CHAPTER

4

Introduction to Negotiation

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Introduction

The first three chapters of this book have been about conflict: what it is, where it comes from in economic life and how it moves. This chapter turns to negotiation, the main means by which firms, trade unions and governments bring conflict to an end on terms they can live with. Every day, buyers and sellers agree prices, employers and unions agree wages, partners agree the terms of joint ventures and governments agree the rules of trade. Most of these agreements are reached quietly, without strikes, blackouts or lawsuits, because the parties find talking a better way than fighting to settle their differences.

The chapter proceeds in four steps. Section 4.1 defines negotiation, sets out its essential features and asks when a firm should negotiate and when it should compete, go to court, impose its will or simply walk away. Section 4.2 describes how a negotiation unfolds, from preparation to the implementation of an agreement. Section 4.3 identifies the factors with most influence on the outcome and the challenges which make negotiation difficult. Section 4.4 then sets out in full the framework that organises the rest of the book: negotiation as a contest over **profit**, decided by **power** and closed by **persuasion**.

The chapter thus marks a turning point. It completes the analysis of conflict in Part I and prepares the ground for Parts II, III and IV, each of which develops one pillar of the framework. Its Deal File follows one of the most consequential business negotiations of recent years, conducted not between firms but between the world's two largest trading partners on behalf of thousands of firms on each side: the framework agreement between the European Union and the United States reached at Turnberry, in Scotland, in July 2025, and the long and uncertain process of turning it into law.

DEAL FILE

The Turnberry Deal between the EU and the US

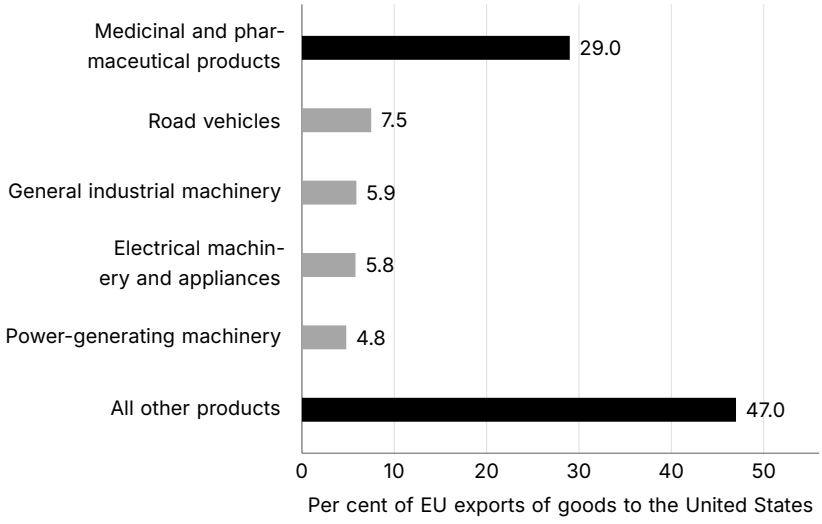
Trade between the European Union and the United States is the largest bilateral economic relationship in the world. In 2025 the EU exported goods worth €554.0 billion to the United States and imported goods worth €354.4 billion, giving it a surplus of €199.6 billion (Eurostat, 2026). Figure 4.1 shows what the EU sells. Medicines and pharmaceutical products alone accounted for almost three-tenths of its exports, followed by road vehicles and several kinds of machinery.

In April 2025 the United States announced "reciprocal" tariffs on almost all its trading partners, including a rate of 20 per cent on goods from the EU (Executive Order No. 14257, 2025). Months of talks followed under the threat of higher rates. On 27 July 2025 President Trump and the President of the European Commission, Ursula von der Leyen, met at his golf resort at Turnberry, in Scotland, and announced a framework agreement. Its terms were set out in a joint statement on 21 August (European Commission, 2025).

A deal that had to be negotiated twice. The agreement was political, not legally binding, and each side had to carry it out through its own institutions. On

Figure 4.1

Main product groups in EU exports of goods to the United States, 2025 (per cent of total)



Note. Author, based on Eurostat (2026). Product groups follow the Standard International Trade Classification.

