

INTERNATIONAL BUSINESS ECONOMIC NEGOTIATIONS BY PERIPHERAL ECONOMIES: Notes Toward An Applied Analytical Frame

by Reginald Herbold Green

I An Information System Approach To An Internally Rational International Business Economic Negotiations Strategy

- A. Not a description, very often ad hoc not overall approach and even these internally inconsistent as well as non-coordinated;
- B. Internally rational assuming some dominant group or reasonably stably balanced coalition of decision takers. Content of strategy will relate to nature of that group or coalition;
- C. Categorisation quasi journalistic:
  - 1. Why Negotiate? (Strategic Ends)
  - 2. What Negotiate For? (Means to Implement Strategy)
  - 3. Who To Negotiate With? (Who Can Provide the Means)
  - 4. When To Negotiate? (Sequences, Priorities)
  - 5. Where To Negotiate? (What Topics, Sectors Are What, When Priorities)
  - 6. How To Negotiate? (Enhancing and Deploying Rights, Power, Capacity)

II Why Negotiate?

- A. To achieve progress toward national (i.e. decision taking group or coalition) strategic ends. Includes socio political, socio economic, political economic system goals. A state seeking self reliant, participatory socialism and collective self reliance among peripheral economies will have different goals than one seeking a capitalist domestic system integrated into the international economic system ruled by an elite coalition through clientilist structures and seeking regional dominance (of other peripheral economies). These differences should inform the content, nature, pattern of negotiations.
- B. More specifically the national strategy toward (and

perception of the nature of) the international economic system should affect negotiations. Variants include:

1. Relatively unselective integration into international system (perceive as benevolent or easily alterable and/or unable to see any other option):
    - a. with one country e.g. Senegal, Ivory Coast, Cuba
    - b. with world economy e.g. Singapore, Taiwan, Australia
    - c. lo trade variant of "b" e.g. India, Afghanistan.
  2. Specific attempt to achieve regional or global centre role in world economy (perceive inequality) or exploitation and seek to get ahead in that context)
    - a. regional e.g. Kenya, Brazil
    - b. semi-regional e.g. Algeria (pre 1974), Egypt
    - c. global e.g. Iran
  3. Self reliant (i.e. high degree selectivity, closing of economy as systematic goal) approach
    - a. high trade variant e.g. Algeria (post 1974), Tanzania
    - b. low trade variant e.g. Somalia
    - c. versus particular centre e.g. Zambia (vs Rhodesia)
  4. Collective self reliant via co-operative, integrative thrust among groups of peripheral economies e.g. Andean Pact, East African Community, OPEC, Non-Aligned
  5. Neo-Autarchic (extreme self reliant)
    - a. large e.g. China
    - b. small e.g. Burma, Cambodia
- C. There are logical links between broader and international economic system strategy but not 1:1 correlations. Other considerations - both specific ideological and specific objective material conditions - are relevant.
- D. Similarly key class strategies may be apparently similar but have different meaning in overall strategic contexts. E.g. discouragement citizen capitalist class common to Senegal, Tanzania, China. But in Senegal articulated MNC-Levantine-Foreign African capitalists (common interests civil service and rural elites), with domestic public productive sector small and supporting private; in China

almost all domestic public; in Tanzania large domestic public plus joint ventures with foreign (where case perceived as beyond present domestic public capacity) plus declining private.

- E. Negotiations needed in any strategy. Even Cambodia negotiates trade agreement with Thailand and Thai based firms.
- F. Negotiations not per se about traditional foreign investment e.g. Algeria virtually no foreign investment but turnkey plants, marketing and financing contracts (e.g. natural gas liquifaction and export); Eurodollar loans, technology purchases (e.g. machinery, organisation of public corporations) or e.g. EAC patterns and balance economic cooperation with potential members, associates (or indeed among present members).
- G. Negotiations may not be in format of round table talks. E.g. immigration laws and work permits; training laws and government training programmes; fiscal penalties on hiring expatriates are in fact "negotiating" devices to secure citizenisation of staff. Unlikely to negotiate formally on their nature except in specific contracts (e.g. exemption or waiver) but unless reckless must evaluate probable future and actual past effect and listen to, consider what firms say before decide to inaugurate or change them and when looking at impact of existing (especially newly added, altered) measures.

### III What to bargain for - identifying means for reaching goals in relation to proposed negotiations

- A. Different economic and socio-economic means are needed to implement broader strategies e.g. foreign exchange, market access, supply access, access to finance, investible surplus generation, production to use specific resources, production in general (i.e. growth), particular types of employment (e.g. schoolleavers), employment in general, soft technology (communications, marketing, training, purchasing, general management), hard technology (machines and processes), government revenue ;

