Online Appendix for "Multi-level Bargaining and the Negotiation of a Regional Trade Agreement: A Classroom Simulation"

Simulation Materials and Instructions

Overview: This simulation is designed to run over 1-2 class periods. Students will be divided into 3 roughly equal groups to represent three different countries. Each group must decide on a country name. Within each country group, at least one student will be in charge of representing the interests of the government, at least one student will be in charge of representing the interests of business and at least one student will be in charge of representing the interests of labor. The students representing government, business and labor will each be provided with a list of economic and political interests. They should be instructed that some information on the sheets is to be kept secret not only from other country members but also from other countries. They may decide to reveal it if they feel it helps them in the negotiations. If each country group cannot be divided equally, the smallest group should be labor and the largest group should be government. One student will be tasked as lead negotiator and must be one of the students representing the government's interests. All students are part of the country's negotiating team, although those students tasked with representing business and labor must work to ensure the government does not sideline their interests in the negotiation process. You may wish to encourage labor and business representatives to negotiate with their counterparts in other countries, although it is not necessary.

In the initial stage of the negotiation each country must meet and come up with a proposal that lists their main demands in the trade deal. A sheet will be provided to each country to specify their initial set of preferences in the subsequent negotiations (See figures at end of document). These demands should be written down and a copy turned into the instructor for credit. Since the students will tend to change their mind on several provisions throughout the negotiation process, it is important one original copy of the intra-country negotiations is preserved for comparison to the final agreement during the debriefing phase. All country members must agree to the initial proposal.[1]

The second stage of the negotiation will involve a timed negotiation period where students from each of the three countries attempt to come up with a comprehensive trade deal that is satisfactory to the majority of members of each country. Another sheet will be provided to the lead negotiators that specify the terms of the final agreement (see tables at end of document). The trade deal must be written down and signed by one government representative of each country.

After a trade deal has been signed, a vote will be held where each student votes for or against the proposal. Only those countries where a majority of members vote for the deal will become part of the trade agreement.

Throughout the timed negotiation period, every 4-6 minutes a 20-sided die will be rolled by the instructor. Depending on the roll of the die, an exogenous shock may occur that alters the trade negotiations. The negotiators must take into account any exogenous shock.

[1] Or a majority depending on instructor preference.

To encourage participation in the trade deal, students should be told that at the end of the simulation, they will be required to draft a response essay based on their experience. In the essay, they compare and contrast the initial country-level agreement to the final international agreement. In addition, students should explain their decision-making throughout the negotiations, explain why certain compromises were made for some commodities but not others, and discuss which countries and/or interests did the best in the negotiations and which did the worst.

Background (to be presented to the class or read aloud before the negotiations begin): Three neighboring countries are all facing an economic recession and are seeking increased economic ties with each other to address the lack of economic growth and rising unemployment. Country 1 is a regional power, has a gross domestic product of $2 trillion and makes up nearly 70% of the regional economy of the three countries. Country 2 is a middle-income country, has a gross domestic product of $250 billion and makes up about 10% of the regional economy of the three countries. Country 3 is a developed country, although not particularly powerful in the international arena, and has the smallest population of the three countries. Country 3 has a gross domestic product of $550 billion and makes up the remaining 20% of the regional economy of the three countries. Due to Country 1's very large economy, Country 2 and Country 3 have long-standing economic ties to Country 1, although there are fewer connections between Countries 2 and 3. Political relations between Country 1 and Country 3 have always been cordial and these two countries see each other as strong allies. However, in the past, Country 1 has had military conflict with Country 2, and Country 2 still holds a grudge from the loss in that conflict.

Task (read aloud to students): Your task is to negotiate a trade deal agreeable to all 3 countries, while at the same time addressing the concerns of domestic constituents. Leaders of all 3 countries support a trade deal but face numerous conflicting economic and political interests that made agreement difficult. Furthermore, the trade deal is not particularly popular with voters in all 3 countries and a favorable deal must be struck before the next election. Failure to do so may result in one of the leaders being thrown out of office and derailing the negotiations.

