy of the system?
5. What are the outcomes of the negotiations? Are they explicable from the theory that is developed?
6. What is the impact of variables that have to be controlled?

I will structure the analysis and the presentation of it according to these questions. The findings are then summarized in the conclusion of this study, both from an empirical and a theoretical point of view.

7. Climate Change and Climate Policy

7.1. Climate Change

In the EU–U.S. struggle for leadership in climate policy, the emphasis is on the most appropriate policy to tackle the problem. The fundamentals of such a solution depend on an understanding on the scientific basis of the problem, the potential range of impacts, and the technical, economic, and political obstacles to reasonable mitigation. In this chapter, I will review the currently prevailing view among experts before sketching a concise history of the international negotiations before the period of my case study.

The physical basis of human-induced climate change is in greenhouse gases that trap a part of the heat that is reflected from the Earth, and this part of the science is beyond reasonable doubt. The phenomenon is natural and without it the average temperature on Earth would be 33 degrees lower, which would make the planet inhabitable. However, mankind has increased the concentration of these gases. Sources include using fossil fuels as energy sources and, less importantly, deforestation, other changes in land-use, and methane-emitting agriculture such as cattle and rice paddies. The first potential point of controversy is the role of mankind in the observed global warming from the preindustrial era; it is difficult to tell the exact importance of human-induced and natural variation in the climate. The vast majority of climate scientists now agree that the influence of human activities is proven to be significant (see IPCC 2001; Joint Science Academies 2005; Oreskes 2004; but Michaels 2004 for a skeptic view). Obviously, this leads one to ask how much the average temperature on Earth is going to rise, given increasing energy-use and population. The scenarios of Intergovernmental Panel on Climate Change (IPCC) published in 2000 point to a rise of 1,4–5,8 degrees during the 21st century, but these estimates are today considered by many a little too cautious (Hare and Meinshausen 2004). Uncertainties pertaining to climate sensitivity, economic and population growth, and technological estimates are great, but it seems plausible that business-as-usual scenarios could lead to a considerably more hostile future climate or even to a climatic catastrophe.

The impacts of rising global temperatures are pervasive: droughts, extreme weather, extensive loss of biodiversity, sea-level rise, and environmental refugees (see IPCC 2001 for a summary). Even though a little warming could be beneficial to certain areas, such as Northern America (see IIASA 2002), scientific estimates point out that a warming of more than two degrees from the preindustrial era significantly increases the damages and the probability of nonlinear events, such as a complete drying of the Amazon rainforest, the shutdown of Gulf Stream that warms Europe, the melting of Western Antarctic Ice Sheet, and a rapid thawing of permafrost

which could release a huge amount of the powerful greenhouse gas methane to the atmosphere, leading to a runaway global warming (see Cox et al 2004; New Scientist 8/11/2005; Oppenheimer and Alley 2004; Schlesinger et al 2005).

To avoid such a scenario, the concentrations of greenhouse gases in carbon dioxide equivalents must be stabilized. The present concentration is approximately 420 ppm, while the preindustrial concentration was 280 ppm (see Hare and Meinshausen 2004). There is no consensus on the optimal target concentration, but a concentration of 400 parts per million (ppm) in the long run—concentrations would have to be considerably lower than today—would probably be enough to limit global warming to two degrees, but a concentration of 550 ppm would almost certainly lead to a global warming of more than 2 degrees. If the target would be 400 ppm during the 21st century, the optimal emissions pathway would imply global stabilization by 2050 and halving of emissions by 2100 (see Hare and Meinshausen 2004). In industrial societies, this would practically mean drastic limits of 30 % from 1990 levels by 2020 and 80 % by 2050. A concentration of 550 ppm would somewhat reduce the need, but the challenge would be daunting anyway.

Climate change is best characterized as a truly global environmental problem. It is fundamentally different from earlier environmental problems in a number of ways. Carbon dioxide emissions are primarily the consequence of an economic system that is fully dependent on fossil fuels (coal, oil and natural gas), but the impacts have no connection to the origin of the emissions. Hence, global warming is a tragedy of the commons par excellence (see Hardin 1968), amplified by the fact that the poor majority of mankind and innocent future generations will suffer the most (see Ashton and Wang 2003; Sachs et al 2002). Thus, every society has a short-term incentive to avoid reasonable action, but this logic could lead to ethically intolerable outcomes at the global level. It is no wonder that the political economy of such a problem is inherently complex and regrettably unpredictable.

7.2. Climate Policy

For the purposes of this study, climate policy is a matter of those means and strategies that are adopted to combat climate change. The political nature of this choice cannot be disposed of through technical or economical analyses, and the uncertainty and scope of the problem amplify the necessity of undertaking a rigorous political analysis in order to cope with its dynamics. I would like to argue that the political struggle is best understood as a continuum, the theoretical extremes of which can be characterized as an immediate and intentional revolution in energy and other policy, strongly underpinned and constrained by the precautionary principle of taking decisive action to lessen the risk; and a business as usual approach, which could at best mean technological solutions

and incremental economical incentives and legislation. Climate policy is a matter of deciding how urgent the problem is and whether it is sensible to allocate considerable resources to alleviate it.

To be sure, the technical solutions available to decision-makers vary: energy efficiency and saving, renewable energies, nuclear energy, carbon capture and storage and carbon sinks. Even though the most important question is the scope of emissions reductions, solutions such as carbon capture and storage, nuclear energy and carbon sinks belong to the business-as-usual end of the continuum because they are environmentally and socially problematic in other ways and because the protagonists themselves see them as such (see IPCC 2005; CAN Europe undated b). Economically, climate change does not imply a choice between market-based economy and pervasive state regulation, because there are plenty of economic incentives available that can be used to correct market failures without impeding the functioning of the system. This is also the consensus in the international negotiations at least since COP3 in Kyoto, where the U.S. was able to include the Kyoto flexible mechanisms—emissions trading, joint implementation, and clean development mechanism—to Kyoto Protocol. Since then, the EU has embraced them and even set up its own emissions trading scheme. In this study, available approaches can be connected to the EU leadership by looking at their importance and boldness in bringing about an energy revolution. I assume that the EU is, in principle, willing to bring about such a revolution, but that it has to balance between often contradictory domestic and international demands.

Since the beginnings of international climate policy, a number of possible architectures for tackling climate change have been proposed (see Bodansky 2004 for a summary). The UN-based Kyoto Protocol system is based on binding quantitative targets for industrialized countries as defined in Annex I of the UNFCCC and a possibility for obligations to developing countries—such as emissions intensity targets tied to the size of the economy, obligations on renewable energy and energy efficiency, or technology development. This approach is best considered as fairly strong, because it does not set any qualifications regarding economic situation but instead prioritizes the environment. Obviously, the most important thing to consider is the distance of the actual targets from the optimal 400 ppm pathway and the implementation of them. As an option to binding targets, certain models propose emissions intensity targets for everyone (see Pizer 2005); this is a considerably weaker model because it is based on making environmental protection conditional upon the economy.

As a comprehensive alternative to the whole idea of binding targets, there are also proposals based on voluntary commitments, such as developing technology (see Barrett 2003). For example, the Asia-Pacific Partnership for Clean Development and Climate, led by the U.S., has attracted considerable interest in the international media. The technological approach, however, can be considered the weakest of all, because it shifts the burden of risk on the environment. If

technological solutions do not alone yield an energy revolution, climate change is not mitigated effectively. Enacting legislation in industrialized countries, on the other hand, is in principle more demanding and effective but it too shifts the burden of risk on the environment. This does not mean that these approaches would be logically worse than binding commitments: it is conceivable that the political economy of emissions reductions creates a situation in which striving for binding commitments ends up in wasting political capital and creating divisions between protagonists, whereas less demanding initiatives could generate a positive learning experience. Nevertheless, these approaches are not based on political leadership and transforming the global economy but business-as-usual thinking and belief in easy technological fixes.

When different approaches are considered, a set of crucial factors have to be accounted for. As climate change is a truly global problem, the global 'game' of emissions reductions hinders decisive leadership. Companies complain about rising energy prices, and the debate between those who advocate energy saving and new energy forms as economically efficient and those who fear that their costs are high is not resolved (see Lechtenböhmer et al 2005; ICCF 2005). Competitiveness is an important factor in the capitalist world economy, especially in a time when unemployment and economic recession are real risks. To make matters worse, even though energy prices and environmental legislation would not be as important as, say, wages and proximity to key markets, they work as a signal to companies about the willingness of a given state or society to solve the problems of enterprises.

At the same time, climate change as a problem is definitely characterized by short-term costs and long-term benefits, which are also distributed unevenly at the global level (see Sachs et al 2002). The most obvious losers in mitigation are power and automobile companies, energy-intensive industries that fear electricity prices, and countries dependent on oil exports. These interest groups are very influential in practically every country in the world, perhaps most notably in the U.S. (Busby and Ochs 2004: 51), while the potential beneficiaries, ranging from future generations to the countryside that could experience a revival due to demand for bioenergy and the considerable environmental technology industry, are not that well organized and often even ignorant about their potential gains. Climate policy is clearly hampered by strong vested interests.

The global setting can be best described as a game between certain key groups. EU has, as should be clear thus far, been the primus motor of a credible attempt to take decisive international action in order to tackle climate change. The internal dynamics of this grouping are complex but a convenient typology can be formed by differentiating between the mostly Southern European countries that have difficulties in keeping to their targets, a number of key countries that have at least until recently been in a good position to curb emissions due to good policy and certain incidents in the early 1990's that are to be dealt with later, and the Eastern European countries that

have emissions targets based on their inefficient past socialist economies. I deal with the specific features of the EU leadership in the actual analysis, but it suffices to say that it has enacted the Emissions Trading Scheme, energy-saving and renewable energy legislation, and a number of member countries have solid national legislation.

The counterpart of the EU is currently the U.S. and its few allies, such as Australia and Saudi Arabia. The official U.S. position on climate change is mostly in the hands of the executive wing, but the domestic field is an effective constraint. During the Clinton Presidency, the U.S. was perhaps a “laggard” but the neoconservative Bush government is clearly attempting to be a “veto player” that tries to undermine the whole idea of binding commitments (see Porter et al 2000: 35–37). As the U.S. is the largest emitter of these gases, the largest economy in the world, and has the leading innovation system, it is in a good position to pursue its goals. It has not ratified the Kyoto Protocol, and policy analysts agree that such a move is unlikely (see Purvis 2004). Importantly, its energy use is surging emissions are rising and its energy efficiency is poor. This means that the emissions reductions demanded by the 400 ppm pathway would mean profound changes in the society, but the marginal costs of initial reductions could be small.

In addition to these key players that at least for the moment struggle for leadership, the group of rapidly industrializing developing countries, such as China, India and Brazil, is very important. They all start at a relatively small per capita economic base and emissions level, but their huge populations and rapid rise in energy use is considered as a key issue in future climate policy. They have differing policies and official positions, but their governments and domestic interest groups share widely a consensus that the industrialized world must lead the way because they are better endowed and the principal cause of the problem. It might be that the struggle between the EU and the U.S. is resolved when it is seen if these countries are more inclined towards the EU position or if they consider the U.S. approach better. Nevertheless, they are not the focus of this study because their agenda is relatively straightforward and they are not really in the position to lead the way due to technological constraints and the imperative of economic growth.

Finally, there are other states that sometimes have a decisive role in international negotiations. The entering into force of the Kyoto Protocol was dependent upon the ratification of Russia, which is a significant source of emissions and a country that could both benefit and lose a lot due to climate policy. Japan, on the other hand, is a significant industrial society that is undergoing severe economic hardship, and it seems that it is not willing to go forward with decisive emissions reductions (see Japan 2005). On the contrary, many less developed countries and small island states are not causing climate change but are poised to face its consequences to a great extent. They do not have structural power or the resources to cope with the problem, but they might have a moral upper hand.

Summing up the global setting, I argue that it is reasonable to concentrate on the EU–U.S. struggle for leadership. Other states can be considered as potentially and really less active in shaping the global setting, so it is probable that the most important interaction patterns are to be found between the EU and the U.S. The detailed factors affecting the policies of them are best presented in conjunction to the actual analysis due to the scope of the task. Nevertheless, I shed light upon these factors below as I go through the history of the international climate policy in order to set the scene for the actual analysis.

7.3. International Climate Negotiations: A Concise History

Even though the physical theory of the greenhouse phenomenon dates back to 19th century, it was only in the 1960's that the scientific community began considering human-induced climate change as a real possibility (see Wearth 2003 for a good introduction to the history of climate science). Once scientists were able to prove the impact of mankind on the carbon dioxide concentrations of the atmosphere in the 1950's, the conventional counterargument that the capacity of oceans to absorb carbon dioxide would render any human-induced change meaningless was gone. A little earlier, it was shown that carbon dioxide traps heat radiation at a wavelength for which the most important natural greenhouse gas, water vapor, is almost of no significance; this meant that the counterargument of too small carbon dioxide concentrations became suspect. Scientific concern, however, was slow to transform to political momentum. In 1979, the UN Environmental Program (UNEP) and the World Meteorological Organization (WMO) set up the first World Climate Conference in Geneva, which reached the conclusion that carbon dioxide concentration had already risen 15 per cent from the preindustrial era and that increase in the concentration could cause global warming. By 1988, the science advanced to such a stage that it was possible to set up the Intergovernmental Panel on Climate Change (IPCC), in which thousands of climatologists and other experts gathered the latest findings of science and presented the results to decision-makers.

