

# International Negotiations

## Games, Strategies and Negotiations

### Introduction

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# Communication

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## Need for negotiations arises in politics



sport



family



# Games, Strategies and Negotiations: Content

- ▶ The course will touch upon the strategic aspects in negotiating and try to develop basic tools for analysing strategic interactions in negotiations.
- ▶ We will focus, among other topics, mostly on:
  - ▶ Which stage of a negotiation requires strategic interaction and taking into account how parties' actions affect each other?
  - ▶ How is strategic interaction represented in games?
  - ▶ Can we make predictions about the outcome in such situations?

# Games, Strategies and Negotiations: Content

- ▶ We will discuss:
  - ▶ Negotiations under different informational environments
  - ▶ Negotiations with different time structure or time horizons
  - ▶ How can game theory inform us about how to negotiate?
  - ▶ Most importantly: what are the limits of strategic analysis?
  - ▶ How to set up an environment that renders strategic interaction easier and more likely to end in agreement?

# Negotiations: different processes described by the same term

## Negotiations:

- ▶ Bargaining for a second hand camera in Monastiraki bazaar
- ▶ Two-state solution in Gaza
- ▶ With one party
- ▶ In a committee which decides through majority voting
- ▶ 10-person committee with veto power

Negotiations are of many sorts, often differing in their characteristics



## Dimension of a negotiation

The object of the negotiation might have:

- ▶ One dimension: e.g. price
- ▶ Two dimensions: e.g. price-quality
- ▶ More than two dimensions, either explicit or implicit

# Time and negotiations

We can distinguish:

- ▶ Once-off negotiations (static)
- ▶ Repeated negotiations
- ▶ Long-term relationships

# Negotiating parties

- ▶ Two-party negotiations
- ▶ Multi party negotiations

## Procedure

Agreement can be reached through:

- ▶ Unanimity
- ▶ Majority
- ▶ Take-it-or-leave-it offer and so on

The agreement could bind all parties or only agreeing parties etc...

## Order of moving

- ▶ Simultaneously (e.g. voting)
- ▶ Serially
- ▶ Combinations

**EACH NEGOTIATION IS DIFFERENT**

## Different angles in a negotiation

Different specialisations are necessary and complementary for a full approach to a negotiation

- ▶ Economist:
  - ▶ The role of value in a negotiation
  - ▶ The role of strategy in a negotiation
- ▶ Sociologist/anthropologist: Role of cultural differences, anthropology etc
- ▶ Political scientist: role of institutions—rules—politics
- ▶ Psychologist focuses on the role of psychology when negotiating
- ▶ Managerial economist: role of tactics: rules while at the table

## Following lectures

- ▶ Are based on the economist's approach to negotiations
- ▶ focus on handling of strategic issues
- ▶ start from unidimensional analysis
- ▶ use simplifying assumptions
- ▶ give rough guidelines – strategic forces that might push a negotiation towards one direction

Beware: there are many other forces

Many more dimensions (will try to touch upon these)

# Structure of our lectures

- ▶ Basic economic approach to unidimensional negotiations: game theory
- ▶ Limitations of unidimensional analysis
- ▶ Some elements of multidimensional analysis
- ▶ Case studies
  1. The Greek debt negotiation of 2015
  2. Game-theoretic approaches to the Israeli-Palestinian impasse



# Levels of a negotiation



Level 1  
Setup

- ▶ Basic setup: right parties, interests, no-deal options, sequence etc.

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- ▶ Basic setup: right parties, interests, no-deal options, sequence etc.
- ▶ What we negotiate about; changing objects can change value of negotiations. Additional dimensions
- ▶ Tactics: at the table. Most of analysis usually takes place here, forgetting the previous two levels

## A good negotiator:

1. Sees as many (possibly conflicting) forces as possible
2. Detects problems in as many dimensions as possible
3. Finds solutions in as many dimensions as possible
4. is well prepared
5. has tactical skills

Most negotiations guides focus on 5

# What shall we see?

Elements of negotiations across all three levels

1. Basic tactical theory (level 3). Which forces lead the negotiation towards which results? How to divide the pie? Where is a negotiation heading strategically? How do we analyse strategic behaviour in economics?
2. Can we change the pie size? (level 2) How can we turn a no-deal to a deal by adding a dimension in the negotiation?
3. Can we influence the setup? E.g. bring an extra player who can change the deal? (Level 1)

Game theoretic approach to negotiations pertains mostly to level 1. We want to develop tools to analyse strategic behaviour at the table.

But also to make sure we can understand limitations of focusing only at the strategic level