

Credibility and Commitment

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Commitment Mechanisms in International Relations and Domestic Politics

This section is about credibility and commitment. Let start with two real cases:

- During the Cold War, the credibility of nuclear deterrence between the US and the Soviet Union was maintained through mutual assured destruction (MAD). Each side believed that the other would respond to a nuclear attack with overwhelming retaliation, which prevented direct conflict. The Cold War ended up without combat because the mutual threat was credible.
- On the other hand, in 1994 Budapest Memorandum where Ukraine gave up (first move) its nuclear weapons program in exchange for security assurances from the US, UK, and Russia (future move). The annexation of Crimea by Russia in 2014 undermined the credibility of these assurances and we currently have that such a commitment is gone. Would another country with a nuclear program be available to stop it in exchange for security commitments in the future?

When we talk about credibility and commitment, we are discussing games or analytical situations where an individual's actions depend on their beliefs about the behavior, attitudes, or options of other individuals. In other words, how credible it is for them that certain individuals will act in one way or another. Therefore, when we discuss credibility and commitment issues, we are talking about a sequential game where my actions are conditional not only on the actions of others but also on what I believe about the others. Thus, an element that has not been considered until now is the idea that I may have precise or imprecise information about who I am really interacting with. This type of difference creates an information asymmetry that is relevant to the outcome of the interaction. In this section, we will study these characteristics of credibility and commitments, how we can formalize them, and look at some applications, especially in international politics. Additionally, we will examine how individuals form opinions about others or take actions to influence others' opinions about them. In other words, how individuals attempt to resolve the information asymmetry they face, all applied to politics, which is our main focus

a. The Importance of Credibility in Political Agreements

Credibility in political agreements refers to the belief that a party will honor its commitments. Credibility determines whether promises or threats are believed and acted upon by others. If an actor's commitments are credible, they can effectively influence the behavior of other political players. In contrast, a lack of credibility undermines trust and can lead to the breakdown of agreements.

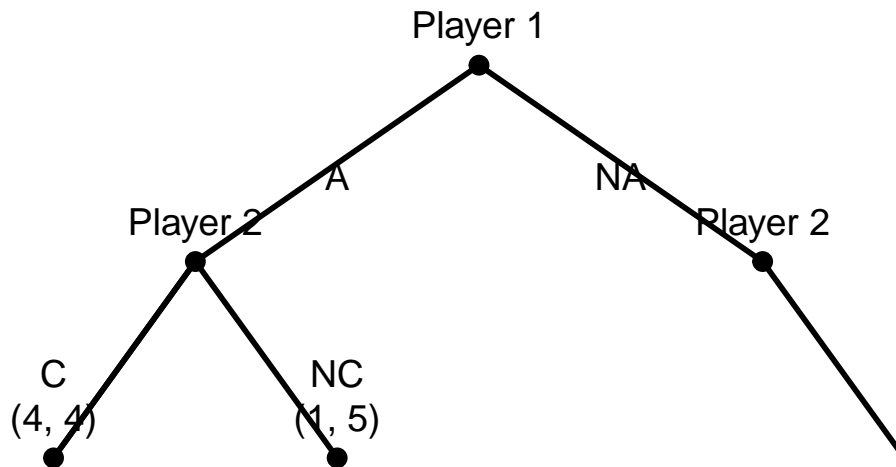
In both the Cold War and the Budapest Memorandum, key actors include states and their leaders, with actions involving diplomatic negotiations and military posturing. The effectiveness of these actions hinges on the credibility of the commitments made. And, we can state that the problem arises because one party is uncertain about the intentions or future actions of another. Therefore, it must make decisions based on an expectation rather than a fact. In the case of the Budapest Memorandum, Ukraine's trust in international assurances was undermined by Russia's subsequent actions. During the Cold War, the uncertainty surrounding

each side's willingness to engage in nuclear retaliation created a delicate balance based on the perceived credibility of mutual destruction.

Key Points for Discussion: • The role of reputation in international relations. • How past behavior impacts current and future negotiations. • The potential for third-party guarantees to enhance credibility.

Game Theory Exercise: let's create a sequential game to represent a commitment problem where the first player can either adhere (A) or not adhere (NA) to a treaty (e.g. to stop its nuclear weapon program), and the second player plays only if the first adheres (e.g. Russia invasion on Crimea), with possible actions being comply (C) or not comply (NC). Here are the payoffs for each scenario:

If the first player adheres and the second complies: (4, 4) If the first player adheres and the second does not comply: (1, 5) If the first player does not adhere: (2, 2)



Credibility, Commitments and Enforcement

When we talk about Credibility and Commitment, we also talk about enforcement or Commitment mechanisms. Commitment mechanisms are tools or strategies used to ensure that parties adhere to agreements. We can consider three broad groups of commitment mechanisms: the price, the law and the social norm. Commitment mechanisms address information asymmetry by creating transparent and enforceable conditions that make deviations from agreements more costly.

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These can include legal treaties, economic sanctions, or institutional frameworks that increase the cost of non-compliance, but there are also some social norms that can still have some relevance for international relationships-

The European Union's Stability and Growth Pact, which imposes fiscal rules on member states to ensure economic stability is an example of a formal procedure. The Cuban Missile Crisis was resolved partly because of the credible commitment by the US to remove missiles from Turkey in exchange for the Soviet Union removing its missiles from Cuba, in this case, the agreement had an informal enforcement mostly based on beliefs and mutual supervision, and repeated interaction.