In 1988, the Canadian government hosted the Toronto Conference, in which a preliminary target, 20 per cent reduction in greenhouse gas emissions of the industrialized countries was accepted. The target fell soon into oblivion, as the expectations were directed to the first IPCC Assessment Report, which was published and approved in 1990. In the same year, Geneva hosted the second World Climate Conference; 137 member states of the UN sent their ministerial representatives and agreed on beginning the negotiation process for an international climate convention. In 1991, the Intergovernmental Negotiating Committee on Climate Change (INC) was formed, and it was given the task of preparing a climate convention for the upcoming 1992 UN Conference on Environment and Development (UNCED) to be held in Rio. This was to be the beginning of intense international bargaining on measures to tackle climate change.

INC gathered together five times, but it was unable to come up with a draft treaty for the UNCED (see Brenton 1994; Grupp et al 1993: 61–74 for a survey of the process and the outcome). Already at this point, despite considerable uncertainties, the U.S. stood firm in the most important points of dispute, the possibility of imposing binding obligations on industrializing countries and the importance of the ‘polluter pays’ principle. As a result, the text that was adopted in Rio was considerably weaker than the original drafts as it did not attribute historical and mitigation responsibility to industrialized countries; instead of the ‘polluter pays’ principle, the text referred to a ‘common, but differentiated’ responsibility, which meant that industrialized countries should lead the way due to their being better endowed for it rather than for being responsible for the problem.

The UN Framework Convention on Climate Change (UNFCCC), which entered into force in 1994 and is now almost universally ratified, does not set quantitative targets for countries. It does, however, divide them to two annexes and the non-annex group. Annex I refers to the 24 original OECD members and the transition economies of the former socialist bloc, while Annex II only includes the original OECD members and the EU as a supranational entity; the first of these defines the group of industrialized countries and gives them a voluntary target of stabilizing their emissions to the level of 1990 by 2000, and the latter refers to the most wealthy countries that have a special responsibility to help the developing world defined in the non-Annex country group. It was also agreed that the UNFCCC will be administered by a secretariat, currently situated in Bonn, and two subsidiary bodies (for scientific advice and the implementation of the treaty).

The highest decision-making body for the UNFCCC is the Conference of Parties (COP), to which the member states of the UNFCCC would send their delegations annually. The first of these conferences was held in Berlin in 1995. The delegations reached an important conclusion in this COP1, which stated that the non-binding and vague commitments outlined in the UNFCCC Article 4.2 were inadequate for the overall goals of the Convention. It provided for binding, quantitative emissions limits within a given timeframe, such as by 2010. The Ad hoc Group on Berlin Mandate (AGBM), formed by representatives of the member states, was set up to assist the development of new commitments. After COP2 in Geneva (1996), where the U.S. for the first time endorsed the possibility to negotiate binding commitments, the group began seriously considering them and other issues of treaty design, such as ways to limit the costs of the treaty. Hence, the road to Kyoto began.

8. The Road to Kyoto

8.1. The Event and Its Focal Points

As noted in Chapter 7, international climate policy entered a critical stage in the era that led to the adoption of the Kyoto Protocol. At COP1 in Berlin, the parties of the UNFCCC agreed upon the Berlin Mandate, which obligated the industrialized countries to begin talks on binding commitments within a given timeframe. At this point, the U.S. was still staunchly resisting any kind of binding commitments (Grubb et al 1999: 63). The AGBM, which was supposed to prepare a proposal for commitments (UNFCCC 1995), was able to include other issues only after COP2, where the U.S. suddenly budged to binding commitments. This outcome showed that the negotiations could proceed without a consensus, as countries like Saudi-Arabia were staunchly resisting any progress (Bodansky 2001: 34). It also became clear for the EU that the Member States had to find an internal agreement on their position on commitments (Yamin 2000: 54). Hence, no later than after COP2 the EU internal two-level game became very important, so it is a necessary part of this event. The pinnacle of the event, however, is the COP3 in Kyoto, Japan. AGBM was not able to find agreement upon targets by Kyoto, so the international game was to be concluded there. Obviously both the U.S. and EU domestic actors were vigorously preparing for the conference because its importance was widely understood—a fact neatly reflected by the number of participants which stood at 10,000 (UNFCCC 1997b). For the analysis, it is also necessary to take a look at some developments in 1998, such as the U.S. signature of the Kyoto Protocol at COP4.

The most important focal point of this was the question of commitments. The details of the negotiations on commitments can be best characterized as a pre-COP2 and post-COP2 negotiations because the U.S. enabled the negotiations to go forward by accepting the idea of binding commitments. Before COP2, the key question was whether the whole idea of binding commitments to industrialized countries is politically viable. After COP2, the decision-makers at the EU and the U.S. began considering their own positions on the content of the commitments. In the U.S., the approach was more informal, while in the EU supranational politics necessitated more formal negotiation. The following questions were of fundamental importance:

1. Targets. What was to be the overall reductions target?
2. Timeline. Should the commitments be short-term or long-term?

3. Policies and measures. Should the target be complemented with a list of policies and measures obligatory to industrialized countries?
4. Flexibility. Should instruments such as emissions trading be included? Are the targets only for one year or for a multiyear average? How many greenhouse gases are included?
5. Developing country participation. What are the developing countries obligated to do?

For this study, a leader in climate change mitigation would endorse ambitious short-term targets, a comprehensive list of policies and measures and industrial country leadership. Flexibility would only fit the picture if it would converge with the principle of ‘common but differentiated responsibility’ and developing country participation only as a logical next step to decisive action in industrialized countries.

I will begin the analysis by charting the relevant structures, actors and interests in the EU internal game and the U.S. game. Having set the scene, I will analyze the negotiation process and its outcomes as a whole, referring to the role of other states whenever needed; I will switch from a game to another as needed and in an explicit way. Here, I will often refer to the chart of structures, actors and interests. Most of my sources are historical and idiosyncratic accounts of the process, but I will also use primary sources to elaborate on details and to strengthen my case if there are inconsistencies between different analyses. Finally, I will assess the relevance of my hypotheses and hence my theory to the case. More comprehensive interpretations I will save to the conclusion of this study.

8.2. Structures, Actors, and Interests in the EU Internal Game

The EU structure is considerably more complex than that of the U.S. As environmental decision-making belongs to those issues in which the Member States and the EU share competences, both are represented in the international game so that the EU is usually led by a ‘Troika’, which includes the current President and the former and upcoming Presidents. It also means that the EU not only bargains before negotiations, but also during them—at Kyoto, for example, the EU negotiations sometimes continued after the plenary began (Grubb and Yamin 2001: 274)! This is an additional burden because the importance of the EU arises to a great part from their ability to speak with one voice (Kanie 2003: 343). The role of the European Commission is diminished; it can forward proposals but it does not have the right to make any decisions (Lescher 2000: 36–38). Similarly, the European Parliament has little weight in the negotiations, although it must ratify concluded treaties

such as the Kyoto Protocol. In sum, the formal EU internal game is predominantly a game between Member State governments.

The 15 Member States as actors can be divided to three groups at this point (Ringius 1999: 154). The “rich and green” group consists of countries such as the Netherlands, Germany, Sweden and Denmark that have a history of environmental awareness (original documents supporting the view: VROM 1996; BMU 2000) . Especially the Netherlands can be considered as a leader that is willing to use the EU to expand its ability to influence international environmental decision-making (Kanie 2003). The “rich but not so green” group includes most other countries, such as Belgium, the UK and France. In these countries, green party and environmental influence is weaker than those mentioned above, and often subject to considerable fluctuation. The third group is formed by “cohesion countries”—Ireland, Greece, Spain and Portugal—which were (and are with the exception of Ireland) economically backward in comparison to other EU countries and the domestic politics of which are predominantly about economic development.

In addition to the Member State governments, other actors must be taken into account. Interest groups, ranging from energy-intensive industry to environmental NGOs, have a key role both in the domestic politics of the Member States and the EU ‘domestic level’. Obviously, traditional business interests control much greater tangential resources in comparison to climate production industries or environmental NGOs. Nevertheless, the latter groups were also influential due to their good argumentation and higher moral ground. The EU Commission, which formally has only a minor role in climate policy, can be best considered as representing bureaucratic interests, and it is often internally divided because the DG TREN and the DG ENV disagree. Finally, the European Parliament, which also has a minor role in the actual negotiations, but which can have an impact on internal climate policy implementation through legislation, seems to be formed by politicians that are mostly retired from their national policy-making and hence willing to follow their own ideals instead of pragmatic politics. (Michaelowa 1998)

For this event, certain events in the wake of the 1990’s breathe life to the EU structure. The UK, which is rarely considered a traditional environmental leader, had an economical opportunity window to climate protection as Margaret Thatcher emerged victorious from her struggle with the coal labor lobby and the carbon-intensive coal as a fuel lost importance (Parker 2000). Hence, the UK could easily afford a reductions target. Similarly, the *Wiedervereinigung* of Eastern and Western Germany generated “wall-fall profits” in the form of high base-year emissions due to the inefficient socialist economy of the East that was still in place in 1990 (Eichhammer et al 2001; Schleich et al 2001). This meant that Germany could claim reductions without any policies and hence afford a very stringent reductions target. Finally, a two-level game in the Netherlands generated a dynamic in which domestic environmental protection started to drive international

policy and even became dependent on it, so the Netherlands government had an incentive to provide leadership within and through the EU (Kanie 2003; VROM 1996). These countries can thus be considered as having big win-sets, especially toward climate protection; at least *ex post* the same seems to go for their governments' acceptability-sets. On the other hand, the cohesion countries were rapidly increasing their emissions, so their win-sets were very narrow and due to an inferior economic position their governments' acceptability-sets could not diverge from the domestic win-sets (see Dessai and Michaelowa 2000: 13–14). Other countries did not have such a decisive role, but they tried to secure themselves as good a deal as possible.

At the EU level, climate policy was also tied to the overall idea of EU as a political process. In the early 1990's, the attempt to impose an EU-wide carbon tax, which would have been a cornerstone of the EU energy policy (see European Commission 1992), failed miserably due to the unanimousness requirement in decisions pertaining to taxation. There were also with other policies, such as energy efficiency and renewable energy legislation. This meant that the Commission and many Member States had an interest in using the need for international climate policy to solve difficult domestic and EU level problems and to push forward the integration. (Yamin 2000: 52–53.)

In sum, the EU internal bargaining was an issue of combining the diverging needs of the different Member States' domestic audiences and making it in an internationally credible way. Certain lucky incidents in the early 1990's gave a push for climate policy and helped combining the differing needs of different domestic audiences. For the analysis, the relative stability of the domestic levels is a simplifying factor; environmental goals or the EU itself do not fit the realist picture of bargaining, so domestic politics must be accounted for but the importance of genuine two-level interactions is less than in the case of U.S. as is to be seen soon. Nevertheless, the framework of two-level games helps one to situate actors and to focus attention on the importance of the political climate at certain key countries.

8.3. Structures, Actors, and Interests in the U.S. Game

The constitutional organization of the U.S. political system gives rise to remarkable two-level dynamics. The system of checks and balances clearly separates executive, legislative and judicial power. Every international treaty signed by the President must be approved by the Senate with a majority of two thirds; additionally, any domestic legislation to implement the requirements of a treaty must be approved by both houses of the Congress (U.S. Constitution undated). Hence, the possibility of a political deadlock is always very real (Falkner 2005: 593). As Agrawala and Andresen (1999) observe, this macrostructure has led to a situation in which the legislatures do not ratify treaties even though such a process would be a mere formality in other democracies. In addition to constitutional organization, the prevailing bipartisan struggle for power is an important

determinant of outcomes. In the U.S., only the Democratic and the Republican parties have realistic chances to gain majority in the legislative or to have a presidential candidate nominated. Even though party lines are now beginning to blur on climate policy, as the famous U.S. Senate Resolution 139 (McCain and Lieberman 2003) that proposes emissions trading shows, the point made by Agrawala and Andresen (1999) that the Republican Party is considerably more hostile to environmental regulation still holds for the most part. Together, these two macropolitical patterns create two-level interactions, as it is very much possible that one major party holds majority in the Congress and another party holds the executive wing.

There are also interesting specialties of the U.S. political culture. Lee et al (2001) note that the U.S. politics is influenced by five key traits: pluralistic interest group bargaining, regional competition, faith in technology, the importance of mobility, aversion to government intervention, the importance of events and images, and the friction between sovereignty and U.S. global leadership. These all shape the U.S. position on climate policy, which, according to Lee et al (2001: 394), “moves slowly”. For example, pluralistic interest group bargaining makes climate policy very much an issue of lobbying. Mobility and aversion to government intervention make domestic legislation curbing greenhouse gas emissions difficult to implement, while faith in technology can lead to lack of legislation or ambitious programs to develop new energy sources. Finally, the importance of events and images means that there is plenty of space for surprises. (Lee et al 2001: 382–385.)

Key processes affecting the U.S. climate policy in the early 1990s are many. It seems that the positive approach to international climate policy is a consequence of Al Gore’s impact on President Clinton; this led to a situation in which the Clinton administration was ready to push forward even without the support of the domestic level (Agrawala and Andresen 1999; Newsweek 10/27/1997). In 1993, however, the Clinton administration tried to secure a tax on gasoline but staunch resistance in the Congress resulted in a watered-down version that had no impact whatsoever (ibid). This is no surprise due to the political turn known as the 1994 Republican takeover that gave Republicans majority in both Houses ever since (see U.S. House of Representatives undated; U.S. Senate undated). In addition, the difficult situation of many automobile industries whose unionized workers are a key support group for Democrats in many states made it very difficult to take courageous stances on climate policy (Agrawala and Andresen 1999; see ACCF 1998 for remarks by the influential House Representative John Dingell (D-MI)). This meant that the Clinton administration had to know how difficult it would be to gain ratification of any significant international treaty on climate change. However, one must not confuse the approach of the Clinton administration to that of the EU. As becomes clear later on, be it for domestic political reasons or genuine pro-market attitude, Clinton emphasized strongly the

importance of flexibility in the form of international market-based instruments (Agrawala and Andresen 1999; U.S. Department of State 1997 for official positions at Kyoto). As I will argue later, this position was not necessarily against effective mitigation but it also shows that the Clinton administration was not willing to give other international negotiators secure a treaty that would go against the grain of the U.S. liberal free-market environmentalism.