- B. Broader sub-aspects of strategy also relate to transactions e.g. control, national economic integration (forward, backward, sideways linkages), regional integration patterns -
- C. Each means must be related to the strategic frame e.g. the attitudes (perceptions) of foreign ownership, profits, profit remittances affect how valuable and how costly any specific arrangements are. The computation of costs and the price it is worth paying for any means is critical. Evidently, some overall evaluation of options is needed - the price worth paying in any one transaction for any one means depends in large measure on alternative ways of achieving it e.g. Mauritius has fewer options to embodying semi-skilled labour in import intensive exports than Tanzania, the Lomoros alternatives to spice and perfume raw material production and processing (beyond tourism) are none too clear whereas those of Madagascar are easier to discern;
- D. In any one negotiation some means will be the critical targets of that negotiation; these will vary from case to case as well as over time and among countries - one does not seek foreign exchange earnings as a primary goal from increasing input supply for staple food production nor direct employment generation from a cement plant;
- E. Indirect effects of any case (whether social structure impact, pollution, or more narrowly economic externalities) need to be estimated before negotiation by whatever method yields rapid and approximately correct estimates of the larger effects which are of concern to decision takers;
- F. The timing of costs and gains is critical. Discounted cash flow is, perhaps, specific to cash (or input/output) flows but the underlying principles that benefits now are worth more than those later and deferred costs (of the same absolute amount) are less onerous than present is much more generally applicable.

IV Who to negotiate with depends on who can provide the "what"

- A. Both in general and in any specific case one must identify potential negotiating partners and areas of negotiation in terms of what is sought. E.g. market access for sisal twine to EEC is now controlled by a cartel. Only negotiations with a cartel member or a farmers' co-operative buying large quantities of twine from them seems likely to be relevant to attaining the market access "what" for EEC, a machinery manufacturer or general merchant or finance house is irrelevant in this context;
- B. The appropriate who will thus vary widely by country, time and specific project;
- C. It is first critical to determine what is available domestically, by direct hire or purchase, through cooperation with other developing countries, via technical assistance before deciding whether to negotiate with a foreign firm and, if so, what to seek. When some whats can be met domestically (or from a genuinely cheaper external source) and some do need a foreign firm contract unpackaging must be sought (e.g. technical management but not general management, overseas selling but not local purchasing, hard technology and training in its use but not finance). Otherwise not only are costs raised but needless foreign inputs become substitutes for domestic and development is deterred;
- D. In this context it is critical to realise that TNCs vary as to characteristics in general and specific capabilities in respect of individual projects. First no contract is cheap if the "what" sought cannot be delivered promptly and effectively (e.g. if the smelter only works at half capacity or the road is 18 months late). Second no contract is cheap if the what has been misidentified (e.g. a centralised monolithic organisation of commerce when a decentralised, flexible one was the actual goal). Third subject to these conditions a smaller, less broadbased foreign firm has advantages. It will probably charge less, be more concerned in project success (because the project is more critical to it) and be less able to mobilise unequally great power against the country during negotiation, implementation or renegotiation.

V When to negotiate is critical in terms of short term effect and achieving a sequential dynamic as opposed to a dead end

- A. Immediate, available problems (contradictions) characterised by real divergences of interest (antagonistic) and significant size are the appropriate targets for negotiation -
1. Immediate in the sense of a present or short run future need for specific action e.g. a fertiliser plant when approximate need by product is known in agro-economic/agrotechnical terms not five years before;
  2. Available - i.e. negotiations can produce results e.g. establishing a simple farm implements production and development capacity not a basic atomic chemistry research and development unit;
  3. Problems (contradictions) in the meaning of a barrier to achieving means to move toward strategic goals e.g. in Tanzania to negotiate for a Mercedes car assembly plant would be nugatory because Mercedes cars are not desired;
  4. Real divergence (not purely formal) to be overcome e.g. to negotiate on a dividend withholding tax exemption (presumably discretionary and revocable) in a case in which no dividends are likely for ten years is somewhat pointless (to either party);
  5. Significant in relation to the absolute and opportunity (other negotiations "given up" to pursue this one) cost of negotiating. E.g. to delay an integrated 20 million metre textile plant's coming into being two years to reduce a fee by \$50,000 or to conduct negotiations on a \$100,000 a year output perfume plant suggests inability to identify and weigh up significance.
- B. This pattern is important for several reasons:
1. To attempt the presently impossible may lead to absolute losses and a lack of direction as well as failing to do the possible;
  2. Inadequate prioritisation is costly even if gains are made in what is given priority because of what is lost

to sight (and substance) by being put aside or low weighted;

3. The particular path of any negotiation depends on (or should depend on) cross priorities beyond the negotiating resources. E.g. in Tanzania in 1957 about one major nationalised sector could be directly organised and managed, one sub-contracted to local private. It was critical that banking (not, say, cigarettes) be chosen for direct action because of its central strategic role and that milling/food processing be the second because of basic conflicts of interest with available foreign managing agents. These considerations were - in the short run - less critical for cement, cigarettes or beer.

- C. However, when (by definition) changes over time. Thus one goal in negotiation is to avoid creating future obstacles by building in options, renegotiation clauses, flexibility. To do this effectively requires at least rough estimation of the range of future changes which are both reasonably probable and likely to be desired e.g. phasing out a managing agent, expanding production, changing market or supply channels, merging "competing" production or distribution units.