In the EU Stability and Growth Pact, member states commit to fiscal discipline under a shared framework, reducing uncertainties about economic policies. During the Cuban Missile Crisis, the removal of missiles served as a verifiable commitment that reduced the risk of nuclear confrontation.

Key points to remember: • There are different types of commitment mechanisms (e.g., cultural, legal, economic).

- The effectiveness of these mechanisms vary in different political contexts.

Signaling and Screening in Political Interactions

Signaling refers to actions taken by informed parties to reveal their intentions or capabilities, while screening refers to actions by uninformed parties to induce others to reveal their intentions.

For example: During the Cold War, the US and the USSR used military parades and tests of intercontinental ballistic missiles as signals of their military strength. On the other hand, North Korea's missile tests are signals intended to show its capability and deter aggression. In both situations, key actors include states and their military leaders, with actions involving demonstrations of military capabilities and strategic signaling to influence perceptions and behavior.

As before, in signaling and screening mechanisms the underlying problem is how to reduce information asymmetry. In this case, by proactively revealing hidden intentions or capabilities. Military parades and missile tests by the US, USSR, and North Korea are designed to signal strength and resolve, thereby reducing uncertainties and deterring adversaries.

Key points to remember: • Differences between signaling and screening. • The role of costly signals in ensuring credibility.

Example Consider a sequential game involving two countries. The first country (Country A) can either conduct a military test (signal) or not. The second country (Country B) observes this action and then decides whether to increase their military readiness or not.

Here's a possible setup for the game:

If Country A conducts a military test and Country B increases military readiness: (2, 3) If Country A conducts a military test and Country B does not increase military readiness: (3, 1) If Country A does not conduct a military test and Country B increases military readiness: (1, 2) If Country A does not conduct a military test and Country B does not increase military readiness: (4, 4)

It sounds correct, right?

Well, not that easy.

A signaling game involves not only actions but also the beliefs that players update based on the observed actions.

Let's include the beliefs in our game.

In this signaling game, we will have:

Country A which can be either strong (S) or weak (W) and decides to send a signal (conduct a military test) or not. Country B which observes the signal and updates its beliefs about whether Country A is strong or weak. Based on these beliefs, Country B then decides to increase military readiness (R) or not (NR).

Let's define the payoffs:

If Country A is strong and conducts a test, and Country B increases readiness: (3, 1) If Country A is strong and conducts a test, and Country B does not increase readiness: (4, 2) If Country A is weak and conducts a test, and Country B increases readiness: (1, 3) If Country A is weak and conducts a test, and Country B does not increase readiness: (2, 4) If Country A does not conduct a test, and Country B increases readiness: (1, 2) If Country A does not conduct a test, and Country B does not increase readiness: (2, 3)

Can you represent this game as a diagram?

Case Studies on Credibility and Commitment Issues

Case Study 1: The Iran Nuclear Deal (Joint Comprehensive Plan of Action)

Agreement between Iran and P5+1 countries to limit Iran's nuclear program in exchange for lifting economic sanctions.

Credibility Issues → Differing perceptions of compliance and the US withdrawal from the agreement in 2018, raising questions about the credibility of US commitments.

Commitment Mechanisms → Inspection protocols by the International Atomic Energy Agency (IAEA), phased lifting of sanctions tied to compliance.

Case Study 2: The Good Friday Agreement (Northern Ireland)

Peace agreement between British and Irish governments and most Northern Ireland political parties in 1998.

Credibility Issues → Historical mistrust between communities and enforcement of decommissioning of weapons.

Commitment Mechanisms → Role of the British-Irish Intergovernmental Conference and international oversight.

Case Study 3: Brexit (2016-Present)

The UK's decision to leave the EU involved complex negotiations on the terms of exit.

Credibility and Commitment: The UK's government needed to demonstrate credible commitment to the Brexit process to both the EU and domestic constituencies. This involved passing the Withdrawal Agreement through Parliament and managing the Northern Ireland protocol.

Outcome: The ongoing challenges highlight issues of maintaining credibility in upholding international agreements while satisfying domestic political demands.

Case Study 4: The Paris Climate Agreement (2015)

An international treaty aimed at combating climate change.

Credibility and Commitment: Countries' commitments to reduce greenhouse gas emissions are based on nationally determined contributions (NDCs). The credibility of these commitments is crucial for the agreement's success. Outcome: The US withdrawal under the Trump administration and subsequent rejoining under Biden highlights the challenges of maintaining credible commitments in international environmental agreements.

Some questions to think about

1. How do the concepts of credibility and commitment shape political interactions at both domestic and international levels?
2. What are the most effective mechanisms for ensuring commitment in political agreements, and why?
3. Can signaling and screening fully overcome issues of mistrust in political negotiations? Why or why not?
4. How do the dynamics of credibility and commitment in the Iran Nuclear Deal and the Good Friday Agreement differ, and what lessons can be learned from each?
5. How credibility or the lack of it could have a role in the Isapres' Law in 2024.

Suggested Readings

1. Fearon, J. D. (1997). "Signaling Foreign Policy Interests: Tying Hands versus Sinking Costs." *Journal of Conflict Resolution*.
2. Kydd, A. (2005). *Trust and Mistrust in International Relations*. Princeton University Press.
3. Schultz, K. A. (2001). *Democracy and Coercive Diplomacy*. Cambridge University Press.