At the domestic level, there was a split between the public and interest groups. Majority of the public considered global warming a significant threat (see Harris telephone survey 1997), while two focal groups were very much opposed to any kind of climate policy: business and the conservative movement. Regarding business, the evidence is abundant and best characterized by the formation of the Global Climate Coalition (GCC), which resisted any international commitments, claiming economic hardship and loss of employment (GCC undated). It was also able to use the lack of binding commitments to the developing world as a political weapon by somewhat curiously presenting the negligible per capita emissions of China and India somehow comparable to those within the U.S. The coalition had a number of important companies as members and it is also widely known that it used millions of dollars on campaigning against the Kyoto Protocol in addition to promises of campaigning finance, most of which went to conservative Republicans (Busby 2001: 21; see also Bang et al 2005: 287; <http://www.opensecrets.org>). This business approach, however, gives an inadequate picture of the whole issue. As important for the domestic reticence towards effective climate policy was the support of the conservative movement, which comprised of religious groups, extremely influential neoconservative think tanks (Heritage, Cato etc.), and number of politicians. This movement was very hostile toward the idea of environmental regulation or curbing energy demand, especially as it was not explicitly Americans who were to suffer. The movement had a key role in providing (dis)information to the Congress. There is a clear trend towards less credible scientific testimonies in the Congress and more presentations by privately funded “climate skeptics”, think tanks and even business lobbyists. This meant that the conservative movement was able to secure resistance in the Congress and keep pro-climate advocates mostly out of the most important lobbying opportunities. (McCright and Dunlap 2003; see also Bang et al 2005a: 287.)

The overall impression of the U.S. two-level game in 1995–1998 is clear. There is a rift between a moderately progressive Clinton administration, whose acceptability-set is considerable though somewhat less than that of their European counterparts, and a hostile domestic level dominated by business and conservative lobby that was able to silence alarming scientific accounts, frame emissions reductions as economically detrimental, and to appeal to the senses of the Republican dominated Congress, which thus had a negligible win-set. For this analysis, the stochastic impact of Al Gore’s commitment to climate policy presents additional difficulties, but on

the other hand the extreme division between domestic level and the negotiator presents a good opportunity to observe interaction patterns and causal relations.

8.4. The Negotiation Process and Developments in the EU and U.S.

Between COP1 and COP2 the overarching question was whether it would be possible to persuade the U.S. negotiator to consider binding commitments. Within the U.S., there was a process of internal deliberation going on: the Clinton administration tried to come up with a position that was acceptable to the domestic constituency, the interest groups were getting their act together, and the debate on science and economics took off (Grubb et al 1999: 63). The EU, on the other hand, promoted its approach of binding policies and measures, a lengthy list which soon proved politically infeasible (Yamin 2000: 52–53; UNFCCC 1997c); it had no internal agreement on commitments and its own internal policies were still at a very rudimentary phase. As Grubb et al (1999: 31) state, any agreement would have been meaningless without the participation of the U.S., so there was little progress until the U.S. negotiator was ready to project the results of the internal deliberation to the international arena.

At COP2, all this was to change. In the Geneva ministerial declaration, the participants endorsed the Berlin Mandate and the importance of finding an agreement on legally binding commitments (see UNFCCC 1996). In practice, this meant that the Clinton administration had come to the conclusion that it could adopt a constructive role in international negotiations even though it must have known that the opposition at the domestic level was unlikely to relent. Conversely, the EU position in negotiations was damaged by the U.S. taking the lead by providing instrumental leadership (Lescher 2000: 85; Yamin 2000: 54) as there was a clear gap between the EU rhetoric and the consistency of the EU position—the EU had even agreed upon a target of limiting global warming to 2 degrees from the preindustrial era, which implied very ambitious reductions (European Council 1996). The most important problem was the lack of internal agreement on the reductions target, because it meant that the EU could not push forward in negotiations as a leader now that the U.S. had opened an opportunity window. Meanwhile, the U.S. position on climate policy was emerging. Unlike the EU, The Clinton administration was not willing to set any targets before 2010, and it wanted to ensure maximum flexibility by including international emissions trading, sinks, 6 instead of 3 greenhouse gases, a multiyear target; finally, due to domestic pressures, the proposal by Gore that developing countries would follow industrialized countries disappeared from the U.S. proposal (Agrawala and Andresen 1999; see U.S. Department of State 1997 for official positions at Kyoto). This position is best interpreted as less ambitious than that seen in the EU rhetoric, but as is seen below it would have tremendous importance in international climate policy for years to come.

As the U.S. wanted maximum flexibility and the EU was opposed to it, it was no wonder that the AGBM was not able to develop a draft treaty for the COP3 at Kyoto (see UNFCCC undated). As the documents of the last session of the AGBM show, just about a month before COP3 notes, all the key texts were still on the table, that is, disagreed upon (see UNFCCC 1997a). Hence, in the eve of the COP3 at Kyoto the situation as seen by the protagonists themselves looked grim and few would have been ready to bet for successful negotiations. While the international game remained deadlocked, the EU Member States came finally to understand the awkward situation caused by the contradiction between their ambitious rhetoric and internal disputes and lack of progress; this was also perceived by other states as the practice of the EU in the negotiations that every state made their own statement (Gupta and van den Grijp 2000: 77–78; UNFCCC 1997e for a list of speakers at Kyoto). Even though there was a broad consensus on the need of binding targets (Sprinz and Ochs 2005: 12), significant progress on burden-sharing was only seen in 1997.

Within the EU, the Commission was the most influential actor that took internal burden-sharing as a precondition for successful international negotiation strategy seriously because it would be impossible to extract reductions from the poor cohesion countries. As Ringius (1999: 138–139; see also Jachtenfuchs and Huber 1993: 48–49) argues, it had “repeatedly” addressed the issue of burden-sharing since 1990, but opposition to the detailed plans by important Member States such as Italy ruined the plans. At the same time, union-wide taxation of carbon dioxide emissions also failed because of the unanimousness requirement in taxation. The first sign of progress in negotiations came when the Commission proposed a burden-sharing agreement of 10 % by 2005 in September 1996 (see European Commission 1996). Even though the proposal was very close to the one agreed upon in 1997, poor presentation and preparation combined to a target that was at that time seen as ambitious by Member States ensured that it failed; the Irish Presidency proposal of 5–10 % by 2005 and 10–20 % by 2010 also ended up being discarded (Ringius 1999: 140–142).

In 1997, during the Dutch Presidency, an agreement was finally found. The consensus at the Dutch domestic level on environmental policy enabled an ambitious proposal based on the sectoral *Triptych* approach that was developed at the Utrecht University (Kanie 2003: 352–354; Blok et al 1997 for the original proposal). This approach divided emissions to three sectors: the light domestic, energy-intensive export, and the electricity-generation sector. Hence, the proposal had a scientific base and it was able to break the resistance of the Member States. Even though it was met with considerable discussions and modified on the basis of political discussions at a workshop, Ringius (1999: 146–147) argues that the Member States perceived it as a positive and constructive contribution. Based on the *Triptych*, the Dutch proposed a 15 % reductions target, which was later modified at the EU Council of Environmental Ministers to include an interim 10 % burden-sharing and a 15 % international negotiations target as proposed by the Danish Environment Minister in

order to avoid the difficult negotiations of the remaining 5 % (Kanie 2003: 354; Europe 6927). Just in time for Kyoto, the EU had an internal burden-sharing agreement—although it was not clear as yet if the idea of burden-sharing could be agreed upon at COP3. Here, one can see how the instrumental and entrepreneurial leadership of the Dutch, stemming from a beneficial two-level game, combined with structural changes in German and British economies so that these countries were able to offset the unavoidable emissions increases in the cohesion countries.

In the U.S., the domestic debate on Kyoto was also fierce before COP3. As I argued above, the conservative movement and the business lobby, which was at that time adamantly against emissions reductions, were able to frame the issue as a threat to U.S. economy and sovereignty. The whole dynamic is best captured in one Senate resolution, which passed unanimously 95–0 on July 25 1997: the “Byrd-Hagel Resolution” Nr. 98 that simultaneously precluded ratification of the Kyoto Protocol in case it would not entail binding commitments to developing countries or would in any other way harm the U.S. economy, and forbade implementing domestic legislation that would aim to implement Kyoto targets (Byrd and Hagel 1998). Essentially, this meant that there was no hope for gaining ratification of any kind of Kyoto Protocol as the G77 and China group of developing countries was not in the position to reduce emissions.

At Kyoto, the negotiations can without exaggerating be described as dramatic. Before the final night, the EU and the U.S. were not able to find a compromise on the targets or flexibility, and the G77 and China were furiously resisting any attempts to refer to the possibility of developing country commitments in the near-term future. Interestingly, the U.S. had proposed ‘no regrets’ requirements for all parties, which would have meant significant legislation also in the U.S.; it also wanted to include the concept of “evolution” pertaining to developing country commitments, which was decisively blocked by the G77 and China (Grubb et al 1999: 106, 109). At the same time, the EU burden-sharing agreement was under fire because the idea that developed economies such as France, which had a stabilization target, could avoid emissions reductions (ibid: 86). The EU was badly prepared and used too much of its energy in internal deliberations, jumping from one game to another without conclusive results. On the verge of the collapse of the negotiations, just before the terminal date, U.S. Vice-President Al Gore flew to Kyoto to save the negotiations, although with heavy criticism from U.S. Senators (Agarwal et al 1999: 62). He was able to persuade Japan to increase its reduction from 5 % to 6 % and he also offered a 7 % reduction for the U.S. Finally, the U.S. delegation was also able to persuade the EU to accept the flexible mechanisms, the idea of sinks, 6 gases, and a multiyear target; the EU was able to save its face with the concept of ‘supplementarity’ of flexible mechanisms that it used as an excuse for accepting the U.S. proposal (Grubb et al 1999: 94). Furthermore, the developing countries accepted the idea of Emissions

Trading. Hence, a 5.2 % reduction from 1990 was set to be the overall target of the OECD, to be implemented with flexible mechanisms (see UNFCCC 1997d).

Analyses of the outcome differ somewhat, but one thing is clear: the Clinton administration dominated Kyoto (see U.S. Department of State 1997 for U.S. positions and views). For Grubb et al (1999: 112), “the dominance was striking”, while Agarwal et al (1999: 56) find it as rather “surprising”. From the viewpoint of hierarchic system, the surprise is not that big but it is interesting how one of the most laggard parties is almost literally able to dictate the agenda. It is also important to note that the U.S. economy was growing rapidly during COP3 so there was more leverage for economically ‘risky’ policies (Agrawala and Andresen 1999). Nevertheless, the EU also got its goal and strengthened the directional leadership approach (see European Commission 1997a for official positions before Kyoto). Even though the U.S. domestic situation still seemed difficult, there were reasons for optimism especially after the U.S. negotiator signed the Protocol at COP4—although again attracting considerable criticism from Senators (Agarwal et al 1999: 73; Sensenbrenner et al 1998 for Senators' press release).

8.6. Results

I have now analyzed the setting of the EU–U.S. two-level game in a system that is, as argued in Chapter 3, already hierarchic but not to the same extent as the other events of my case. Therefore one should expect some support to hypotheses but not to the same extent that later years should do.

1. The win-set of the U.S. median legislator and the acceptability-set of the negotiator are more hawkish than without hierarchy

This hypothesis is difficult to assess due to the lack of a counterfactual reference case. Nevertheless, the events do offer some evidence for the view that this applies at least to the legislator. As the Byrd-Hagel resolution implies, the arguments given by the conservative and business opposition to international climate policy resonated reasonably well in the U.S. Congress even though it cannot be argued that their arguments would have been intrinsically better than those who promoted active engagement in international climate policy. It is reasonable to assume that the Congress would have been more interested in the relations of the U.S. with its closest allies, European nations, had there been a real or perceived threat of challenges to U.S.-style capitalism expanding to Europe as was the case during the Cold War.

At the same time, the preferences of the negotiator do not lend support to my theory. It is clear that the Clinton administration pursued an agenda which, despite its emphasis on flexibility, was almost ‘dangerously’ European in the American domestic political reality. Here one can see the

limits of a game-theoretical approach: trying to explain this anomaly out by framing Al Gore's impact as lack of information or a rational acceptability-set is not a convincing move. The theory itself is not threatened by such anomalies but one must show a healthy dose of modesty in using the theory to explain real-life events.

2. Schelling conjecture is rarely if at all used

This hypothesis is also one that cannot be straightforwardly analyzed. The outcome of COP3 at Kyoto shows clearly how the U.S. negotiator was able to convince other actors to accept flexibility. Even though there is no way to have an objective account of what went through the minds of the Clinton administration, there is reason to doubt that what happened was decisively affected by the attempt to tie one's hands. After the Byrd-Hagel resolution, it must have been clear to everybody that the prospects for a short-term ratification by the U.S. were dim. It is more probable that it was simply a combination of U.S. structural power and instrumental leadership—resources that the top dog of a hierarchic system can use.