Simulation Set-Up Instructions

1. Organize class into roughly 3 equal groups.
2. Each country should decide on a country name.
3. Within each country, members must decide who will represent the government, business and labor. If a country cannot be divided into 3 equal subgroups, the government should represent the largest subgroup, and labor the smallest.
4. Read Background paragraph (available above)
5. Describe Task (available above)
6. Pass out list of interests to each group/individual and provide them the following guidelines:
    a. Instruct students that each list of interests contains general information shared with all members of the country.
    b. Each list also includes interests specific to labor, business and government. Some of these interests are in Bold, and should remain secret unless they deem it in their best interest to share this information with others.
    c. Students may not act in complete opposition to their interests, but this is a negotiation and so they will have to make some concessions and compromises. It is up to each student to determine how much they are willing to compromise with other students.
    d. Beyond the printed list of interests, students are free to act as they wish and interpret the interests however they see fit.

Negotiation Rules (pass out a copy to each student and describe to the class):

1. The negotiation will take place in two stages.
    a. Stage 1: Each country must negotiate an initial proposal among country members before negotiations can begin with other countries.
        i. You will be provided a negotiation form that highlights the sectors of the economy over which you must negotiate.
        ii. You have two choices: maintain the status quo for particular sectors of the economy or eliminate existing protections.
            1. As a representative of government, business or labor, you may wish to complete a negotiation form prior to negotiating with other countries to help clarify your own interests.
        iii. All country members must support the initial proposal
        iv. The initial proposal will serve as a starting point with negotiations with other countries and should represent the 'best-case' outcome for your country.
        v. Decisions made during stage 1 are not binding in stage 2.
        vi. A completed proposal form must be turned in to the instructor for credit prior to the beginning of stage 2.
    b. Stage 2: In a timed negotiation period, the three countries must attempt to negotiate a trade deal with each other.
        i. You will be provided an identical negotiation form that highlights the sectors of the economy over which you must negotiate.
        ii. Throughout the timed negotiation period, the instructor will roll a 20-sided die every ~5 minutes. Depending on the outcome of the roll, a political or economic shock may occur that alters the negotiation strategies of one or more countries. It is also possible that nothing may happen during a roll.
        iii. A final deal signed by one government representative of each country must be turned into the instructor for credit at the end of the negotiation period.
        iv. After a deal has been signed by government representatives, all students will have a chance to vote in the final deal. A majority of students in each country must support the deal for it to pass.
        v. To determine how well each individual interest group and each individual country did in the simulation, you can compare the final proposal to your initial proposal. Each favorable provision in the final deal is worth +1 point, while each concession is worth -1 point. Sum all of the points to create a final score. A comparison of final scores across interest groups and countries will highlight how well each group did during the negotiations. These scores do not impact your grade.

<u>Country 1 Profile (Government)</u>

Information that may be kept secret is highlighted in **Bold**

General Interests and Information (Shared with all members of Country 1)

- Country 1 has the largest economy of the three countries. While it is very interested in securing a trade deal with Country 2 and Country 3, it also recognizes that C2 and C3 have more to gain from a trade deal than does C1.
- Country 1 is currently in an economic recession with stagnating economic growth and growing unemployment.
- The economy of C1 is dependent on oil imports from many countries, but especially from C2 and C3.
- Oil companies in C1 have many investments in C3's oil industry but have no investments in C2's oil industry.
- The largest agricultural sectors of the economy include corn, wheat, and dairy. C1 also produces a small amount of oranges and sugar. All of these industries are protected by the government through subsidies and restrictions on imports.
- C1 is a strong public supporter of anti-dumping laws.
- C1's pharmaceutical industry is very powerful both economically and politically and is concerned about competition from generic drug makers in C2 and C3.
- One of C1's major exports is their films and music. Political leaders, business and labor oppose protections of local film and music industries in C2 and C3.
- C1 is very concerned about lax copyright protections in C2 since C2's government has not been able to control a large black market of pirated computer software, films and music.
- C1's government has a policy that provides incentives for government contracts to only be given to businesses from C1. This "Buy C1" policy is very popular.
- C1 currently restricts imports of steel and textiles to protect domestic steelworkers and clothing manufacturers.
- C1 has a very large automobile industry but is facing stiff competition from foreign competitors. The government currently has a number of safety regulations in place which help restrict the importation of cheaper foreign cars.
- The people of C1 are concerned that increased economic ties to C2 will encourage large-scale immigration from C2.
- C1 imports much of its wine from C3.
- Home appliance and shoe companies in C1 have already transferred assembly of their products to C2 and support the trade deal. Workers and consumers were initially angry when assembly moved overseas but have come to recognize they benefit from cheaper products as a result.
- C1 is involved in a number of different trade negotiations with many countries outside of C2 and C3.
- C1's president is from the National Conservative Party but the legislature is currently controlled by their main opposition party, the Progressive Liberal Party. The Progressive Liberals are badly divided over support of the trade deal. The Progressive Liberals also have the power to disrupt the trade negotiations and ensure their interests are represented