Table 4.1

The Turnberry Deal at a glance

Parties	The European Union, represented by the European Commission; the United States, represented by the President and the Office of the US Trade Representative
At stake	US tariffs on EU goods, especially cars, pharmaceuticals and semiconductors; EU tariffs on US industrial and farm goods; the wider stability of transatlantic trade
Timeline	US tariffs announced in April 2025; framework agreed at Turnberry on 27 July and set out in a joint statement on 21 August 2025; IEEPA tariffs struck down on 20 February 2026; EU implementing legislation adopted in June 2026; Section 301 tariffs replace the temporary US tariff on 24 July 2026
US commitments	A rate of 15 per cent, inclusive of ordinary duties, on most EU goods, and an intention to keep the rates on cars, pharmaceuticals, semiconductors and lumber within the same limit; ordinary duties only on aircraft and parts, generic medicines and some natural resources from 1 September 2025; tariffs of 50 per cent on steel and aluminium to remain for the time being
EU commitments	An intention to eliminate tariffs on all US industrial goods; preferential access for some US farm and seafood products; expected purchases of US energy worth US$750 billion and intended purchases of US AI chips worth at least US$40 billion through 2028; additional investment by European firms in the United States expected to reach US$600 billion by 2028

Note. Author, based on European Commission (2025) and European Parliament (2026c).

the American side, the tariffs rested largely on the International Emergency Economic Powers Act (IEEPA). On 20 February 2026 the US Supreme Court held that this law does not authorise the President to impose tariffs (*Learning Resources, Inc. v. Trump*, 2026). The administration at once imposed a temporary global surcharge under Section 122 of the Trade Act of 1974, which the law limits to 150 days (Congressional Research Service, 2026). Bernd Lange, who chaired the European Parliament's trade committee, argued that the replacement could push the rate on EU goods above the agreed limit of 15 per cent, and the Parliament put its work on the legislation on hold (European Parliament, 2026b). It resumed in March, adopted its position on 26 March by 417 votes to 154 and reached agreement with the Council on 20 May. The final texts attach conditions of the Parliament's own: the tariff cuts expire at the end of 2029 unless extended, and the Commission may suspend them if the United States still applies tariffs above 15 per cent to EU products made of steel and aluminium at the end of 2026, or if it fails to address EU concerns about goods that had benefited from the 15 per cent

limit (European Parliament, 2026c). Parliament and Council gave their final approval in June 2026. When the Section 122 surcharge lapsed on 24 July 2026, the United States replaced it with tariffs of 10 or 12.5 per cent under Section 301 of the Trade Act, imposed after investigations of forced labour in its 60 largest trading partners (Office of the United States Trade Representative, 2026). The legal basis of the American side of the bargain had changed twice in five months.

Questions to keep in mind. Why did the EU agree to a deal leaving its exporters facing higher tariffs than before 2025? What determined the outcome: the size of the trade at stake, the power of each side or the way each presented its case? Why did a framework agreed in a single meeting take almost a year to become law? The chapter answers these questions in turn.

4.1 What Is Negotiation, and When Should a Firm Negotiate?

A Definition

Negotiation is a process in which two or more parties, who have different preferences but depend on one another, try to reach a joint decision about matters of common concern. The definition has three elements. There must be at least two **parties**, whether individuals, firms, unions or governments. Their preferences must **differ**, since parties who want the same thing have nothing to negotiate. And they must be **interdependent**: each needs the other to achieve what it wants, so neither can simply impose its will.

Lewicki et al. (2020) add several features that set negotiation apart from other ways of handling conflict. The parties choose to negotiate because they believe they can obtain a better result than by accepting what the other side offers or by taking it by force. They expect a process of give and take, in which both will modify their opening positions. And the outcome concerns not only tangible matters, such as prices and quantities, but also intangible ones, such as reputation, fairness and the wish to be seen as the winner. In the Deal File, the tariff rate was a tangible issue; but the European Commission's need to show it had defended European interests, and the American President's need to show he had obtained concessions, were intangibles which shaped the outcome as much as the rate itself.