## VI Where to negotiate includes picking the topics and sectors which satisfy what and when criteria for prioretisation

- A. Topical areas (either leading to independent legislative or administrative "negotiation") or cross-cutting several specific project negotiations arise in cases such as taxation, citizenisation, protection, infrastructure supply and charges;
- B. Sectoral areas (which may at one extreme relate to a single negotiation or at the other to legislative/administrative general "indirect negotiations") may be defined as broadly as export oriented manufacturing, basic domestic need oriented manufacturing, staple food production; in an intermediate breadth e.g. industrial power; or more narrowly e.g. the vector of industries from cotton growing through shirts, margarine, plastics and cattlefeed or cigarette production.
- C. Where in this socio-economic and political economic sense

depends largely on what means have priority and when (whether) useful negotiation is achievable in a particular country at a specified time within a set of strategic goals.

VII How to negotiate comprehends strategies and tactics for deploying and enhancing rights, powers and capacities.

- A. Formal rights flow from the fact of sovereignty coupled with the (changing and to some extent alterable) international legal climate of concepts and interpretations; powers to exercise these rights flow from the general internal socio-economic, socio-political and political economic stability unity and strength of a polity, from its external supporters and their effectiveness and from the number of (project) options it has open in pursuing its goals; capacities relate to ability to utilise powers in general and especially in respect of one project (e.g. options at micro level as to ways to pursue given project without the "services" of other party to negotiations).
- B. Rights, powers, capacities must be identified in general and in relation to specific negotiations if they are to be used (deployed) or enhanced (perhaps by the result of the negotiation or, alternatively, to strengthen ones position in it).
- C. Therefore knowledge of ones own rights, powers and capacities and of ones own why, what, who, when, where is an essential first step toward preparing for negotiation. As a complement the same type of knowledge (even if less completely and precisely) should be collected in respect of the other party.
- D. From this knowledge should flow:
  1. The final decision on whether to negotiate, to negotiate now (or later), with whom. (Incidentally normally the whom should be at least potentially plural - an option of that type enhances capacity e.g. two firms bidding for one training-plant creation-selling contract);
  2. Identification of probable areas of mutual interest, of different but not conflicting interest and of conflict;
  3. The relationship of a particular negotiation to overall



negotiating strategy and to any sub-cluster of directly related negotiations (e.g. a textile mill nationalisation to other textile sector negotiations of recent past, present, foreseeable future).

E. Three "end result" patterns are worth working out in some detail -

1. The "optimal" result in which the gains are so divided it would be just worthwhile for other party to agree;
2. The "minimum" result beyond which no agreement (i.e. ending negotiations) is better for country than making further concessions;
3. The "cutoff" result below which the country will not go. This should be above the "minimum" at least if powers and capacities are not so weak as to mean that virtually no options to concluding an agreement exist. It is a mistake not to identify this result and to treat any contract not individually worse than none at all as a "satisfactory" or even as an "acceptable" result.

F. Evidently with three result patterns pre-consideration of tactics, phasing, fallback positions between "optimum" and "cutoff" is necessary. It is critical to keep overall flexibility until a final agreement is in sight and to try first to trade concessions critical to other party's what (but secondary to ones own) for gains critical to ones own what (but secondary to the other party's).

G. Tactics are largely both complex and specific. Following identical patterns offends both against game theory and against the objective differences in objective conditions surrounding any given set of negotiations. However a few rules of thumb are useful:

1. Keep control (or at least joint control) of frame as well as details e.g. put forward ones own draft proposals, do not simply chip away at the edges of the other party's;
2. Be certain one is allocating concessions for real gains and not squandering them on secondary matters;
3. Avoid creating constraints (e.g. a time deadline) which in fact bind oneself more than the other party;

4. Maintain a coherent, united negotiating position (even if tactically different individuals are allotted "hard" and "soft" line speaking parts);
  5. Correlate political, senior official, technical inputs into the negotiations and avoid either general inability to negotiate at all (i.e. totally fixed position) or invertebrate flexibility (no clear limit to concessions known to oneself) at face to face sessions.
- H. Certain implications follow as to building and deploying negotiating capacity:
1. Relative to possible gains and losses actual negotiations, preparation to negotiate and creating appropriate institutional knowledge and personnel infrastructure for negotiations (in rising order) are usually given very inadequate priority in attention or resource allocation;
  2. The key inputs are: personnel (and experience acquired by them), knowledge (of the overall why, what, who, and of specific case what, who, when), institutional patterns (to coordinate and to involve) and a negotiating strategy to relate these to national decision takers strategic (why) and tactical (why-what) goals, priorities and sequences;
  3. Negotiating capacity is a key area in which to build up basically national inputs especially in political decision takers attention plus legal and overall political economic and socio economic negotiating/brief making expertise. If necessary expatriates in the state's service or from genuinely independent third parties may be a workable interim device, but only as a means to building national capacity as well as conducting specific negotiations. Only in specialised, highly technical fields which arise rarely should long term use of individual case consultants be seen as acceptable; that of a general international business economic negotiations management contract to an external body is by definition unsound.