3. The U.S. domestic level has a decisive role in the international game

The judgment is an unambiguous yes on this hypothesis. Had the U.S. domestic win-set been bigger, international climate policy would have certainly advanced at a much faster pace. Furthermore, although the Schelling conjecture was not used, the idea of an ultimately market-based climate regime emanated from the U.S. market-based thinking and capitalist society. It is simply remarkable that the only major industrialized state opposing decisive action is able to project the results of its historical domestic development to the rest of the world despite superficially staunch resistance.

4. The EU negotiator's leverage is severely constrained by the international level

There is some evidence to confirm the hypothesis. It is obvious that the U.S. was able to considerably slow down the attempts of the EU to emerge as an international leader and even steal the show between 1996 and 1997. However, the EU was also severely constrained by its institutional limitations and weak instrumental capacity despite a relatively big win-set.

5. The consistency of the EU leadership is be weak

This hypothesis is definitely confirmed by the event. Despite strong rhetoric, the actual performance of the EU in the negotiations fluctuated and depended on the goodwill of certain key Member States. Nevertheless, the reasons behind the fluctuation had as much to do with EU internal problems as with those originating from the international level.

6. The EU domestic level is exposed to U.S. reverberation

This hypothesis cannot be easily tested within this event, because the most exposed sector, economy, was shielded against reverberation due to the lucky developments in Germany and UK. For example, UNICE (1998), the most important employer organization in Europe was still able to endorse the Kyoto Protocol (although with emphasis on flexibility) in 1998—a very different picture from that which emerges at a later stage, as I show later.

7. Cooperation is mostly U.S.-led

This hypothesis is confirmed by the outcomes of COP3. The U.S. was able to rely on its structural and instrumental resources and the world order that it created after WWII to ensure that the regime is at least within the broad guidelines of a market society.

8. The need to restructure domestic political settings facilitates cooperation to a great extent

This hypothesis cannot be assessed within this event as there were precious little opportunities for the EU and U.S. negotiators to find mutually beneficial issue linkages.

9. Variables to be controlled: Democratic Presidency, information, economic situation, amount of information, history

I have already alluded to the fact that the position of the Clinton administration is mostly a pure coincidence. Information, on the other hand, certainly had a role both at the EU and the U.S. domestic level but not in way that would somehow distort the results of the analysis. Regarding EU, there were two opposite tendencies: the problems created by the EU institutional immaturity and the beneficial structural changes within Germany and the UK. Overall, it seems that the impacts of these difficult-to-capture variables can be integrated to the theoretical framework that is used with the caveat that a game-theoretical approach is alone not enough to gain a comprehensive understanding of the events and the causes that underlie them.

Table 3. The results of analysis hypothesis by hypothesis.

Hypothesis	Results
The win-set of the U.S. median legislator and the acceptability-set of the negotiator are more hawkish than without hierarchy	Some evidence for the legislative win-set; acceptability set difficult to assess due to the distortion caused by Al Gore's stance on climate policy
Schelling conjecture is rarely if at all used	Evidence indecisive, but there is some support for this hypothesis
The U.S. domestic level has a decisive role in the international game	Strong support
The EU negotiator's leverage is severely constrained by the international level	Some support
The consistency of the EU leadership is be weak	Strong support but causal mechanism differs from that expected in having a strong domestic base
The EU domestic level is exposed to U.S. reverberation	Cannot be analyzed as the economic sector is shielded
Cooperation is mostly U.S.-led	Strong support
The need to restructure domestic political settings facilitates cooperation to a great extent	Cannot be analyzed as there is little room for genuine EU–U.S. cooperation
Overall results	3 hypotheses strongly supported; some evidence for 3 hypotheses; 0 hypotheses fully contradict the theory; 2 hypotheses cannot be analyzed in this event

9. Kyoto without the U.S.: The Hague, Bonn, Marrakech

9.1. The Event and Its Focal Points

After the adoption of the Kyoto Protocol and signatures by major states, the task faced by the negotiators was to elaborate upon the foundation laid by the original Kyoto Protocol to enable its implementation. At COP4 in Buenos Aires, 1998, the participants sketched the Buenos Aires Plan of Action (BAPA) to settle the questions that remained open after COP3. This work was to be concluded by COP6 at The Hague in 2000, which eventually collapsed (see Grubb and Yamin 2001; UNFCCC 2000a). The talks were continued at COP6-bis at Bonn in 2001, where the participants managed to close a political deal (UNFCCC 2001a), although the Bush administration had already made clear that the U.S. will not participate in emissions reductions under the Kyoto Protocol (see Bush 2001; White House 2001). Soon after, the American people were shocked by the events of the September 11, giving rise to an explicitly unilateral and self-confident foreign policy across a wide range of issues. At Marrakech in 2001, the parties transformed the political deal to a set of legal documents known as the Marrakech Accords (UNFCCC 2001b) so that the Kyoto Protocol would become ratifiable.

Within this timeframe, there were a number of focal points. At the international level, the most important question was whether the EU would be able to persuade other states to participate in the Kyoto process without the U.S. As laid down in the Kyoto Protocol, the requirement for its coming to force is that it is ratified by a group of industrialized countries that together possess 55 per cent of the population of the whole group of industrialized countries, and also emit 55 per cent of their total emissions. This strive led to a series of political concessions to important powers, such as Canada and Russia, on issues such as the use of carbon sinks instead of emissions reductions from anthropogenic sources. For this analysis, the most important question is whether the deals made at Bonn and Marrakech count for EU leadership or as ‘watering down’ the Kyoto Protocol. A related concern is whether the U.S. was able to affect the outcomes, be it directly or indirectly, after President Bush announced that Kyoto Protocol would not be ratified by the U.S. As I show above, the answers to these questions are interesting on their own and also shed light on the theoretical problematique at hand. The most intriguing feature of this event is that, despite extremely strong negative signal shown by the hegemon, the EU was able to continue the process which ultimately led to the coming to force of the Kyoto Protocol.

In addition to these international developments, there were interesting changes both within the EU and the U.S. that need to be tackled in order to form a comprehensive picture of what happened. The pressures on EU to develop a functioning union-wide climate policy intensified as it

tied itself to the Kyoto process even tighter than earlier. Simply put, the EU embarked upon a strongly path-dependent trajectory, which had a profound impact on the dynamics of the Kyoto process after the U.S. repudiation of the Protocol (Bang et al 2005b: 6; Hovi et al 2003), this repudiation gave rise to the adoption of the EU Emissions Trading Scheme, which was set to be the flagship of the EU climate policy (see Hare 2005: 93). Here, attention must be paid to the reasons for adopting a flexible mechanism that was earlier strongly resisted, to the pace of the process, and to the formation of its details in the EU internal game.

In the U.S., there were also a number of developments. Obviously, the election of a Republican President with strong contacts to the industrial lobby and the conservative movement changed the approach of the administration—although it is good to remember here that the Clinton administration was still in power at the time of The Hague collapse. Hence, the U.S. domestic level seems not to be losing importance. A good indication of this is the way the Bush administration engaged in a two-level game in which the politics of the Kyoto Protocol became intertwined with the California energy crisis in 2000–2001 and the supply-side oriented national policy favored by the cabinet. It also presented its own climate policy plan, which arguably lacks any teeth from the viewpoint of environmental protection (White House 2002; Bang et al 2005: 291). On the other hand, importance does not mean that there would not have been substantial changes at the U.S. domestic level. The flipside of the coin is that the first signs of increasing resistance to the prevailing unilateral approach also surfaced at that time. All these developments must be assessed in the light of the events of the September 11, which marked an intensification of the U.S. unilateralism and shifted the priorities of the Bush administration to the war on terror (Dessai 2001: 10–11).

I will first briefly revise the changes within the EU and the U.S. structural environment and actor network. Second, I will chart the development of the negotiations, focusing first on the international level. I add the EU and U.S. two-level dynamics a little later to provide an explanation and to capture the essential interactions for my hypotheses. Finally, I will assess the relevance of my hypotheses and discuss the results which are this time considerably more surprising than at the first event of my case.

9.2. Structures, Actors, and Interests in the EU Internal Game

As the basic setting of the EU internal game was already presented in Chapter 8, there is no need to go through it again. What is needed is an assessment of what things have remained stable and what things have changed from the period preceding COP3 at Kyoto. My argument is best summarized as a strongly path-dependent development, in which the relative stability of the domestic levels of Member States together with the events of the earlier event pretty much shaped the results of the

EU internal game, although the external shock of the U.S. repudiation was clearly an important push, as I will show in the discussion of the negotiations process below.

The domestic level of the Member States was at the time of COP6 in The Hague very supportive to strong EU leadership. As Tjernshaugen (2005: 6) notes, in most Member States the cabinet was occupied by centre-left parties with uncompromising greens at important swing positions. Furthermore, Grubb and Yamin (2001: 265; see also New York Times 10/28/2000) observe that alarming details about the consequences of climate change predicted in the IPCC Third Assessment Report due in 2001 were leaked. Combined with unprecedented extreme weather events in Europe, the effect was to considerably strengthen both expectations and public concern on climate change (Grubb and Yamin 2001: 265). Hence, the EU negotiators at The Hague, due to path dependency and the U.S. repudiation, were under considerable pressure to take a strong stance. The galvanization of the EU position was amplified by the same institutional problems that haunted the EU on the road to Kyoto. Even though there was some progress, the Member States were still more focused on internal bargaining than to the concerns and political realities of the rest of the world, including the U.S. (Grubb and Yamin 2001: 274). This reduced the efficiency of the EU in negotiations and made it difficult to agree on fallback positions, which is to say that an adamant position on issues was difficult to change.

The perceived need to go forward with the Kyoto process had another effect with significant repercussions. As Wettestad (2000: 35) argues, the development of the EU climate policy in the 1990's was mostly a disappointment, notwithstanding the agreement on burden-sharing. In 2000, the EU already had a White Paper on renewable electricity generation (European Commission 1997b), aiming at doubling its share to 12 per cent by 2010, but the implementation was still at a premature phase. The need to develop a coherent set of internal measures was recognized in the European Commission Communication "Preparing for implementation of the Kyoto Protocol" (1999) which noted that emissions in the EU were already showing signs of going up, meaning that the EU would not reach its Kyoto target without additional measures (ibid: 2). Obviously, this would have been deleterious to the political credibility of the union.

Together, these features of the political atmosphere within the EU on climate change ensured that the aggregated win-set was narrowing towards the hawkish end even though, for example, the business voice UNICE (2000) already expressed the need to ensure competitiveness par rapport to major trading partners of EU. As the EU tried to maintain its credibility and show commitment to Kyoto, it also ensured that the commitment was tightening rapidly over time; the more legislation was created in the framework of the Kyoto Protocol, the more embarrassing and difficult it would have been to give up the goal of the coming into force of the Kyoto Protocol. Assuming that the leaders of key Member States were willing to proceed with climate protection,

this strategy of tying hands might not have been a completely irrational move because it undermined the resources of domestic interest groups that would be unfavorably affected by strong measures to curb emissions. In any case, its impact was intriguing as is seen after the discussion of the U.S. domestic game.

9.3. Structures, Actors, and Interests in the U.S. Internal Game

If the EU internal game is best described as a steady progression towards a more hawkish position, the situation in the U.S. is more complicated. The position of the administration was fundamentally changed from dovish to hawkish when President Bush took power in 2001. This development, however, should not be overestimated because the domestic level was still very hawkish at that time—the Republicans maintained absolute majority in the Congress—implying that regardless of the administration, constructive international cooperation would have proved impossible anyway.

The U.S. policy was most shaped by two key events already mentioned above: the Californian energy crisis and September 11. Both of them can be considered as diverting attention at the domestic level from climate protection. As Lisowski (2002: 113–114) argues, President Bush was able to use the Californian energy crisis to frame the Kyoto Protocol as a threat to energy supply. September 11, on the other hand, violently swept all other except national security and war on terror from the top of the national agenda. Additionally, the administration engaged into two interlinked policy initiatives that affected the two-level game. First, the Bush administration made the unsurprising choice of fossil-fuel based, supply-side energy policy fundamentally out of line with the emissions reductions required by the Kyoto Protocol. It emphasized increasing domestic fossil fuel production, such as extracting more oil in Alaska and ensuring electricity supply from coal, and was based on rapidly rising energy consumption (National Energy Policy Development Group 2001). In order to show taking some kind of initiative on climate change the Bush administration created the Global Climate Change Initiative, which included a meager target of 18 per cent reduction in the U.S. emissions *intensity* by 2012 (White House 2002). In practice, the target was in line with the business as usual development of the ever more service-oriented U.S. economy so it would not have any impact on the actual emissions (Menz 2002). These policies provide evidence for an interpretation according to which the administration was focusing on its domestic preferences and molding international events to fit them.

September 11 gave the Bush administration new leverage with surging popularity rates. This watershed in the foreign policy of the U.S. shook all remains of multilateralism from the superpower's shoulders and, at the domestic level, relegated issues such as climate change to the sidelines. It also made it difficult for other states to criticize the U.S. at a moment that was

perceived to be one of emergency. The impact of this unilateralist turn on international climate policy were to be seen at COP8 and, increasingly, at COP10 and COP11/MOP1.