Two terms are often used interchangeably. In this book, **bargaining** refers to the competitive, distributive part of negotiation, the haggling over how a fixed surplus is divided, as in Chapter 2. **Negotiation** is the broader term that also includes the search for joint gains, the building of relationships and the design of agreements.

Negotiation and Its Alternatives

Negotiation is only one way of dealing with a conflict, and it is not always the best. Table 4.2 compares it with the main alternatives.

Table 4.2

Negotiation and its alternatives

Approach	How the outcome is decided	Typical example	Main cost or risk
Negotiate	By agreement between the parties	A supply contract; a collective agreement; a trade deal	Time, concessions and the risk of no agreement
Compete	By the market, as each party pursues its own interest	Price competition between rival firms	Lower margins; no control over the result
Litigate or arbitrate	By a judge or arbitrator applying rules	A patent dispute; a contract claim	Cost, delay, publicity and loss of control
Impose	By the stronger party's decision	A dominant buyer's standard terms	Resentment, resistance and regulatory challenge
Walk away	By ending the relationship	Switching suppliers; leaving a market	Loss of the value the relationship would have created

Before every negotiation, a firm should therefore ask whether negotiation is the right tool. It should negotiate when the other party controls something it needs, when a better result can be obtained by agreement than by acting alone, and when there is room for an outcome that both sides prefer to no agreement. It may be wise not to negotiate when the other side's demands are unlawful or unethical, when the stakes are too small to justify the cost, when the other party is negotiating in bad faith, or when waiting will improve one's position (Lewicki et al., 2020). The EU faced exactly this choice in 2025. It could negotiate, retaliate with tariffs of its own, challenge the American measures at the World Trade Organization or wait for American courts to rule on their legality. It chose to negotiate while preparing countermeasures; the Supreme Court's ruling of February 2026 later showed that waiting would also have had some merit.

KEY MOVE

Before you negotiate, ask whether you should. Compare what you could obtain by agreement with what you could obtain by competing, going to court, imposing your terms or walking away.

4.2 How Does a Negotiation Unfold?

The Phases of a Negotiation

Negotiations differ greatly, from a few minutes of haggling in a market to years of talks between governments, but most pass through a recognisable sequence of phases. Zartman and Berman (1982) described international negotiations as moving from a *diagnosis* of the problem, through the search for a *formula*, a shared understanding of the broad terms of a solution, to the negotiation of the *details*. Business negotiations follow a similar path, which Table 4.3 sets out in six phases.

Table 4.3

The phases of a negotiation

Phase	Main tasks	In the Turnberry Deal
Preparation	Define interests, targets and limits; analyse the other side; consider alternatives	The EU assessed the exposure of its industries and prepared a list of countermeasures
Opening	Establish contact, set the agenda and make first offers	The United States announced tariffs of 20 per cent on EU goods; the two sides opened talks
Exchanging information	Learn what each side values and why	Months of talks between the Commission and the US Trade Representative
Bargaining	Make offers and concessions; search for trade-offs	A ceiling of 15 per cent for most goods in exchange for EU tariff cuts and purchase intentions
Closing	Reach and confirm agreement	The meeting at Turnberry on 27 July and the joint statement of 21 August 2025
Implementation	Turn the agreement into action; monitor and adjust	US executive orders; EU legislation adopted in June 2026 after a pause and new conditions

Note. Author, based on Zartman and Berman (1982) and Lewicki et al. (2020).

The phases are not strictly sequential. Parties return to information exchange when a proposal fails, and implementation can reopen issues apparently settled at the closing, as the Deal File shows. Chapter 7 examines preparation in depth, and Chapter 13 the later phases.

