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Inefficient Concessions and Mediation

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Preview

Unrecognized States

Unrecognized states (URS): control and govern territory, seek recognition

- ▶ Six current URS more than 20 yrs old (+ Eastern Ukraine)
- ▶ No explanation in the literature for how this can be a stable outcome

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Preview

What we do

We demonstrate unrecognized statehood can be a "status quo" outcome

- ▶ (SPN) Equilibrium in a repeated game
- ▶ Four players
  - ▶ Home government
  - ▶ Secessionist elite
  - ▶ Patron state
  - ▶ International community
- ▶ State variable: Status Quo (SQ) payoffs for secessionists

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The General Idea

In each period: secessionists and gov't each choose
(simultaneously) among {Fight, Status Quo, Cede}

► We need Status Quo to be a stage game best response for
both secessionists and gov't

We add some more realistic elements:

1. Unrecognized status reduces Status Quo payoffs of
   secessionists each period
2. Patron and int'l community can make investments in both
   actors' payoffs

Outline of Talk

1. Model

2. Status quo equilibrium

3. What we can say about sanctions

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Economic and Political Structure

Timeline

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The Players

Outside Actors

International community (c): desires reunification
Patron (p): desires recognized independence

- ► Each has preferences that are aligned with one of the home state actors

- ► Patron may most prefer SQ; our assumption stacks the deck against us

p's per period payoffs: $U_{pt} = -\alpha X + \lambda Y - R_{pt}$
c's per period payoffs: $U_{ct} = \beta X - \nu Y - R_{ct}$

- ► $X = 1$ if the secessionists rejoin the home state

- ► $Y = 1$ if the home state recognizes the secessionists

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The Players

Home State Actors

Central Government of Home State (g): desires reunification

Secessionists (s): desire recognized independence

- Central issue of contention: recognized independence vs. reunification.

Assumptions:

- Issue of status is indivisible, highly valued by both sides
- Insufficient credible side payments for easy settlement

The Players

Stage Game between Home Gov't & Secessionists

$g \downarrow$, $s \rightarrow$	Fight	Status Quo	Cede
Fight	ω_{gt}, ω_{st}	ω_{gt}, ω_{st}	W_{gt}, L_{st}
Status Quo	ω_{gt}, ω_{st}	Q_{gt}, Q_{st}	W_{gt}, L_{st}
Cede	L_{gt}, W_{st}	L_{gt}, W_{st}	Q_{gt}, Q_{st}

where $\omega_{it} \equiv p_1 \left(W_{it} - \zeta_i \right) + (1 - p_1) \left(L_{it} - \zeta_i \right)$

- ▶ fixed cost of war ζ_i
- ▶ probabilities p_1 of victory, $1 - p_1$ of loss
  - ▸ can also handle non-decisive war

and e.g. $Q_{st} \equiv Q_{s,t-1} - \mu + R_{pt} - R_{ct}$

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Unrecognized Statehood as Stable Equilibrium

Proposition 1

There exists an equilibrium in which the outcome is perpetual unrecognized statehood. The actions in this equilibrium are

1. in the first period, the patron invests to create a buffer of $\frac{\beta}{1-\delta}$ between the secessionists' payoffs from ceding and the status quo;

2. the patron invests up to μ each period thereafter to maintain the buffer;

3. the int'l community invests nothing;

4. both inside players choose *Status Quo* each period.

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Unrecognized Statehood as Stable Equilibrium (Con't)

The following are sufficient conditions for the equilibrium:

1. *For each inside actor, choosing status quo provides the highest expected payoff at the beginning of the game.*

2. *The patron can afford to deter the int'l community from inducing reunification at the beginning of the game.*

3. *The patron can afford to pay to maintain the status quo.*

4. *Reunification is more important for the patron to avoid than for the int'l community to achieve.*

5. *Recognition is more important for the int'l community to avoid than for the patron to achieve.*

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Sanctions (I)

Proposition 2

Assume the conditions of *Proposition 1* hold in the absence of sanctions and that sanctions affect only the secessionists' Status Quo payoffs. In order for sanctions to lead to ceding by the secessionists, the following are required:

1. The patron must be unable or find it not worthwhile to invest the additional amount now required to maintain the status quo.

2. The patron must be unable or find it not worthwhile to invest to instigate fighting by the secessionists.

3. The continuation value from Status Quo must fall below that from Cede before it falls below that from Fight.

Sanctions (II)

Proposition 3

Assume the conditions of *Proposition 1* hold in the absence of sanctions and that sanctions affect both the secessionists' status quo payoffs and its military capabilities.

The parameter space over which a war will be initiated by the home state is increasing in the magnitude of the sanctions' impact on the secessionists' military capabilities.

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Conclusion

- We present a unified four-player framework for analyzing unrecognized statehood and its alternatives
- We show unrecognized statehood can emerge in equilibrium even when it is a terrible outcome for all involved
  - Unfortunately, it is not difficult to imagine Eastern Ukraine on our list of URS in 20 years
- The model demonstrates why sanctions may be counterproductive and suggests that positive inducements may be more productive