

# Bargaining Practice and Negotiation Failure in Russia-Ukraine Gas Relations

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**Abstract** What causes 'gas wars' between Russia and Ukraine? In this paper I argue that contract disputes in the eastern European gas sector are specific instances of a broader set of phenomena: bargains over strategically important resource issues outside of any international framework to facilitate cooperation. Non-cooperative game theory helps to shed light on the reasons we see crises emerge despite the fact that both parties would be better off reaching an agreement short of conflict. I develop a framework for crisis bargaining that departs from canonical games in one important dimension: it explicitly considers impact of bargaining practices and strategies on the negotiation process and the probability of failure. While bargaining practices are endogenous to both the preferences of the players and the structure of the game, they intervene in the causal process in substantively important ways by modifying the effect of both preferences and structure. Critically, practices embedded in earlier rounds affect practices and outcomes later on independent of the preferences of each player or the structure of the game. I use this practice-theoretic bargaining framework to develop an in-depth case study of 2008 negotiations between Russia and Ukraine. This framework helps produce a nuanced understanding of bargaining breakdown that led to the most damaging of the 'gas wars'; the resulting explanation outperforms the standard bargaining model as well as a number of competing arguments.

**Keywords** gas ; bargaining ; Russia ; Ukraine

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