Simultaneously with the development of Bush administration's climate policy, the domestic level was experiencing a change. Already in 1998, important segments of the American business community were detaching themselves from the harsh approach of the GCC. In 1998, the Pew Center on Global Climate Change (undated) was founded to serve as an independent think tank in search for "credible information, straight answers, and innovative solutions in the effort to address global climate change". Even though the termination of the GCC can partially be linked to its apparent success in blocking the U.S. participation in international climate policy (see Bang et al 2005: 287), the rift within the business community is strongly supported by recent evidence: a number of major enterprises are taking action to reduce emissions and the first voluntary pilot program for emissions trading was set up by 33 companies with help of seven Midwestern states (Christiansen 2004: 349–350; Pew Center on Global Climate Change undated). Furthermore and as importantly, a number of states were already in 2001 considering ways to curb their emissions and, in a way, to surpass the Bush administration. The Regional Greenhouse Gas Initiative (undated), forcefully pushed by the *Republican* Governor George Pataki, was first suggested in 2003 implying that it was already on the agenda of key decision-makers earlier. Finally, there were also activities in the Congress that called for a less unilateral and anti-environmental approach to climate change (Lisowski 2002: 115). In sum, it seems that in this event both the administration's acceptability-set and the domestic win-set were extremely narrow and hawkish. First signs of change were already appearing, but their practical impact was still close to negligible.

9.4. The Negotiation Process and Developments in the EU and U.S.

COP6 at The Hague, 2000, which was supposed to enable the ratification of the Kyoto Protocol, did not take place in the best possible conditions. In the U.S., the result of the presidential elections in November was still disputed so that there was fundamental uncertainty in the air regarding the future direction of the U.S. climate policy (Depledge 2005: 18–19; BBC 11/20/2000). For reasons discussed above, public alarm and expectations of decisive leadership circulated within the EU policy-making community. Combined with a gap between the EU and the U.S.-led 'Umbrella Group' on the possibility of quantitative gap on flexible mechanisms in the form of supplementarity—meaning that no more than half of the reductions could be achieved with flexible mechanisms—and on the issue of granting reductions for the use of sinks, which was a key question for the U.S., it is not difficult to understand why the negotiations finally collapsed (Dessai 2001: 4; Loy 2000 for official U.S. positions; European Commission 2000 for official EU positions before the conference). The U.S. negotiator could no longer sustain the gap between international progress

and the rigid domestic level, while the EU was not in a position to give up its leadership due to domestic constraints and institutional inertia.

Three developments are important in relation to the possibility of EU leadership in the hierarchic system. First, the EU internal negotiation capacity was diminished by the fact that the Netherlands was not in the EU Troika, significantly reducing the EU capacity to form a coherent position and to adapt to pressures at the international level (Kanie 2003: 360). Second, the EU failed completely in its strategy to find a compromise with the U.S. The delegation of UK negotiated a compromise proposal with the U.S., but it never passed the EU internal deliberation; according to the British, the Troika shied away from defending it in front of other EU Member States, while other delegations claimed that the British were never granted a mandate to find the compromise (Grubb and Yamin 2001: 263; *The Observer* 11/26/2000). Third, the Chairman of COP6, the Dutch Jan Pronk, was able to create additional confusion among the delegates in the verge of a breakdown by abandoning the legal documents and proposing a simple bulletin point list of political compromises (UNFCCC 2000a; UNFCCC 2000b)—a procedure normal within the EU but totally odd to the UN system (Dessai 2001: 3–4; Grubb and Yamin 2001: 268).

What The Hague episode tells about the U.S. is also interesting. Even though the presidential election was still unsettled, some delegates hinted to the EU that there would be a change in the policy when Bush would be appointed, which seemed quite probable. The problems that the U.S. negotiator faced back home could also be seen already in the August 2000 (U.S. Department of State 2000) proposal on sinks which would have essentially meant that there would not have been any reason to actually reduce emissions. (Grubb and Yamin: 264, 271.) After the disputed presidential elections in the U.S. were judged to the benefit of President Bush, it was not long until the position of the new administration became clear. As the Bush administration perceived it was no longer possible to influence the commitments of the developing countries, it decided that the game on Kyoto Protocol was lost and it was better to ensure that international climate policy would not interfere with domestic energy policy. As described above, the Californian energy crisis was used frame Kyoto as a risk to energy supply and economic growth. What followed at the international level is perhaps the most surprising development from the viewpoint of two-level games in a hierarchic international system.

As President Bush announced that the Kyoto Protocol was to become the victim a premature death, one would expect that the hegemonic power of the U.S. would scare other states from reducing their emissions—if for nothing else, then political competitiveness. However, the result was exactly the opposite: after a series of consultations and discussions with the U.S. government, the EU prepared to go forward with other countries. At COP6bis, a conference haunted by a prevailing air of pessimism, the EU was able to get its act together and prepare for compromises in

order to secure the ratification of the Protocol (see EU Commission 2001a for official positions). Assisted by better arrangements and more time than at The Hague (Dessai 2001: 8), the EU delegation found a compromise by giving in on supplementarity, the exclusion of sinks, and rapid development of strong instruments for monitoring and enforcing compliance (UNFCCC 2001a). This time, the U.S. negotiator did not interfere substantially (Depledge 2005: 21). At COP7 in Marrakech, 2001, the political deal achieved in Bonn was smoothly transformed into a set of legally binding documents, with the EU consenting to double the quota of sinks to Russia in order to ensure its ratification (UNFCCC 2001b).

The surprising impact of the U.S. repudiation, galvanizing the resistance, has multiple reasons. As mentioned above, the key issue to observe was the path-dependency within the EU on Kyoto. Its whole approach was based on Kyoto and the collapse of the Protocol would have caused enormous political distress, reversed years of legislative work, and ensured that the EU would be seen as a political midget, unable to lead the way, for years to come. In order to save its face, the EU negotiator had to make compromises with other countries and to learn how to deliberate internally in an efficient manner. This, however, also testifies for the U.S. implicit hegemony—after all, these compromises did significantly weaken the impact of the Protocol.

It can also be argued that the Bush administration encouraged resistance by its blunt and explicitly unilateral style, which can simply be considered a political mistake by an inexperienced administration (Depledge 2005: 20). Whatever the most important reason, it is interesting that the Bush repudiation led to such a result. If anything, it tells about the necessity of considering issues that do not fit to static models, such as path-dependency, the impact of rhetoric, and learning. Although it does not render the model used here unviable, it sets the limit to its usefulness at least in the short term; for the long-term, the evidence is still inconclusive as the dynamics of the last event of this case will show.

Within the EU, the Bush repudiation also gave rise to the intensification of its internal climate policy. The Commission had already begun preparations for the European Climate Change Program in 2000, and 2001 saw the presentation of the proposal for a directive on EU Emissions Trading Scheme (ETS), the adoption of the directive on renewable electricity, and preparation for legislation on biofuels (Directive 2001/77/EC; European Commission 2001a; European Commission 2001b). All of these hold a key position in the EU climate policy, but of most interest for this case study is the development of the EU ETS; it is intuitively not clear how the union underwent a transformation from the most ardent opponent of flexible mechanisms to basing the future of its climate policy on emissions trading, a full-blown market-based flexible mechanism.

As Wettestad (2005) argues, the development of the EU ETS was an “ultra-quick process”: It was first spoken about in 1998, a proposal was given in 2001, in 2003 the legislation was adopted,

and on January 1st 2005 the trading began (Directive 2003/87/EC; European Commission 2001b)! This development was aided by certain mutually reinforcing tendencies. First, the Member States of the EU were facing increasing emissions and they were badly in need of new, efficient ways to tackle the growth in emissions. Second, the difficulties of the 1990's in implementing legislation, such as the failure to impose a carbon tax, necessitated a fresh look at the available instruments and their prospects for becoming functioning in the form of directives. The EU Commission underwent a learning process, the result of which was a rapidly drafted proposal that finally passed through the difficult political struggle with and among the Member States. Finally, the impact of the U.S. repudiation cannot be overemphasized. This reverberation, deliberate or not, had a positive impact in the form of speeding these processes that were already 'bubbling under' among the policymakers in the EU. (Christiansen and Wetttestad 2003; Wetttestad 2005.)

At this point, the role of the ETS was obviously uncertain. It could be already seen that the proposal, which was based on Member States allocating the emissions quotas based on the historical emissions of the installations, was not implemented in the environmentally, economically and politically most effective way due to the reticence of the Member States to commit too strongly to the instrument. Nevertheless, the U.S. repudiation combined with the contingent circumstances surrounding the EU set in motion a process that would have a key role in the struggle for international climate leadership. Being embedded in the idea of sustainable market economy, it was already in 2003 recognized by Christiansen and Wetttestad (2003: 16–17) as a possibility to support and engage the U.S. domestic resistance to the climate policy of the Bush administration.

9.5. Results

In this event, the U.S. hegemony crystallized in the nomination of President Bush and, more importantly, in the immediate aftermath of the attacks of September 11. One would expect strong convergence by the hypothesis, but the extraordinary dynamics surrounding the EU affect the outcomes strongly.

1. The win-set of the U.S. median legislator and the acceptability-set of the negotiator are more hawkish than without hierarchy

This hypothesis is confirmed by the case. The rigidity of the U.S. domestic level is supported by the position of the U.S. in the international system, and the blunt approach of the Bush administration would probably have been very difficult to justify even internally during the intense years of Cold War. Of course, this does not mean that the acceptability-set of the negotiator was necessarily as hawkish—after all, Al Gore's victory in presidential elections was only inches away. Had this been

the case, Gore would have anyway enjoyed leverage due to hegemony and suffered from severe constraints at the domestic level because the Republican majority in the Congress was not threatened.

The period analyzed also saw the emergence of domestic resistance. This again reminds us that the fundamental factor in the U.S. national policy is not leverage given by the position in international system but the outcome of domestic political struggles between interest groups, parties, and ideologies.

2. Schelling conjecture is rarely if at all used

Schelling conjecture was not analyzable after The Hague, where it was not used, because the U.S. no longer engaged in negotiations. Hence, this hypothesis is not supported or weakened by the event.

3. The U.S. domestic level has a decisive role in the international game

This hypothesis is confirmed by the event, but the exact role of the U.S. domestic level was a curious one. First, the domestic level precipitated the collapse of The Hague conference, which is not news. Second, the U.S. domestic level was the focus of the Bush administration in repudiating the Kyoto Protocol so abruptly, which testifies for its relative importance compared to the international level. However, this repudiation had the impact of consolidating resistance to the U.S. position and helping the EU to overcome its institutional obstacles to progress in international and internal climate policy.

4. The EU negotiator's leverage is severely constrained by the international level

Here again, the outcome is odd. It is not that the EU was not constrained by the international level, as the interestingly 'implicit' U.S. hegemony, disguised in the way the EU had to grant concessions and weaken the Kyoto Protocol. However, international pressures also helped the EU to overcome its institutional obstacles. This outcome is not explicable by rational choice theory unless the role of information is interpreted very freely.

5. The consistency of the EU leadership is weak

The consistency of the EU leadership moved from weak to strong after the U.S. repudiation. This hypothesis is again difficult to analyze in the model.

6. The EU domestic level is exposed to U.S. reverberation

This outcome was not seen at this point, which might be due to a number of reasons. First, many enterprises might have recognized that they would be facing an uphill struggle against the Kyoto Protocol. Second, it is also possible that they were expecting the Kyoto Protocol to wither away like the Bush administration did. Third, the fundamental uncertainties regarding policies and the cost of emissions reduction might have prevented them from forming effective resistance.

7. Cooperation is mostly U.S.-led

This hypothesis can be challenged on the basis of the evidence that is available. The EU was able to gain the support of both industrialized and developing countries despite U.S. resistance. However, the importance of concessions also tells that the implicit influence of the U.S. must also be kept in mind and that is debatable to which extent other countries were actually increasing their efforts from those already present in the first event of this case study.

8. The need to restructure domestic political settings facilitates cooperation to a great extent

This hypothesis cannot be analyzed as there was no opportunity for cooperation. However, the mirror image, using international developments to further domestic causes, was seen both in the case of the U.S. national energy policy and the EU internal climate policy.

9. Variables to be controlled: Bush unilateralism and diplomacy, September 11, EU path-dependency

The first of the variables that had to be controlled, the explicitly unilateral approach of President Bush, had a strong impact on events. It helped the EU to frame Kyoto as a multilateral approach to the arrogant American administration. However, its impact does not undermine the model but instead shows its limits. The second variable, September 11, did not have an important impact during this event because the U.S. position was already segmented earlier. However, one could speculate whether the Bush administration would have interfered more strongly at Marrakech if it would not have had more important things to do. The third variable, EU path-dependency, is the

most important of these. It showed that even situations depicted as strategic and static always have a history behind them that can work as an important intervening and constraining variable. This is exactly what happened with the repudiation by the Bush administration.

Table 4. The results of analysis hypothesis by hypothesis.

Hypothesis	Results
The win-set of the U.S. median legislator and the acceptability-set of the negotiator are more hawkish than without hierarchy	Strongly supported by the event, but the hawkish character of the acceptability-set has more important reasons behind it
Schelling conjecture is rarely if at all used	Cannot be analyzed
The U.S. domestic level has a decisive role in the international game	Strongly supported; surprising outcome
The EU negotiator's leverage is severely constrained by the international level	Cannot be analyzed easily due to the importance of the domestic institutional obstacles and their reduction
The consistency of the EU leadership is be weak	Difficult to analyze in the model, but evidence works against the hypothesis
The EU domestic level is exposed to U.S. reverberation	Evidence works against the hypothesis, but there are plausible reasons outside the model to explain the anomaly
Cooperation is mostly U.S.-led	Evidence works against the hypothesis, but concessions undermining the Kyoto Protocol to other states challenge the idea of genuine cooperation
The need to restructure domestic political settings facilitates cooperation to a great extent	Cannot be analyzed
Overall results	2 hypotheses strongly supported; 3 hypotheses cannot be analyzed in this event; 3 hypotheses seem somewhat questionable in the light of this event

10. Bargaining on post-2012 Policy

10.1. The Event and Its Focal Points

In Chapter 9, I argued that the U.S. administration refrained from aggressively inhibiting the progress of negotiation at COP6bis in Bonn and COP7 in Marrakech. However, the first signs of an explicitly imposing strategy were to be seen at COP8 in New Delhi and COP9 in Milan (see Watson 2002 for official U.S. positions; Watson 2003 for U.S.–India Partnership as an example of the new approach with a key developing country). Even though these conferences were not supposed to deal with the politically most sensitive issues—in essence, questions related to post-2012 policy—it is important to observe how the U.S. administration switched its strategy from that of ignoring the Kyoto Protocol, mostly due to the apparent impossibility of imposing commitments to developing countries, to trying to get the developing countries to abandon the Kyoto process (see Bang et al 2005b: 2). This reflects the first and perhaps most important focal point of the negotiations: the evolution of the U.S. administration's strategy on future climate policy. As the stakes were getting increasingly high because any meaningful emissions reductions would have to vastly exceed those necessitated by the Kyoto Protocol, this event has a key role in probing the utility of the model that I developed.

