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International Economic Negotiation

MODELS VERSUS REALITY

EDITED BY

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INTERNATIONAL INSTITUTE FOR APPLIED SYSTEMS ANALYSIS
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International Economic Negotiation: Models versus Reality

Victor Kremenyuk and Gunnar Sjöstedt, editors

A Book Prepared by the Processes of International
Negotiations (PIN) Project at the International
Institute for Applied Systems Analysis (IIASA)

Cheltenham, UK • Northampton, MA, USA

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Preface

This is the seventh volume in the series of books prepared by the Processes of International Negotiation (PIN) Project at the International Institute for Applied Systems Analysis (IIASA) since 1991. Beginning with *International Negotiation: Analysis, Approaches, Issues* (V. Kremenyuk, ed.), this series included: *International Environmental Negotiations* (G. Sjöstedt, ed.); *Culture and Negotiation* (G.O. Faure and J. Rubin, eds); *International Multilateral Negotiations* (I.W. Zartman, ed.); and *Negotiating International Regimes* (B. Spector, G. Sjöstedt, and I.W. Zartman, eds). The most recent book compiled by the PIN Project, currently in press, is *Power and Negotiations* (jointly edited by I.W. Zartman and the late J.Z. Rubin). The present book on international economic negotiations thus continues this productive study of international negotiation in a typical manner for PIN: theoretical framework, case studies, and analysis.

One recurrent theme of the PIN program has been to assess the extent to which the issue area addressed in a negotiation influences how this process evolves and what challenges parties at the table must confront. Hence, one underlying issue is the extent to which typical, or structural, issue properties cause exceptions to the propositions of general negotiation theory. In addition to economic issues, highlighted in this book, PIN projects have already analyzed environmental and nuclear issues from this particular perspective.

Why economic negotiation? Obviously, this volume concentrates on a special type of negotiation, taking, as a basis of analysis, the subject area of negotiation – economic issues – and trying to identify its specific features and processes. The rationale for this focus is that the world economy uses negotiation extensively as a tool of economic advancement, and that this negotiation discusses figures: prices, dividends, tariffs, interest rates, etc. This gives the study of economic negotiations both a sense of urgency and a means of evaluation.

The focus on economic issues in international negotiation is timely for several reasons. First, due to the continued internationalization of national economies, countries increasingly place economic issues on the agenda of international negotiations. Second, economic issues are expected to be handled in a special and exceptionally rational way at the national as well as at the international level because

decision makers are strongly influenced by the explicit and implicit recommendations of economic theory. Third, if this hypothesis about theory-driven, and in that sense rational, negotiator performance proves wrong, international economic relations may become far more conflictual and complex in the future than may have been anticipated from an assessment of prevalent economic theories. If this turns out to be the case, decision makers will increasingly call for measures to facilitate economic negotiation, which in turn requires a better understanding of the special circumstances of international economic cooperation as seen in a negotiation perspective. This is, in brief, the primary impetus for the present PIN book project on international economic negotiation.

Why “models versus reality?” It is well understood that in economic negotiation, as in all negotiations, or in any other area of human activity, theory and practice do not always go together. The task of the study is, first, to identify what type of theoretical approaches may be suggested as tools for analysis and then to demonstrate their applicability. The approach chosen is to juxtapose models of ideal negotiation (from both economic and negotiation perspectives) and what happens in reality. Only after that do we try to analyze the possibility of improving the current state of international economic negotiation.

As a result, the book consists of three main parts: a theoretical framework based on two interdependent approaches – economic theory and negotiation analysis; a group of case studies distributed among trade, business investment, finance, and macroeconomic issues; and an analytical section containing, as usual, lessons for both theory and practice. Thus, the book is clearly designed for both scholars and practitioners, students and teachers of negotiation, as well as business communities heavily engaged in international deals. It should not be regarded as a textbook, but as a serious academic attempt to bring a new vision to age-old problems which, we hope, will prove helpful to all those concerned.

*Victor A. Kremenjuk
Gunnar Sjöstedt*

Acknowledgments

This book is part of a series of studies conceived and coordinated by the PIN Steering Committee, an international group of researchers representing different approaches to the study of negotiation. The members are: Rudolf Avenhaus, University of the German Armed Forces (Munich); Guy Olivier Faure, Sorbonne University (Paris); Victor Kremenyuk, Academy of Sciences of Russia (Moscow); Winfried Lang, Austrian Ministry of Foreign Affairs and University of Vienna; Gunnar Sjöstedt, Swedish Institute of International Affairs (Stockholm); and I. William Zartman, Johns Hopkins University (Washington, DC).

The members of the interdisciplinary PIN Steering Committee represent, *inter alia*, games theory and systems analysis, modern history, political economy, political science, and sociology. The committee also represents theory as well as practice in the area of international negotiation. As in the present book, this international profile has guided the choice of PIN book projects.

Each PIN project is coordinated by one or more committee members, but the whole committee is engaged in the undertaking. In the current work, Professor I. William Zartman was of particularly great help and support to the project coordinators. We are also grateful for the support we have received from the large network of negotiation researchers associated with the PIN program. Some members of the network have contributed chapters to the book; others have offered constructive critiques on individual draft chapters.

The project coordinators owe very special thanks to Ulrike Neudeck, the resident project assistant at IIASA. Ms. Neudeck carried out the indispensable executive functions of this project at IIASA, coordinated the work of the project coordinators, and managed the laborious work of including changes in the manuscript. She also organized the meetings of the editorial committee as well as a large conference in which all the chapter authors took part.

We are also grateful for the support we have received from the present director of IIASA, Gordon MacDonald. Lilo Roggenland of IIASA's Publications Department produced the camera-ready copy, and Ewa Delpas designed the figures. The head of the Publications Department, Eryl Maedel, gave valuable assistance to the coordinators in the latest stages of the project. Margaret MacDonald copyedited

the manuscript, polishing the prose to create a more coherent style and detecting and correcting inconsistencies and errors in the various chapters.

Moscow and Stockholm, 10 May 1999

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Part I

Introduction