International management texts describe a similar sequence with one addition that matters greatly across cultures. Luthans and Doh (2018) divide the process into planning, **interpersonal relationship building**, the exchange of task-related information, persuasion and agreement. In the second stage each side gets to know the people on the other and judges whether they are reasonable. American

DEAL SNAPSHOT

The UK and US Economic Prosperity Deal, May 2025

On 8 May 2025 the United Kingdom became the first country to agree general terms with the United States after the tariffs of April. It remained subject to the American baseline tariff of 10 per cent, but secured a quota of 100,000 cars a year at 10 per cent instead of 27.5 per cent and a return to ordinary duties on aerospace goods. In return it opened duty-free quotas for 13,000 tonnes of US beef and 1.4 billion litres of US ethanol a year. A quota for steel and aluminium was still under discussion in June 2025, and preferential terms for pharmaceuticals were left for later talks (Department for Business and Trade, 2025). The deal shows the advantages and limits of moving first. The UK obtained a lower rate than the EU later accepted, but on a narrower range of goods, and several of its most important elements were left as promises to be negotiated.

negotiators often shorten it because they want to turn to business at once, while in many Asian, Arab and Latin American cultures meals, receptions and visits are part of the negotiation itself, and the work has begun even before business is mentioned. Cultures also differ at the final stage. Some negotiators settle issues one at a time and take each off the table as it is resolved; others, Luthans and Doh observe of many Asian and Russian negotiators, prefer to concede little until the whole package can be agreed. Chapter 18 returns to these differences.

Negotiating at Two Levels

Many negotiations take place at two tables at once. At the first, the negotiators bargain with each other. At the second, each negotiator must win the approval of those it represents: a board, a union's members, a parliament or a coalition of governments. Putnam (1988) called this a **two-level game**. An agreement is possible only if it falls within the *win-set* of each side, the range of outcomes that its domestic constituency would accept.

The European Commission negotiated trade policy on behalf of 27 member states, whose interests differed. German carmakers wanted relief from car tariffs above all, while other states cared more about agriculture, steel or pharmaceuticals. Any agreement then had to pass the European Parliament and the Council. The American President faced constraints of a different kind, from the courts rather than from the legislature. The long implementation of the Turnberry Deal is a study in two-level negotiation: the agreement reached by the leaders had to be renegotiated, in effect, with the institutions behind them.

KEY MOVE

Identify every table at which your agreement must be approved. Before closing, check that the deal falls within the win-set of your own constituency, and ask whether it falls within the other side's.

4.3 What Decides the Outcome?

Six Factors That Shape Outcomes

Negotiators often attribute their results to their own skill or to their opponent's stubbornness. In practice, a handful of structural factors explain most outcomes before anyone speaks. Table 4.4 sets them out.

Table 4.4

Factors that shape the outcome of a negotiation

Factor	Why it matters	Where the book develops it
Alternatives	The party with the better alternative to agreement can afford to walk away	Chapter 11
Information	Knowing the other side's limits, priorities and costs allows a negotiator to target offers	Chapters 2 and 7
Time and deadlines	The party under greater time pressure usually concedes more	Chapter 13
Relationships	Parties who will deal again moderate their demands and trust each other's promises	Chapters 8 and 9
People and skills	Preparation, communication and judgement can widen or narrow the gains	Chapters 16 and 17
Structure and institutions	The number of parties, the need for ratification and the rules of the game constrain what is possible	Chapters 5, 14 and 15

The first factor deserves special emphasis. Fisher and Ury (1981) introduced the idea of the **best alternative to a negotiated agreement** (**BATNA**): what a party will do if the negotiation fails. A party should accept an agreement only if it is better than its BATNA, and the party whose BATNA is stronger has more power. In 2025 the American BATNA was to impose tariffs unilaterally, which the United States could do at once. The EU's BATNA was to retaliate, which would have hurt its own consumers and firms and risked further escalation. This asymmetry, more than any argument made at Turnberry, explains why the EU accepted a ceiling of 15 per cent. Chapter 11 analyses BATNAs and bargaining power in detail.