Meanwhile, another important focal point was developing. It was immediately after the repudiation of the Kyoto Protocol by the Bush administration that the need for ratification by the Russian government of the Kyoto Protocol became apparent. If the EU was to continue its leadership in climate policy, it had to find a way to persuade the Putin government to ratify the treaty. This happened eventually in 2004, just before the COP10 at Buenos Aires. However, the way EU and Russia were able to use their resources in a world order dominated by the U.S., as is argued here, to promote their interests is heuristically useful and also helps in reflecting upon the hypotheses that are probed in this study.

Finally, the most important developments of this event were, rather obviously, the intense negotiations on post-2012 policy at COP10 and, after the coming into force of the Kyoto Protocol and even more profoundly, at COP11/MOP1 in Montreal. It was formally indicated in the Kyoto Protocol that these talks should begin in 2005 (at COP10) and it was also clear to the protagonists that it would not be many years' time in the delay of these negotiations that would make it impossible to agree upon the second commitment period in time so that the new treaty could be ratified before 1/1/2013 (see FoE Europe 2005). These negotiations were surrounded by uncertainty in the position of the EU, other major industrialized countries, developing countries, and the U.S. In most industrialized countries, the development of emissions was not promising in fulfilling the Kyoto requirement. This fed the debate on alternative and less costly approaches, such as intensity

targets or voluntary cooperation on technology, the latter of which was soon seen as a realistic alternative to binding commitments—and furiously resisted by environmental NGOs and, at times, the EU (see NGO Challenge 2006; AFP 2/15/2005).

The negotiations at COP11/MOP1 in 2005, however, ended up with a last minute agreement on the working schedule of commitments by industrialized countries and an agreement upon the commencement of negotiations on targets for developing countries (UNFCCC 2005). This outcome is of utmost importance to the case at hand. The position of the U.S. developed to full-blown resistance to the Kyoto process already at COP1, when the U.S. was able to block the commencement of negotiations on commitments for industrialized countries. Light is shed upon the strategies available to the U.S. administration in a hierarchic world order by the Asia-Pacific Partnership on Clean Development and Climate (AP6), which was orchestrated by the U.S. and also officially comprised China, India, Japan, Australia, and South Korea or half of world's population and GDP. This initiative, based on voluntary development of technology, was widely hailed as an alternative to the Kyoto Protocol even before its first real meeting, organized belatedly in January 2006, which was arguably only a modest step in mitigating climate change or even developing technology (see BBC 1/12/2006). However, its political impact might prove important in rallying resistance to the Kyoto Protocol. Hence, it deserves due attention in this study.

Together, these developments form the focal points of the event, all converging to the question of fundamentals in post-2012 climate policy, implying that this event is best described as bargaining over long-term climate policy. Again, I will be tackling them by first going through developments within the EU and the U.S. and only then constructing the negotiations process before taking a look at what it can tell about the hypotheses of my model.

10.2. Structures, Actors, and Interests in the EU Internal Game

Having successfully transformed the Kyoto Protocol to a ratifiable text, the next task for the EU negotiator was to secure the ratification of Russia as the European Parliament and all Member States had ratified the Protocol already in 2002. Internally, the Member States refrained from criticizing Kyoto commitments which were increasingly seen as irreversible. The corollary of this is that there has been no real policy debate within the EU on the possibility of taking distance to the Kyoto Protocol; on this issue, the EU internal game has remained intact.

On the issue of the union's own compliance, the situation has been somewhat different. As the data on greenhouse gas emissions in the EU shows, the policies implemented have failed to curb emissions enough to ensure a linear progress towards the Kyoto target in the old Member States, while the 10 new Member States that joined the union in 2004 were allowed to substantially increase their emissions due to the breakdown of the inefficient socialist economy in the wake of

the 1990's (EEA 2005: 16). For the EU, the problem has two faces: it is politically embarrassing that the EU is not able to reduce its own emissions but it is also economically and politically challenging for the Member States. As will become clear in the outline of the negotiations process, there were many moments at which Member States engaged into surprisingly strong critique of policies; this goes for Berlusconi's Italy but also for Germany, which together with Austria blocked a strong text at the Spring Council of 2005 (see COGEN Europe News 3/24/2005). Many Member States have also invested a lot in using flexible mechanisms and sinks, which, as I argued in Chapter 7, do not contribute to a sustained leadership in climate policy. The most obvious consequence is, logically, that emissions quotas achieved without domestic reductions makes it increasingly difficult to achieve more ambitious reductions in the future.

Another important subject of political dispute has been the EU ETS that was commenced in the beginning of 2005. As was already indicated by the substantial bargaining and successful attempts by the Member States to increase their quotas with questionable means, emissions trading during the first period, 2005–2007, is far removed from an ideally rational economic scheme. In addition, developments in the pricing of natural gas that has been the favorite less-emitting alternative of many energy producers to coal, have driven the price of carbon dioxide to levels several times higher than expected (30€/ per ton of carbon dioxide instead of the expected 10€) (see Nykänen 2006). This has increased electricity prices and increased worries both in business and policy-maker circles on the impact of emissions reductions to competitiveness (See Alliance 2005).

All in all, the domestic level in the EU internal game has seen more substantial changes in its win-set than was true at the two earlier events. As the EU has had to face the difficult political economy of emissions reductions, resistance and fear have gained substantially ground. However, it seems that overall balance between climate policy enthusiasts and those calling for caution are very subtle, which is reflected in the way the overall EU climate policy can rapidly shift from one extreme to another. At the EU level, however, the European Commission has done substantial work in order to ensure that the EU climate policy proceeds in at least remotely rational way. It has made important contributions in recommending functioning policies for emissions reductions, preventing Member States from totally watering down the emissions trading scheme, and also in standing up against calls for abandoning a long-term, ambitious view on climate policy (see European Commission 2006 for a list of decisions on National Allocation Plans). At various points, the Commission has been supported by the Member States, and at others its recommendations have been met with staunch resistance (see DEFRA 2005 for the UK–EU dispute on the plan). This role of the Commission implies that the acceptability-set of the aggregated EU negotiator is probably somewhat bigger than that of domestic win-set; sometimes the representatives of the EU Member

States are able to come up with a common and consistent stance, but often the limits of the domestic win-set are more clearly seen.

10.3. Structures, Actors, and Interests in the U.S. Internal Game

During this event, the U.S. internal game exhibits remarkable continuity. Beginning with the easiest case, the position of the administration, there has been hardly any change at all. Both the congressional and presidential elections in 2004 saw a decisive Republican victory (U.S. Senate undated), ensuring that the official position of the U.S. in international negotiations would not change until 2009. This interpretation is also confirmed by the position and strategy of the U.S. administration in international negotiations, which developed towards considerable hostility over time. At the domestic level, the steady but slow movement towards a more progressive stance continued. As earlier, this change has not had a significant direct impact on international negotiations, but I argue that the indirect impact has been very important in supporting the talks within the Kyoto framework. To capture these dynamics, it is once again best to take recourse to the division between the federal decision-makers, working under the auspices of the Congress, and state and lower level activities generated by such actors as social movements, the business community, and state governors. This analytical division helps one to understand how the change is still mostly limited to the informal and sub-federal level, while progress in the legislative and executive wings is still potential at best. As there is no direct impact from one analytical segment to the other, the most appropriate way is to begin with the easier one, the Congress.

Beginning with what has changed, the most important development in the Congress took place already in January 2003 when Senators Joseph Lieberman (D-CT) and John McCain (R-AZ) introduced the Climate Stewardship Act, which calls for a national cap on greenhouse gas emissions and setting up an emissions trading scheme (see McCain and Lieberman 2003). As expected, the legislation did not pass when debated in October 2003, but it gathered a significant bipartisan support—43 for, 55 against—and hence testifies for a change of attitudes especially within the Republican Party (see CSR 2004). In addition to the Lieberman–McCain Bill, the quantitative indicator of climate-related legislative climbed to nearly one hundred during the 108th Congress in 2003–2004, and since the beginning of the 109th Congress in January 2005 already 59 proposals have taken place. Prominent among these has been the House version of Climate Stewardship Act in March 2004 by Representatives Wayne Gilchrest (R-MD) and John Olver (D-MA). In addition to these highly visible initiatives, the number of Representatives and Senators endorsing action to protect the climate, especially within the Republican Party, has been rising (Grist Magazine 2/4/2005).

Despite these developments, the Congress is still predominantly under the control of those who are not willing to limit greenhouse gas emissions and the bipartisan coalition on climate protection is fragile (Bang et al 2005a: 293). One of the features characteristic to the U.S. political system, regional competition (see Lee et al 382–385), has for example made it very difficult for legislators coming from coal-producing states to endorse climate protection (see Fischer 2004). This view is also shared by those protagonists who are willing to take moderate steps to protect the climate.

At the state level, however, developments have been more rapid as there is no need to get everybody on board with emissions reductions. The Regional Greenhouse Gas Initiative, calling for mandatory caps on emissions from energy production, which was already presented in 2003, was finally agreed upon in late 2005, although two of the nine original northwestern states, Massachusetts and Rhode Island, decided to withdraw from the scheme. However, already in summer 2005 Governor Schwarzenegger had gone public with extremely ambitious greenhouse gas reduction targets—80 % for 2050—and other states are also planning on setting up their emissions trading scheme (Schwarzenegger 2005; Evolution Markets LLC undated). Although not as significant, 180 cities in the U.S. have also decided to begin reducing their emissions and the number of businesses involved in emissions reduction projects has increased (US Mayors Climate Protection Agreement 2006; Pew Center on Global Climate Change undated).

The overall conclusion of these changes is that the acceptability-set of the administration has remained extremely narrow while the domestic win-set is slowly expanding. However, the peculiar character of state-level emissions trading also has, via transnational, channels, impact to bargaining between the EU and the U.S. because it is possible to modify the Kyoto Protocol so that a group of states, such as California and the northwestern states, could join emissions trading and work to strengthen the Kyoto framework. Upon analyzing the negotiations process, I will argue that this linkage works to undermine the position of the Bush administration—albeit with a small impact thus far—which is consistent with my fundamental hypothesis of the relative importance of the U.S. domestic level. Furthermore, this development is consolidated by the global and transnational character of present world order.

10.4. The Negotiation Process and Developments in the EU and U.S.

A suitable point for the analysis of the negotiation process is a comparison of the U.S. negotiators' strategy at COP6bis and COP7 on one hand, and the COP8 and COP9 on the other (compare Watson 2002 and 2003 to the analysis in Chapter 9). As already indicated, the negotiator went from a strategy of trying to get the developing countries on board to a strategy of preventing developing country participation, with results that were already at the time considered of importance. As Jacob

(2003: 104–105) notes in his report of COP8, “it appears the US has been successful both in conveying their resolve not to be drawn into the Kyoto Protocol, and in nurturing a nascent sense of solidarity with the developing countries on the primacy of economic growth”. This development underlines the importance of the EU and the U.S. as initiators, while the developing countries are severely constrained by their development imperative and looking for the best bargain available. Since COP8 and COP9 did not include the most sensitive questions, with the international community waiting for the at that time incipient ratification of the Kyoto Protocol, the most important bargains were taking place elsewhere, between the EU and Russia.

The possibility of Russian ratification was already raised in 2002 when the government began the formal process for considering ratification. During late 2002 and early 2003, speculations about the possible ratification by the Putin government surfaced frequently (see CAN Europe undated for a survey). However, for this study the important issue is whether the considerations by the Russian government were somehow affected by the U.S.–EU setting. Economically, the treaty is hardly significant for the Russian government as the price of emissions quotas is expected to be low due to the withdrawal of the U.S. from the Kyoto Protocol, so there is no profitable market for the Russians to benefit of (see Löschel and Zhang 2002: 23). However, the Russians were apparently able to extract concessions from the EU on their pending WTO membership in exchange for the ratification of the Kyoto Protocol—a bargain which represents that between the EU and potential member states earlier (see Stone and Mclean 2004). It is difficult to tell what was the importance of genuine considerations on the advantages and disadvantages of the Kyoto Protocol *per se*, especially as the chief economic advisor of President Putin, Andrei Illarionov, was an adamant opponent of the Protocol (see Illarionov 2004); however, it is very probable that an important part of the dramatic shifts in the public position of the Putin government had something to do with an attempt to extract concessions from the EU. Finally, the Russian government did ratify the Protocol in October 2004, approximately a month before COP10. At this point, the EU gained its greatest victory and the stage was set for bargaining on the post-2012 climate policy.

