International Multilateral Negotiations

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NEGOTIATION

An interactive communication process aimed at reaching agreement (a joint decision about future action), when both parties have some interests that are shared and some interests that are conflicting.

WHEN TO NEGOTIATE?

1. Interdependence of parties

2. Mutual uncertainty

3. Perceived conflict

WHAT CAN WE DO IF WE DON'T NEGOTIATE?

Best

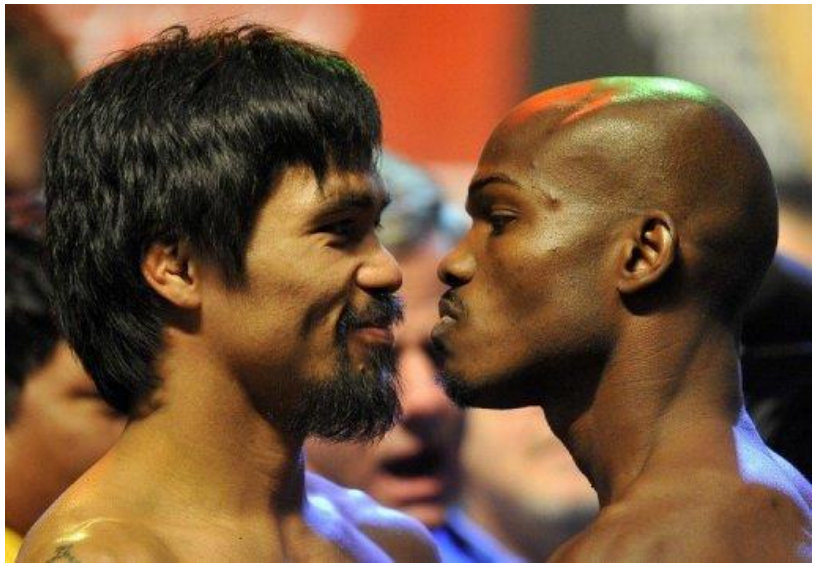
Alternative

TO

Negotiated

Agreement

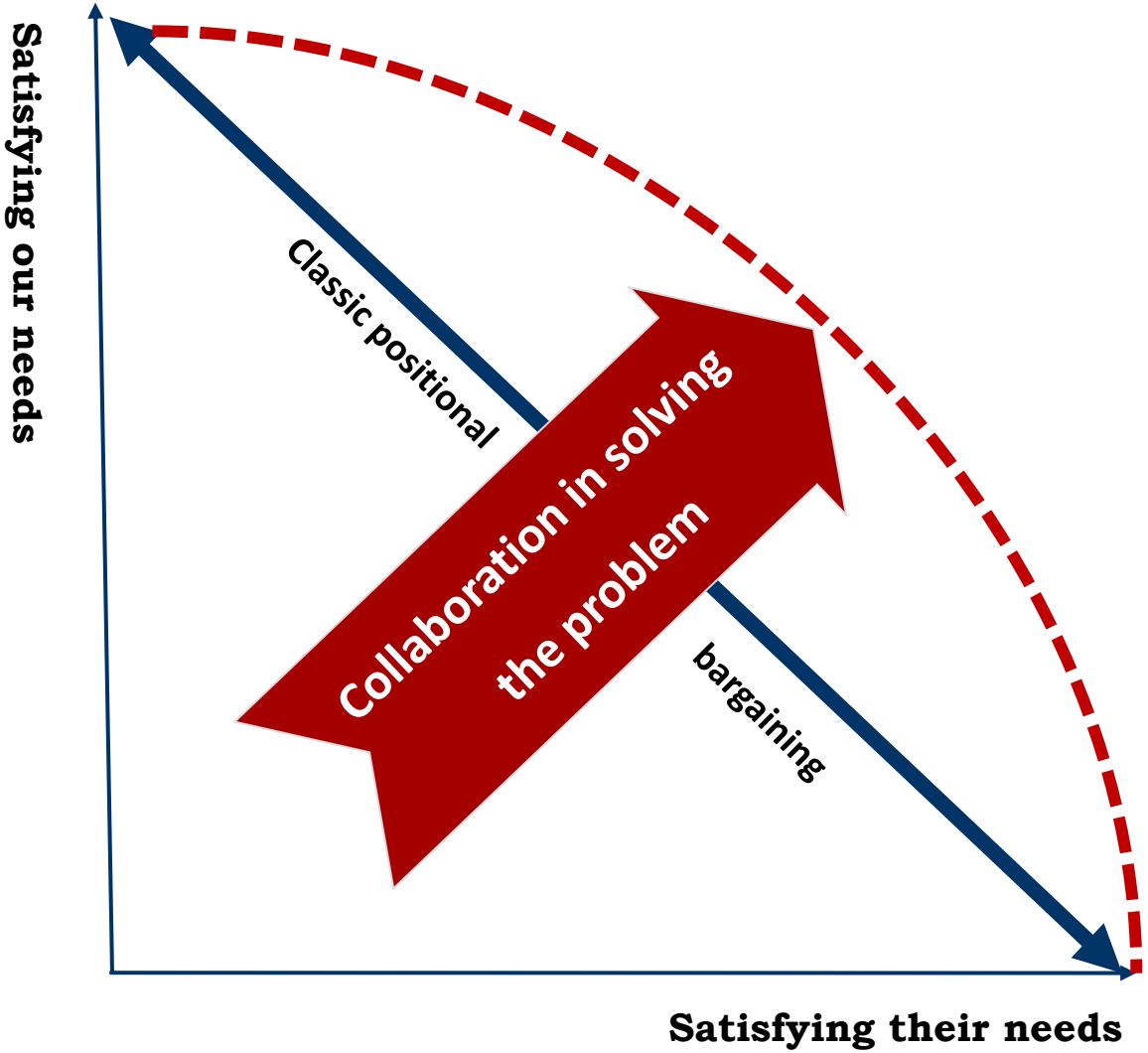
POSITION BARGAINING



The stronger one wins

- **Limited goods (zero sum game)** – if we win they lose (and vice versa)
- **Concentrate on positions** – negotiation is about dividing goods – make sure you get a bigger share
- **Negotiators as opponents** – use pressure, tricks, dirty tactics – anything to make them give up and yield
- **Battle of will** – the one who is ‘psychologically stronger’ wins

Fisher, R., Ury, W. & Patton, B. „Getting to YES”


Satisfying our needs
Classic positional
Collaboration in solving the problem
bargaining
Satisfying their needs

PROBLEM-SOLVING STRATEGY (Interest-based negotiation)

Let's win the race first and then we divide the medals

- **Benefits are not limited** – your win does not mean his/her loss (win-win)
- **Concentrate on interests** – satisfying your needs to the highest possible level is more important than 'winning'
- **Separate people from problems** – you need each other's creativity, expertise and rationality to get the best solution
- **Objective principles and criteria** – we need each other to find those and build good arguments

Fisher, R., Ury, W. & Patton, B. „Getting to YES"

INTERESTS IN NEGOTIATIONS

Conflicting

(the cause and the main purpose)

Different / dovetailing

(a tool for exchange)

Shared

(the base for agreement)

INTERESTS IN NEGOTIATIONS

- **Political** *(domestic, international)*
- **Economic**
- **Prestigeous** *(image)*
- **Military**
- **Relational**
- **Others….**

- **Short – term**
- **Long - term**

- **Negotiator's**
- **Organisation** *(country, region, firm etc.)*
- **Stakeholders**

DEFINING INTERESTS

Proposals (how?)

↓

Issues (what?)

↓

Interests (why?)