Time pressure also played its part. American deadlines for higher rates forced the pace, and the Commission evidently judged that an imperfect agreement was better than the risk of higher tariffs. Information was incomplete on both sides: neither knew how far the other would go, and both were uncertain how American courts would rule on the legality of the tariffs.

Why Negotiation Is Difficult

If the parties prefer an agreement to no agreement, why do negotiations so often fail or produce poor results? Several challenges recur.

- **Misperception.** Each side tends to overestimate the strength of its own case and to see the other's motives as more hostile than they are. Chapter 16 examines the cognitive biases behind this.
- **Strategic concealment.** Because revealing one's true limits can be exploited, parties hide information, and joint gains go undiscovered. This is the negotiator's dilemma of Chapter 2.
- **Divisions within each side.** Agents may not act for their principals, and constituencies may disagree among themselves, as the two-level game shows.
- **Commitment and face.** Public positions are hard to abandon without appearing to lose, as Chapter 1 explained.
- **Problems of trust and enforcement.** Agreements depend on promises about the future, and parties doubt whether the other side will keep them. The EU's investment and energy figures in the Turnberry Deal were intentions the Commission could not enforce on private firms, while the EU in turn doubted whether the United States would keep its tariff ceiling.

Figure 4.2 compares the highest tariff that each of three European economies faced during 2025 with the rate it accepted in its framework deal.

KEY MOVE

Before you open, assess the structure: each side's alternatives, information, deadlines, relationships, people and institutions. Most outcomes are shaped by these factors long before the first offer.

DEAL SNAPSHOT

Switzerland Negotiates Its Way Down from 39 Per Cent, 2025

From August 2025 the United States applied a tariff of 39 per cent to goods from Switzerland, one of the highest rates imposed on any developed economy, threatening exporters of machinery, watches and many other products (Executive Order No. 14326, 2025). The Swiss government kept negotiating, and a breakthrough was announced on 14 November 2025. Under a non-binding framework, the United States agreed to limit the additional tariff on Swiss goods to 15 per cent, the level applied to the EU. In return, Switzerland undertook to reduce its duties on US industrial goods, fish and seafood and some farm products, and Swiss companies planned direct investment of US$200 billion in the United States by the end of 2028 (Swiss Federal Council, 2025). The case shows how a small economy without the collective weight of the EU used persistence and investment commitments to change the other side's calculation.