At COP10 in Buenos Aires, 2004, the expectations were high because of the recent Russian ratification. However, it didn’t take long until the conference relapsed to the usual state of bargaining and adamant resistance by the U.S. negotiator and their allies (see Watson 2004 for official position). As it was scheduled that the ‘talks about talks’ on post-2012 climate policy would begin at COP10, the EU negotiator had an interest in ensuring that these talks would begin rapidly and in a substantial way. However, the result was, due to the demands of the U.S. delegation, a single seminar in May 2005 that would explicitly not address questions on post-2012 climate policy (see UNFCCC 2004). Simply put, the U.S. delegation got its way and managed to postpone the agreement on substantive talks with one year. Furthermore, there was also the by now familiar

tendency within the EU to oscillate between hawkish and dovish approaches to the U.S. As Ott et al (2004: 85) put it, “[t]he European Union made a rather futile attempt to ‘dance’ with the United States in Buenos Aires, soon realizing it takes two to tango”. (op. cit.)

After the lukewarm atmosphere of the COP10 had exhausted the breath of Russia’s ratification, the insecure status quo went back on track. In the U.S., the most important domestic challenges to the Bush administration took place when a number of states’ climate strategies began to diverge from that of the federal government. However, one cannot consider these challenges as an outburst; it is rather a logical consequence of years of resistance-building at the domestic level. In the EU, the year 2005 was to be a much more decisive year in many ways. First, the EU ETS that began on 1/1/2005 attracted the attention of different stakeholders due to its key role in EU climate policy. To the great surprise of practically everybody, the price of a ton of carbon dioxide climbed at 30€ per ton in summertime. This development was mostly due to factors pertaining to factors characteristic of nascent market-based regulative instruments, such as lack of liquidity in the market and poor expertise in the companies, and the development of oil and gas prices which made the carbon-intensive coal again an attractive fuel in Europe (see Kara 2005: 53–54). However, the external shock gave rise to furious resistance by Members of the European Parliament, businesses, and Member States. This resistance and the inability of the Commission to deal with it conclusively testify for the volatility of the EU leadership.

Another development that attracted considerable interest in the EU was the Spring Council in which the question of climate change was at the spotlight. In February 2005, the Commission published a communication on climate change, calling for ambitious measures but also indicating the need to use flexible mechanisms and including the U.S. and key developing countries in the regime before venturing forward (European Commission 2005). At the Spring Council, the Environment Ministers first agreed upon a strong text, urging reductions in the range of 15–30 percent by 2020 and 60–80 per cent by 2050 in industrialized countries, but the summit decided to omit the target for 2050 (Council of the European Union 2005; EU Environmental Council 2005a). What is particularly interesting here is how the traditionally ‘green’ Germany, as already mentioned above, is widely suspected to be behind omitting the more ambitious goal. This episode, considerable oscillation within the framework of a single conference and the bureaucratic preparation for it, shows how the EU leadership seems to be always on the edge.

Having taken a quick glance at the most important developments within the EU, it is reasonable to see how the U.S. government was deploying resources to strengthen its case in climate protection. In July 2005, the U.S. government, together with China, India, Japan, Australia, and South Korea, announced a surprise pact named Asia–Pacific Partnership for Clean Development and Climate. Surrounded by massive hype despite the fact that nothing substantial

was agreed upon, the partnership was soon framed as an alternative to the Kyoto Protocol, with U.S. officials claiming in a less credible manner that this was not the case ((BBC 7/28/2005; Zoellick 2005 for official U.S. statement). The proponents of the partnership emphasized the importance of the major powers in the pact and praised the innovativeness that emanates from them, portraying the Kyoto framework as rigid anti-growth regulation that would hinder the development of China, India and other developing countries. Eventually, the first ministerial meeting due in October 2005—conveniently before COP11/MOP1 in Montreal—had to be postponed to January 2006 due to reasons that are still unconfirmed. For this study, the lesson is that the U.S. government was able to transform a relatively unimportant and vague statement typical to international politics to a viable alternative to the Kyoto Protocol in the eyes of the receptive.

Not surprisingly in light of these developments, the prospects for COP11/MOP1 in Montreal were extremely dim. Furthermore, they were decisively worsened by the way the U.S. negotiator consistently refused to consider any kind of discussions on commitments and even threatened to prevent other countries from going forward (see Dobriansky et al 2005 for official U.S. positions). In the last days of the meeting, exhausted negotiators were unable to track the developments and pessimism prevailed everywhere except among those delegates not willing to contribute constructively to the negotiations. However, the remarkable approach of the U.S. negotiator was already backfiring as the Bush administration was framed as the culprit of the summit more clearly than ever.

On the last day, something remarkable happened. Former U.S. President Clinton, invited by the mayor of Montreal and Sierra Club Canada, gave a strong speech on climate change that attracted worldwide attention (see Clinton 2005 for full text). This event was published widely both internationally and in the U.S. The speech that aroused thunderous applause made a strong case for climate protection in the world and, importantly, in the U.S. The speech had an important role in ensuring that the delegates were finally able to agree upon a formal process on post-2012 targets for industrialized countries and on considering commitments for developing countries (see UNFCCC 2005). The conference was hailed as a remarkable success even among environmental NGOs such as Greenpeace (2005), and the EU whose position was still unclear before the conference (see EU Environment Council 2005b) was able to go forward with the Kyoto Protocol at least temporarily.

Even though the impact of the COP11/MOP1 outcome should not be overestimated, it is intriguing how the U.S. negotiator again misjudged the political atmosphere among the delegates and the public. The impact of the Clinton speech, which might be difficult to understand on the basis of standard realist or neoliberal theory, is consistent with my model in emphasizing the importance of different linkages between the U.S. domestic level and international level than those that go through the Bush administration. It is not a bad conjecture that the U.S. position was

seriously undermined by the fact that a former U.S. President ‘stole the show’ and gave a fundamentally different picture of the issue at hand. The world’s mightiest government might be able to resist international pressures but together with significant internal turmoil the conference ended up in a PR disaster for the Bush administration.

10.5. Results

The event analyzed above is the most fundamental within this case. With the Kyoto Protocol entering into force, the stakes rose again substantively. From the viewpoint of plausibility, the results of the analysis serve as a critical indicator of the model.

1. The win-set of the U.S. median legislator and the acceptability-set of the negotiator are more hawkish than without hierarchy

This hypothesis is supported by the analysis. The way the Bush administration consistently intensified attempts to impede climate policy within the Kyoto framework shows that their short term interests are not acutely threatened by deteriorating relations to close allies as these have only few pathways to resistance. At the domestic level, it is also of significance how the society has been changing faster than those holding sway at the federal level. This implies that the change is best explained with transnational learning process, instead of referring to the way those in power identify the advantages of multilateral foreign policy.

2. Schelling conjecture is rarely if at all used

This hypothesis is supported by the event. The Bush administration did not bother to refer the problems of ratification but instead chose to resist even talks about possible concessions by the U.S. This is consistent with the model as the administration has little reason to take recourse to the Schelling strategy.

3. The U.S. domestic level has a decisive role in the international game

This hypothesis seems plausible in light of the bargaining that took place. First, much of what can be termed post-2012 strategy by the EU is based on change at the U.S. domestic level. This is especially so because it is possible to integrate regional emissions trading systems to Kyoto trading and hence bring parts of the U.S. to the regime. In turn, this could help prepare future administrations in the U.S. to take federal action if the domestic level is already prepared for the

reductions needed. Second, the way President Clinton was able to breathe life to the negotiations at COP11/MOP1 is an important piece of anecdotal evidence of my conjecture. It seems that as long as the current administration is able to claim full support of the domestic level it can also resist international pressures, but if other actors in world politics see the position of the current administration as fragile they might be interested in taking moderate chances to develop multilateral policies.

4. The EU negotiator's leverage is severely constrained by the international level

This hypothesis is partially supported by the event. Relevant evidence comprises the way the problems of the nascent EU ETS were caused by exogenous shocks and aggravated by the AP6 partnership orchestrated by the U.S. government. It seems that the EU is unable to escape the elusive question for competitiveness even in situations in which there is plenty of room for win-win improvements such as rationalizing the ETS. It is also important to note how different Member States' governments who have to adapt to the political economy of their domestic level are often less ambitious than the decision-makers at the EU level.

However, it is also important not to exaggerate the problems that the EU negotiator faces. In Montreal, with little help from the all-important U.S. domestic level, the EU was able to secure an important victory that could have long-term ramifications if the talks proceed smoothly. This reminder is important in understanding how good results can be achieved in difficult situations with clever strategies and fortuitous coincidences—in short, utilizing available opportunities efficiently.

5. The consistency of the EU leadership is weak

This hypothesis is clearly consistent with the data. Clearly, the position of the EU fluctuated strongly during the event. At the Spring Council, different organs chose every available strategy from quite ambitious (Environment Ministers) to a neutral (the Commission) and a moderately weak one (the Spring Council itself). Similarly, the ambiguities and the pessimism within the EU before COP11/MOP1 gave way to a triumphant progression within an extremely short period of time—and perhaps back to the status quo during 2006.

6. The EU domestic level is exposed to U.S. reverberation

This hypothesis is supported by the events. The adamant position of the Bush administration, the AP6 and the problems of emissions trading exposed EU to domestic criticisms, which the actors utilized, be it aware of their political implications or not.

7. Cooperation is mostly U.S.-led

This hypothesis is neither strengthened nor weakened by the data. While the COP11/MOP1 was a loss for the approach of the Bush administration, the importance of the AP6 cannot once again be overemphasized in promoting the weak voluntary approach. The final judgment on this hypothesis is inconclusive and would most certainly need a more careful analysis of how exactly the EU and U.S. are able to promote their agendas and disturb counteralliances.

8. The need to restructure domestic political settings facilitates cooperation to a great extent

This hypothesis cannot again be tested, just as was the case with earlier cases.

9. Variables to be controlled: EU emissions development

Within this event, there was little new development from the earlier events that could have distorted the conclusions of this analysis. Perhaps the only important exception is the way EU emissions developed at a faster pace. This change could distort the analysis by giving a little too grim picture of the EU policy, but on the other hand directional leadership entails the idea of preparedness in face of short-term problems.

Table 5. The results of analysis hypothesis by hypothesis.

Hypothesis	Results
The win-set of the U.S. median legislator and the acceptability-set of the negotiator are more hawkish than without hierarchy	Strongly supported by the event with the peculiar but commensurable impact of transnational relations.
Schelling conjecture is rarely if at all used	Strongly supported by the event.
The U.S. domestic level has a decisive role in the international game	Strongly supported by the event.
The EU negotiator's leverage is severely constrained by the international level	Somewhat supported but, together with fortuitous developments emanating from the U.S. domestic level, it seems that important obstacles can be surmounted.
The consistency of the EU leadership is be weak	Strongly supported by the fast shifts and almost simultaneously diverging positions taken by different organs.
The EU domestic level is exposed to U.S. reverberation	Strongly supported by the event.
Cooperation is mostly U.S.-led	Evidence is inconclusive; the U.S. approach seems to be gaining ground but the outcome at COP11/MOP1 tells the opposite story.
The need to restructure domestic political settings facilitates cooperation to a great extent	Cannot be analyzed
Overall results	5 hypotheses strongly supported; 1 hypothesis somewhat supported; 2 hypotheses difficult to analyze or inconclusive

11. Conclusion

11.1. The Study in Brief

This study has attempted to build upon two-level games (Putnam 1988) and the Waltzian (1979) systemic theory of IR. The primary purpose, developed upon the rational-choice modeling approach presented in Chapter 2, was to see how a hierarchic system affects the two-level dynamics apparent in bargaining between institutions that participate in international affairs. In Chapters 5 and 6, I developed a set of key hypotheses that could be probed to see if the theory holds any promise and hence deserves additional interest. These hypotheses were probed and the theory that I have attempted to develop was illustrated with the case of U.S.–EU climate policy. Although I already analyzed the relevance and the plausibility of my hypotheses, I left the interpretation of the lessons to this conclusion. This is due to the fact that the division of the case in three events, although analytically useful, meant that forming the overall picture of the fit between the theory and the empirical data would not be possible without first aggregating the results; consequently, I present the results here first. Having done that, I try to derive some theoretical lessons. For me, the purpose of science is not to artificially develop strong cases, so I will embark upon a considerable amount of critique of the theory that I developed. In particular, I try to develop an understanding of why some of my hypotheses were not supported and why some of them could not be analyzed.

Closely connected to the theory are also empirical lessons that can be derived. Even though I subscribe to the view of IR as a generalizing science, all social scientific theories can help policy-makers and citizens to better understand what is going on around us. Thus, I also offer a new view, stemming from the theory developed, on international climate policy. I argue that my theory has, despite its obvious limits, been able to shed light on certain key events that are otherwise difficult to understand. In other words, the theory is not only valuable in explaining but it can also be used to achieve a deeper heuristic understanding of seemingly contradictory developments within the same case. I will conclude in a traditional way, by looking forward. I assess specific ways to develop this line of thinking; I identify critical theoretical questions, propose research designs and try to situate the study in the still nascent field of IR as a constructive, not obstructive piece of work.

11.2. Results

The results of the study are best presented in the form of a table, exactly as I did in Chapters 8, 9, and 10.

Table 6. Results of the study.