To solve conflict

- Define your interests
  (not demands, not dreams)
- Understand interests of the other party
  - Negotiators
  - People and organisations represented by the negotiators

To understand other party's interests:

- Ask questions
  - Why such a proposal ?
  - Why not?
- Listen to understand,
  not to reject and argument
- Mind the non-verbal communication
- Try to walk in their shoes

LOOKING FROM OTHER PARTY'S PERSPECTIVE

- **Put yourself in their shoes:**
  - *What would you do if you were on their position?*
  - *Why they don't want to, or can't accept our demands?*
  - ***Remember: if you want to change their mind, you need to find out where their mind is now***

PRESENTLY PERCEIVED CHOICES

WHY NOT?

Identify a basic decision and ask yourself: why they did not make it?

OBJECTIVE CRITERIA

- Objective criteria help to find a fair solution in conflicting issues (if there is no win-win strategy).
- **Looking for objective criteria replaces the battle of will**

Market price (value)
Rule of law
WIBOR, LIBOR
Replacement value
Work input
Sharing added value
Student's rule of sharing a cake
…

- Present each issue as a problem, and **an invitation to look for 'fair solution'**
- Propose objective criteria
- **Ask the other party for their proposal of objective criteria**
- **Explain and be open to explanations**
- **Never give up under pressure**

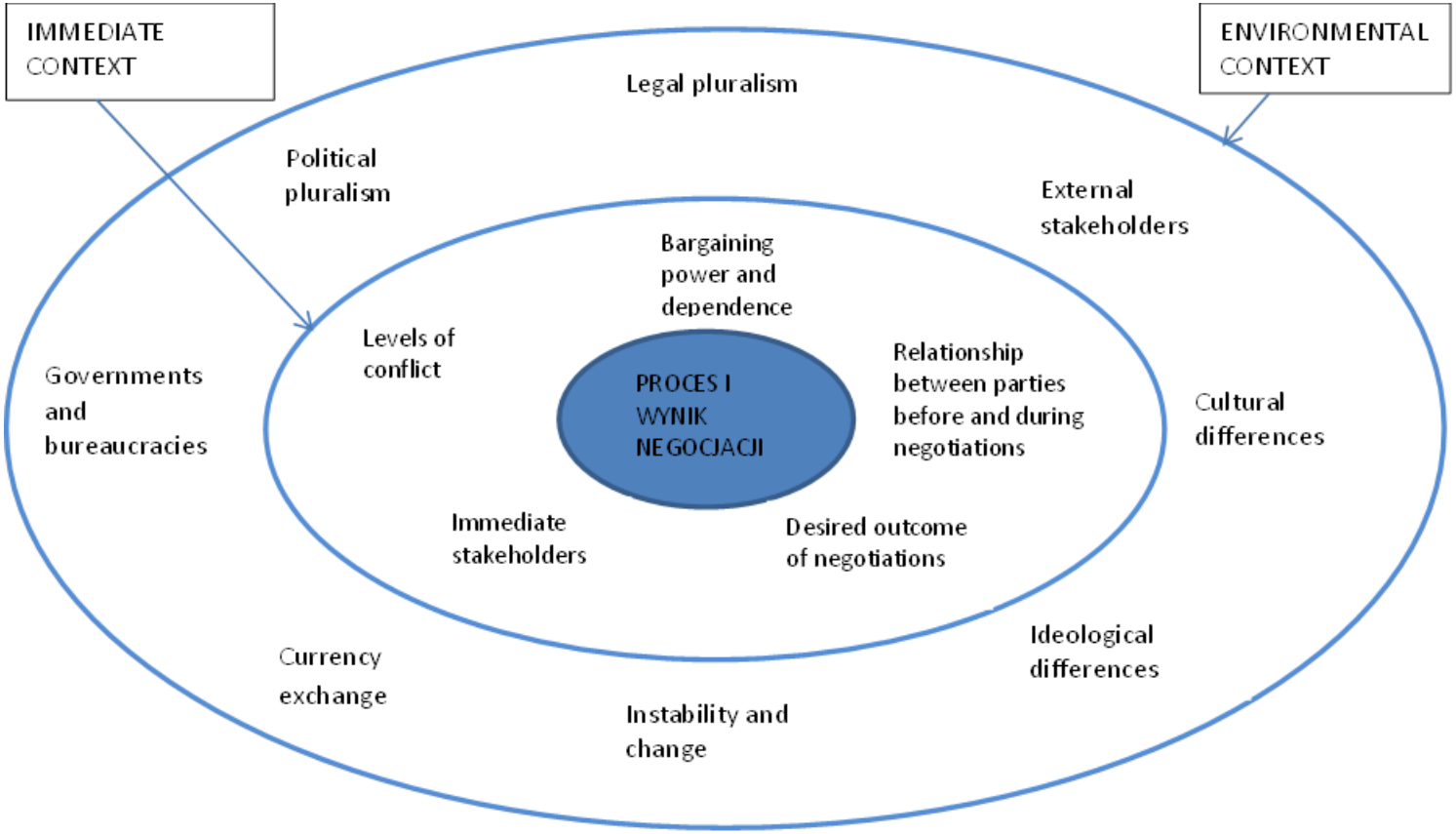
Fisher, R., Ury, W. & Patton, B. (1994). „Getting to YES"