4.4 Profit, Power and Persuasion: A Framework for the Book

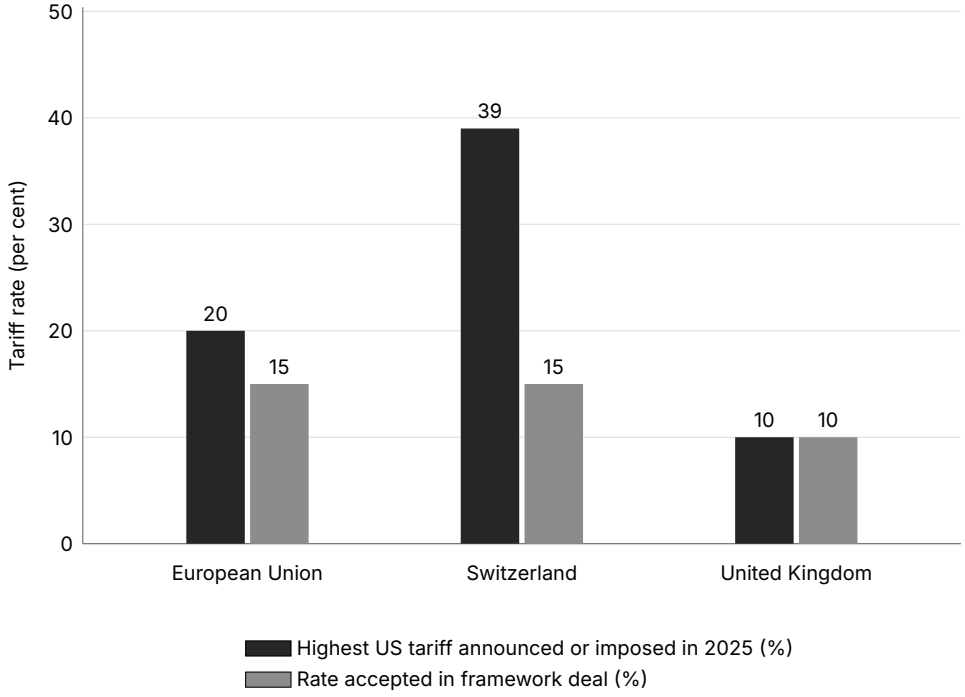
Three Questions for Every Negotiation

This book argues that every business negotiation can be analysed by asking three questions in turn.

- **Profit: what value is at stake, and how will it be created and divided?** This is the question of the surplus introduced in Chapter 2. It asks what each side wants and why, what its limits are, how much value an agreement could create and who will capture it. Part II develops this pillar: the goals of firms (Chapter 6), preparation (Chapter 7), the creation and division of value (Chapter 8), negotiation along value chains and in deals (Chapter 9) and labour negotiations (Chapter 10).
- **Power: what determines each side's leverage, and how can it be used?** Power comes from alternatives, from the structure of markets, from institutions and from the analytical tools a negotiator brings to the table. Part III develops this pillar: bargaining power (Chapter 11), game theory and decision analysis (Chapter 12), the negotiation process and tactics (Chapter 13), negotiations with many parties (Chapter 14) and negotiations between firms and states (Chapter 15).
- **Persuasion: how is agreement reached and made to last?** Agreements are reached through communication, shaped by psychology and culture and judged by standards of ethics. Part IV develops this pillar: communication

Figure 4.2

Highest US tariff announced or imposed in 2025 and rate accepted in framework deals (per cent)



Note. Author, based on Executive Orders No. 14257 and No. 14326 (2025), European Commission (2025), Department for Business and Trade (2025) and Swiss Federal Council (2025). The highest rates are those announced in April 2025 for the EU and imposed in August 2025 for Switzerland. The rates are not strictly comparable: the EU rate of 15 per cent includes ordinary duties, while the British and Swiss rates are additional to them.

and psychology (Chapter 16), negotiation styles and tactics (Chapter 17), culture (Chapter 18) and ethics (Chapter 19). Chapter 20 brings the three pillars together. Table 4.5 summarises the three pillars of the framework.

Why Three Pillars?

The three pillars correspond to three disciplines that have studied negotiation, often in isolation from one another. Economics explains the value at stake and how markets and institutions shape bargaining power. Game theory and decision analysis provide tools for analysing strategy. Psychology, communication studies and the study of culture explain how people actually reach agreement.

Table 4.5

The profit, power and persuasion framework

Pillar	Central question	Key concepts	Part of the book
Profit	What value is at stake, and who will capture it?	Surplus, interests, targets and limits, value creation and value claiming	Part II
Power	What determines each side's leverage?	Alternatives (BATNA), dependence, market structure, institutions, game theory	Part III
Persuasion	How is agreement reached and made to last?	Communication, framing, trust, culture, ethics	Part IV

Raiffa (1982) showed how the analytical and the human sides of negotiation can be combined, and this book follows his example.

The pillars also interact. Power without profit is pointless: leverage matters only when there is value to claim. Profit without power is precarious: a party which creates value but cannot protect its share will see it taken by others, as Chapter 2 showed. Persuasion without power rarely succeeds, since arguments seldom move a party whose alternatives are strong; but power without persuasion produces agreements that are resented, resisted and abandoned. Each chapter of the book closes its Deal File with a **Pillar Scorecard**, which rates the importance of each pillar in the case and summarises the evidence, so that readers can see how the balance among them varies from one negotiation to another.