Hypothesis	Road to Kyoto	The Hague, Bonn, Marrakech	Bargaining on post-2012 policy	Aggregate result
The win-set of the U.S. median legislator and the acceptability-set of the negotiator are more hawkish than without hierarchy	Some evidence	Strong support	Strong support	Strong support in two, some support in one
Schelling conjecture is rarely if at all used	Some support	Cannot be analyzed	Strong support	Strong support in one, some support in one, one cannot be analyzed
The U.S. domestic level has a decisive role in the international game	Strong support	Strong	Strong support	Strong support in three events
The EU negotiator's leverage is severely constrained by the international level	Some support	Cannot be analyzed	Some support	Some support in two events, one cannot be analyzed
The consistency of the EU leadership is weak	Strong support	Questionable	Strong support	Strong support in two events, subject to doubt in one
The EU domestic level is exposed to U.S. reverberation	Cannot be analyzed	Questionable	Strong support	Strong support in one event, questionable in one event, cannot be analyzed in one
Cooperation is mostly U.S.-led	Strong support	Questionable	Evidence is inconclusive	Strong support in one event, questionable in one event, inconclusive in one event
The need to restructure domestic political settings facilitates cooperation to a great extent	Cannot be analyzed	Cannot be analyzed	Cannot be analyzed	Cannot be analyzed with the case
Overall results	3 strongly supported; some evidence for 3; 0 fully contradict the theory; 2 cannot be analyzed in this event	2 strongly supported; 3 cannot be analyzed in this event; 3 seem somewhat questionable in the light of this event	5 strongly supported; 1 somewhat supported; 2 difficult to analyze or inconclusive	10 strong support, 4 some support, 7 inconclusive or difficult to analyze; 3 questionable

What is apparent from the table is that the hypotheses can be divided to three groups:

Hypotheses receiving strong support

1. The win-set of the U.S. median legislator and the acceptability-set of the negotiator are more hawkish than without hierarchy
2. The U.S. domestic level has a decisive role in the international game

Both of these hypotheses are clearly supported by the case. This is of great importance as the second hypothesis is arguably the most important one for the theory.

Hypotheses receiving some support

1. Schelling conjecture is rarely if at all used
2. The EU negotiator's leverage is severely constrained by the international level
3. The consistency of the EU leadership is weak

Of these hypotheses, the results on the Schelling conjecture are as expected. I already argued for the prematureness of our knowledge about the conjecture, so it is not unusual that there is some but not full support for the hypothesis. The EU negotiator's leverage is also as expected: mostly constrained but not to the extent that a purely structuralist analyst would expect. The consistency of the EU leadership is perhaps the most interesting of these hypotheses, as it seems to be somewhat limited but with great variance and even contradictory results when an opportunity window large enough opens as was the case in 2001, just before the COP6bis in Bonn when President Bush repudiated the Kyoto Protocol.

Hypotheses not analyzable or inconclusive

1. The EU domestic level is exposed to U.S. reverberation
2. Cooperation is mostly U.S.-led
3. The need to restructure domestic political settings facilitates cooperation to a great extent

Of these hypotheses, it is surprising how little evidence there was for actual reverberation by the U.S. However, this is partially explained by the shielded economy in the first event, and the second even was subject to dynamics definitely outside the scope of the model—which obviously tells a story about the limits of the model. Regarding the two other hypotheses, however, it is not surprising that they could not be analyzed properly as it was already known that the case would not be about cooperation. I decided to include them to the analysis because they can be derived from the model, but testing them requires a different case.

The overall conclusion is that the model brings plausible results. There are only three settings in which the hypotheses are contradicted. However, the fact that two of the hypotheses were not testable results in a large number of inconclusives. It is also important to note that, as expected by the fact that information on climate policy has been on the increase over the last 20 years, the hypotheses are better supported by the last event than the earlier ones. Obviously, part of this can be best explained as a coincidence, but the fact that the EU now really has to reduce emissions and pay for it also supports the view that the hypotheses could converge better with empirical data from future negotiations as the positions become more entrenched, which facilitates an analysis based on rational choice.

11.3. Theoretical Results and Limits

The analysis above is too mechanical to serve as a base for interesting scientific discussion. The hypotheses are only a tool to understand the role of the underlying theory, which implies that it is important to seriously consider what we really have learned about the theory. I argue that the overall basis is sound and could lead to a better understanding of two-level dynamics with neither of the levels taken as given. However, it also seems that the rational-choice approach is not suitable for fully explaining historical events which are, after all, always idiosyncratic.

The first question to deal with, the viability of the model, is best dealt with in relation to competing hypotheses. At this point, it should be clear that the most important competing models are the neorealist, neoliberal institutionalist, and the original two-level game theories, perhaps together with other theories that are based on domestic politics. Other approaches, such as constructivism and world-systems theory, do not deal with bargaining in a strategic environment so they are not easily commensurable with my model. It is perhaps best to begin with the neorealist model. Regardless of whether one takes defensive or offensive realism as the point of departure (see Mearsheimer 2001; Walt 1987), it is expected that all states would predominantly worry about the burden of emissions reductions. Thus, the most important prediction would be that the negotiations would collapse sooner or later. This is possible, but as I have argued, the vast importance of the U.S.

domestic level in generating the consensus on what is good for national security and economy is seriously underplayed by neorealists who either claim Waltzian balancing or perhaps expect that public goods such as a climate policy regime cannot emerge in a world without hegemonic stability (see Gilpin 1981). It seems outright obvious that neorealist theorists are only partially competing with my model in the case of climate policy. In a similar vein, it can be argued that neoliberal institutionalists (see Keohane 1984), whose theory of hegemonic stability actually diverges only little from that of neorealists, are also not able to explain how the U.S. domestic level or the EU domestic level developed their views; they simply are not solely explained away by aggregate national interests or economic gains.

In comparison to the original two-level games model and other theories based on domestic politics, the judgment is not so obvious. Even though it can be argued that the idea of hierarchic system brings new insights, it seems that the observed outcomes were somewhat modest. This could be because the hierarchy is not as strong as I assume, or because my hypotheses do not capture the impact of a hierarchic international system. However, the idea of a broadly hierarchic system is helpful in breaking the myth of a fully anarchic system; in a way, these ideal types can ultimately be deconstructed in a spectrum of different states of the international system, although it might still be useful to resort to ideal types to facilitate analysis. It must be noted that the model is, nevertheless, too modest to answer to the challenge posed by Milner (1991; 1997) in fully accounting for the characteristics of international and domestic levels.

The other question, the limits of the overall approach, is best begun in the light of the empirical analysis, as IR is heavily overburdened by fruitless debates between scientific and anti-scientific approaches that are based on poorly formulated philosophical arguments. To me, the model has two limits that are more important than others: it cannot conclusively answer to the question how different interest groups form their position on climate change and it does poorly in explaining surprising results. The first of these is apparent in the way the discussion both within the EU and, even more so, in the U.S. took turns that are as exciting as those in a detective story. For a secular Finn like me, it is simply impossible to find rational-choice explanations for positions taken by the conservative movement in the U.S.; the same is probably true the other way around. Thus, there is a primordial aspect in politics that is beyond the grasp of rational choice, although the approach has greatly improved our understanding of strategic action in a given structure.

The second important limit relates to surprising results. In a rational choice world, it is possible to account for events as exogenous shocks, but the utility of this is suspect outside the analysis of strategy. The fundamental importance of such events as the leakage of the IPCC Third Assessment Report summary, extreme weather events, and the repudiation by President Bush tell us how difficult it really is to predict real-world developments. In addition to the limit of primordial

politics, I conclude that there is some space for shocks and events that do not lead to developments expected by our present knowledge of rational choice.

11.4. New Empirical Insights

The theory that I have developed illuminates the dynamics of international climate policy in several ways. First, only a full equilibrium theory of international and domestic politics can fully appreciate the importance of the U.S. domestic level in international climate policy. Second and closely connected to the first point, the theory is helpful in assessing the leeway of the U.S. government in promoting its desired policies, and on the other hand developing strategies of resistance in a situation in which much of the world is in disagreement with the present policy. Third, the model can to some extent explain why it is so difficult to reduce emissions even when it is arguably cost-effective such as in the case of energy saving.

The first point is perhaps the most developed one in the study. International climate policy is affected by developments at the U.S. domestic level more than from any other single source, even that of the U.S. government. The remarkable success of the U.S. in Kyoto and, on the other hand, the way combined international and domestic resistance to the adamant Bush administration at COP11/MOP1 in Montreal was able to secure a decisive victory, both hint towards a need of even more focused attention to the U.S. domestic level. It is simply inconceivable to speak about meaningful mitigation if the U.S. domestic level would be as adamant as the current administration. The original model of two-level games would have only partially covered this aspect while purely international-systemic theories would not have been able to capture these dynamics at all.

Closely related to the first point, the position of the U.S. government is illustrated by the model. It seems that the administration is able to resist international pressures with its resources if it has the unanimous support of the domestic base. Conversely, even though it might be able to hold hostage international negotiations by refusing to cooperate, it is not able to inhibit domestic actors from taking autonomous action in reducing emissions. Consequently, one of the most important lessons for those in disagreement with the current policy is that they should try to create strong transnational linkages with the U.S. domestic level and ensure that the administration has to combat abroad and home alike—the view has an analogy to the way many wars have been lost due to lack of domestic support, such as Vietnam. However, it is also true that this study has not adequately covered these transnational linkages, so there is clearly a need of incorporating the model to state-of-the-art understanding of transnational relations.

Finally, the model gives some information about the reasons behind the apparent paradox between cost-effective emissions reductions and their political inviability. My intuition is that explaining this politico-economical anomaly solely with interest groups in the case of EU is not

enough; there are strong reasons to reduce emissions more ambitiously than now is being done (see Chapter 7). However, the world order orchestrated by the U.S. government makes this politically difficult. As many important and vulnerable sectors, most notably traditional energy-intensive industries, are the first to suffer from emissions reductions, they can mobilize resources effectively using both the logic of international capitalism and the unilateralism of the U.S. to their advantage. Domestically, it is very difficult to argue for emissions reductions to decision-makers who are already seeing jobs fleeing to China and hi-tech experts to the U.S. With imperfect information, the politicians are not eager to take major risks in the face of a formidable opponent in an environment conducive to its purposes. Thus, effective opportunities are left inutilized and promising mechanisms, such as emissions trading, are partially watered down due to lack of mutual understanding and uncertainty.

11.5. Towards a Better Understanding

No such thing as a perfect understanding of the complexities of this world is in sight. After all, political scientists, policymakers, economists and fortune-tellers are frequently surprised by events that seem inconceivable in the light of the present knowledge. Logically, this situation necessitates a careful consideration of future pathways towards a better understanding after every study that is conducted. For me, the most important future developments can be divided to three: first, a formal model of the theory should be developed; second, comparative and quantitative studies should be conducted; third, the model should be better incorporated to other important developments in the field.

Regarding the first point, I hinted towards the possibility already in Chapter 2 but eschewed it due to the need for substantively more rigorous approach than that of this qualitative study. However, should somebody be willing to face the challenge, it could help alleviate some of the problems of the study. With a rigorous set of formally proven interactions between the parts, the logical plausibility of the hypotheses could be set under critical investigation; the possibility of counterintuitive results would breathe new life into the theory and perhaps force scholars rethink their canon; the study would be in line with the rapidly mathematizing mainstream study of IR. These advantages are weighty, but it is also important to remember that this formalization would best serve analytical purposes. In actual case studies, the testing of developed hypotheses should be complemented with healthy humility in face of the diversity that is still very difficult to capture in rational-choice models.

Second, it is not very convincing to argue that the model has been somehow proven with one case study that was not even chosen in a random fashion. Thus, there is a need for future research designs that better utilize the possibilities offered by comparisons, statistical theory, and

other methodological advances in social sciences. Comparative studies would best serve the purpose of taking a look at the underlying dynamics and trying to separate between those that are broadly general at least in a particular epoch, and those that are purely idiosyncratic; they could also point towards patterns that are not captured by my hypotheses and hence lead to development of even better theory of domestic-international linkages. Quantitative studies, on the other hand, would help in fully utilizing the opportunities offered by the fact that, even in the face of considerable uncertainty, large-n data seems to converge towards generalizable studies. Nevertheless, it remains to be settled how realistic this kind of research design would be as every period of hegemonic power seems to be creating distinctive dynamics and their number is limited, calling for advanced analytical techniques to generate data.

The third point relates to one of the most persistent problems of IR: the emergence of mutually incommensurable theories whose only value is in explaining very particular sets of events. The arbitrary divide between quantitative and qualitative methods, rational-choice and complexity-based models, generalizing theories and historical explanation, inhibits the development of the field. Even though science is based on criticism and repudiation of theories, I do not wish for my model to help strengthen differences that do not stem from a sincere attempt to develop the field without letting one's inherent prejudices take control. Instead, I offer potential pathways to dialogue with important theoretical veins. First, I have already alluded to the importance of incorporating theories of transnational relations and actors to the model. Here, it is particularly intriguing to contemplate the possibility of generating more developed schemes of levels of analysis than the 3-level scheme that I use for this study. Second, the model should take better account of present knowledge about politics in institutions that are analyzed; here, I was able to draw upon a strong pool of knowledge about international climate policy but my understanding is limited regarding American or European politics. Hence, the study endorses the calls by Caporaso (1997) and Milner (1998) for closing the gap between IR and other subfields of Political Science.

Finally, there is a need for an approach that studies the impact of the present world order from a point of view that differs from that of rational choice. I have already indicated the importance of studies such as that conducted by Agnew (2005) on the particularities of the present world order, and in the empirical analysis the study of McCright and Dunlap (2003) on the U.S. conservative movement proved of paramount importance. One obvious point of departure is to engage in mapping the discursive practices of capitalism and relating them to the work of leading economists on public choice. Questions such as 'how exactly do politicians relate rationality and culture in making choices?' and 'which options are precluded from serious consideration due to the discursive structure of societal debate?' could be immensely useful in seeing how idiosyncracies and the imperatives of rational policy interact. This approach could supplement the analysis of strategic

choices with the analysis of primordial politics, perhaps helping in squaring the circle of formal and heuristic approaches to IR.

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