INTERNATIONAL NEGOTIATIONS

BASIC SITUATIONS

1. International conflict
2. Trade negotiations
   - Between countries
   - Between organisations
3. International cooperation
   - Between countries
   - Between organisations

THE INTERNATIONAL CONTEXT



The Three Dimensions of Negotiation

Lax and Sebenius (2003)

	FOCUS	Common Barriers	Approach
1D	Tactics (people and process)	Interpersonal issues, poor communication, „hardball" attitudes	Act „at the table" to improve interpersonal process and tactics
2D	Deal Design (value and substance)	Lack of feasible or desirable agreements	Go „back to the drawing board" to design deals that unlock value that lasts
3D	Setup (scope and sequence)	Parties, issues, BATNA and other elements don't support a viable process or valueble areement	Make moves „away" from the table" to create a more favorable scope and sequence.

PROBLEMS IN THIRD DIMENSION

1. **Negotiating:**

- with the **wrong parties** or
- about the **wrong set of issues** or
- involving parties in the **wrong sequence** or
- at the **wrong time**,

2. **Incompatible or unattractive no-deal options** (BATNA)

Kennecott Copper

El Teniente mine

New Chilean government (60)

BATNA?:

•It couldn't move the copper mine

• nor any realistic prospect, as in a previous era, of calling in the U.S. fleet

BATNA:

•the country had its own experienced managers and engineers

<u>1 D Negotiations:</u>

• the personalities of the ministers with whom it would be negotiating.

• culturally sensitive

Kennecott Copper and Chilean Government: El Teniente

1 To the Government surprise, Kennecott sells a majority equity to Chile

2 Proceeds from sale + loan from Export-Import bank invested in expansion of the mine

Kennecott induces Chilean government to guarantee the loan & make the guarantee subject to NY law

4 Kennecott insures as much as possible of assets unders U.S. guarantee against expropriation

5 Sales contracts for expanded mines' output with U.S. and European customers

6 Collection rights to these contracts sold to consortium of US, Japanese and European financial institutions

How 3-D Moves Work:

1. **Add complementary parties or issues** to the negotiating process.

2. **Map backward and sequence**. Begin with the end point – negotiation goal, than work back to the present to develop a critical path.

3. **Manage information flow.** Decide which stages of the negotiation process should be public, which private, and how much information from one stage you should convey at other stages.

- Fisher,R., Ury, W., Patton, B. „Getting To YES”
- Ury, W. „Getting Past NO”
- Lax, D., Sebenius, J. „3D Negotiation. Playing The Whole Game”
- Salacuse, J. „The Global Negotiator”
- Harvard Program On Negotiation

http://www.pon.harvard.edu/