The Framework Applied

The Turnberry Deal illustrates all three pillars. On **profit**, the value at stake was the trade shown in Figure 4.1: hundreds of billions of euros of exports, concentrated in pharmaceuticals, cars and machinery, and the profits of the firms producing them. On **power**, the United States held the stronger alternative, since it could raise tariffs at once, while the EU's leverage lay in the size of its market, its capacity to retaliate and, later, in the uncertainty that the Supreme Court's ruling created for the American position. On **persuasion**, each side had to present the agreement to its own public as a success: the President as proof that tariffs bring concessions, the Commission as the least damaging outcome available, and the European Parliament as a deal it had improved through its own conditions.

The author's research on trade cooperation between India and Europe applies a similar logic to another set of negotiations, showing how geoeconomic fragmentation changes the value at stake, the balance of power and the arguments available to each side (Kumar, 2026b). Chapter 15 returns to this theme.

KEY MOVE

Ask the three questions in order. First, what value is at stake and who will capture it? Second, what determines each side's power? Third, how will agreement be reached and made to last?

BACK TO THE DEAL FILE

Reading the Turnberry Deal

The tools of this chapter explain both the terms of the deal and the difficulty of implementing it.

Negotiation was chosen over the alternatives, but the alternatives shaped it. The EU could have retaliated, gone to the World Trade Organization or waited for American courts. It negotiated because each alternative was costly or slow, and the agreement reflected the fact that the American alternative of unilateral tariffs was stronger than the European alternative of retaliation.

The process passed through every phase, and implementation reopened the deal. Preparation, opening threats, months of information exchange, bargaining and a dramatic closing at Turnberry were followed by an implementation phase that lasted almost a year. The Supreme Court's ruling of February 2026 changed the legal basis of the American commitments and gave the European Parliament an opportunity to attach conditions of its own.

It was a two-level game on both sides. The Commission had to satisfy 27 member states and the Parliament; the President had to contend with the courts. The conditions written into the EU's legislation, including the expiry in 2029 and the clauses on suspension and on steel, are the European win-set made explicit.

Several promises could not be enforced. The figures for energy purchases and investment were expectations expressed by public authorities on behalf of private firms, while the American limit depended on executive action that the courts could constrain. Agreements built on promises of this kind are inherently fragile, a theme that Chapter 13 develops.

Each pillar mattered. The value at stake set the terms of the debate, the asymmetry of alternatives decided the main outcome and persuasion shaped how each side presented it at home.

MA EXTENSION

Two-Level Games and the Paradox of Weakness

Putnam (1988) showed that a negotiator whose domestic win-set is small may gain bargaining power, because it can credibly say a more generous agreement would be rejected at home. Schelling (1960) made a related point about commitment: the ability to bind oneself can be a source of strength. Apply these ideas to the Deal File. Did the conditions attached by the European Parliament in 2026 strengthen or weaken the EU's position in future negotiations with the United States? Did the Supreme Court's ruling enlarge or shrink the American win-set? Under what conditions does a constrained negotiator gain, and when does the constraint simply make agreement impossible?

ETHICS CHECK

The joint statement of August 2025 included figures for energy purchases and investment that the European Commission could not oblige firms or member states to deliver. Is it ethical for negotiators to include in an agreement commitments they know they cannot enforce? How should the other side treat such promises, and what happens to trust when they are not kept?

Pillar Scorecard

Table 4.6

Pillar Scorecard: the Turnberry Deal, 2025 and 2026

Pillar	Importance in this case	Evidence
Profit	Very high	Hundreds of billions of euros of trade, concentrated in pharmaceuticals, cars and machinery, were exposed to tariffs
Power	Very high	The United States could impose tariffs at once, while the EU's main alternative of retaliation was costly to itself
Persuasion	High	Each side presented the deal at home as a success, and the European Parliament used conditions to show it had improved it

Your Move

This is a constructed teaching case.

You are the export director of a manufacturer of wooden windows near Kalisz, which sells a quarter of its output to a distributor in the United States. Before 2025 your windows entered the United States at a low ordinary duty; now they face a combined rate of 15 per cent. The distributor proposes that you absorb the whole

tariff by cutting your price. Your margin on American sales is 12 per cent, and two Canadian competitors are offering similar windows. The distributor has worked with you for nine years and values your reliability and your quality certificates.

1. Should you negotiate, or consider one of the alternatives in Table 4.2? Explain your choice.
2. Using Table 4.4, assess the factors that will shape the outcome. What is your BATNA, and what is the distributor's?
3. Plan the phases of the negotiation using Table 4.3.
4. Apply the three questions of the framework. What value is at stake, who has more power and what arguments could persuade the distributor to share the cost of the tariff?

Conclusion

Negotiation is the principal means by which economic actors turn conflict into agreement. It is a process between interdependent parties with different preferences, and it is the right choice only when an agreement can offer each party more than competing, litigating, imposing or walking away. Negotiations pass through recognisable phases, from preparation to implementation, and many are played at two levels, with the other side and with one's own constituency. Their outcomes depend above all on structural factors: alternatives, information, time, relationships, people and institutions. The Turnberry Deal shows all of them at work, and it shows that an agreement announced in a day may take a year to become real. This chapter has also set out the framework on which the rest of the book is built. Every negotiation is a contest over profit, decided by power and closed by persuasion. Before turning to the first of these pillars, however, Part I has one more question to answer: what happens when negotiation fails? Chapter 5 examines the third parties to whom firms turn when they cannot agree on their own: mediators, arbitrators and the courts.

Exercises

A. Objective Questions

1. Which of the following is *not* an essential element of negotiation as defined in this chapter?

   a) two or more parties
   b) different preferences
   c) equal power
   d) interdependence

2. In this book, the term "bargaining" refers mainly to:
   a) the search for joint gains
   b) the competitive division of a fixed surplus
   c) the implementation of an agreement
   d) negotiation between governments

3. Zartman and Berman (1982) describe international negotiation as moving through:
   a) latent, perceived and manifest stages
   b) threat, promise and agreement
   c) opening, middle and end game
   d) diagnosis, formula and detail

4. In Putnam's two-level game, the win-set is:
   a) the range of agreements that a party's domestic constituency would accept
   b) the set of issues on the agenda
   c) the concessions made by the stronger party
   d) the final agreement

5. A BATNA is:
   a) the best agreement a party can hope for
   b) the first offer in a negotiation
   c) a type of contract clause
   d) what a party will do if the negotiation fails

6. Under the joint statement of August 2025, the US tariff ceiling on most EU goods was:
   a) 10 per cent in addition to ordinary duties
   b) 15 per cent including ordinary duties
   c) 20 per cent
   d) 30 per cent

7. In the profit, power and persuasion framework, the question "what determines each side's leverage?" belongs to:
   a) profit
   b) persuasion
   c) power
   d) none of the pillars

8. According to Figure 4.1, the largest product group in EU exports of goods to the United States in 2025 was:
   a) medicinal and pharmaceutical products
   b) electrical machinery
   c) road vehicles
   d) power-generating machinery

B. Short-Answer Questions

1. Define negotiation and explain each of its essential elements.
2. Name four alternatives to negotiation and state one situation in which each might be preferable.
3. Describe the six phases of a negotiation, giving a business example of each.
4. Explain Putnam's idea of a two-level game and illustrate it with the Turnberry Deal.
5. What is a BATNA, and why does the party with the stronger BATNA usually have more power?
6. Identify three challenges that make negotiation difficult, with an example of each.
7. State the three questions of the profit, power and persuasion framework, and explain how the pillars interact.

C. Long-Answer Questions

1. Analyse the Turnberry Deal using the six factors in Table 4.4. Which factors best explain why the EU accepted a ceiling of 15 per cent?
2. Compare the agreements reached with the United States in 2025 by the United Kingdom, the European Union and Switzerland. How did the size, alternatives and strategy of each party shape its outcome?
3. "An agreement is only as good as its implementation." Discuss this statement with reference to the Turnberry Deal and to the problems of trust and enforcement in negotiation.
4. Choose a negotiation in which a firm in your country was recently involved. Analyse it using the profit, power and persuasion framework and assess which pillar was most important.

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