in the final product since the President needs the support of some Progressive Liberals to pass the trade deal in the legislature.
- Labor Unions and Environmental interest groups are generally opposed to the trade deal and many Progressive Liberals receive campaign contributions from these groups.

Government Interests:
- **C1's economy will do fine without a trade deal and therefore is less willing to compromise on key issues to ensure it gets the best trade deal.**
- **C1's government would like to weaken the power of domestic protectionists seeking to limit global competition in the domestic marketplace. Securing the trade deal with C2 and C3 will weaken these opponents.**
- While political leaders in C1 feel the trade deal will have broad economic benefits, knowledge of a future trade deal with C2 is creating fear that cheap goods from C2 will flood the market, harm domestic industries and increase unemployment.
- C1 is concerned about energy security and the potential of C2 and C3 to restrict oil exports or increase the price of oil to take advantage of C1's dependence.
- Sugarcane and orange farmers are politically powerful and contribute a lot of money to political campaigns to maintain government subsidies. These farmers fear that cheaper sugar and oranges from C2 as a result of a free trade deal will put them out of business.
- Wheat and corn growers are politically & economically powerful and contribute a lot of money to political campaigns. They also benefit from large government subsidies and restrictions on imports from other countries.
- The "Buy C1" policy is very popular **although C1 leaders secretly do not support this policy**.
- **Political leaders want to reduce protections of the auto industry to weaken the autoworker's union. The autoworker's union provides a lot of support for the main opposition, the Progressive Liberals.**
- Political leaders know they are unlikely to gain support for any type of integration beyond a free trade agreement and would likely be thrown out of office for proposing a common market or an economic union.
- **Political leaders would like to open up competition in the steel and textile sectors.**
- C1 hopes a successful trade deal with C2 and C3 will give C1 more leverage to economically isolate countries who refuse to sign favorable trade deals with C1. A regional free trade bloc among C1, C2, and C3 will strengthen C1 economically relative to other countries. **However, since C1 is negotiating many trade deals, securing a deal with C2 and C3 is not especially urgent since they have many other options.**
- **Politically, C1 cannot publicly oppose anti-dumping laws, but secretly recognizes that the powerful wheat, corn and dairy lobbies oppose these laws since it prevents them from expanding their market share in C2 and C3.**
- Political leaders in C1 fear that if they oppose the interests of the pharmaceutical industry they will face strong opposition in the next election.
- The lumber industry is unionized and has primarily supported the Progressive Liberal Party in past elections.

<u>Country 1 Profile (Business)</u>

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General Interests and Information (Shared with all members of Country 1)

- Country 1 has the largest economy of the three countries. While it is very interested in securing a trade deal with Country 2 and Country 3, it also recognizes that C2 and C3 have more to gain from a trade deal than does C1.
- Country 1 is currently in an economic recession with stagnating economic growth and growing unemployment.
- The economy of C1 is dependent on oil imports from many countries, but especially from C2 and C3.
- Oil companies in C1 have many investments in C3's oil industry but have no investments in C2's oil industry.
- The largest agricultural sectors of the economy include corn, wheat, and dairy. C1 also produces a small amount of oranges and sugar. All of these industries are protected by the government through subsidies and restrictions on imports.
- C1 is a strong public supporter of anti-dumping laws.
- C1's pharmaceutical industry is very powerful both economically and politically and is concerned about competition from generic drug makers in C2 and C3.
- One of C1's major exports is their films and music. Political leaders, business and labor oppose protections of local film and music industries in C2 and C3.
- C1 is very concerned about lax copyright protections in C2 since C2's government has not been able to control a large black market of pirated computer software, films and music.
- C1's government has a policy that provides incentives for government contracts to only be given to businesses from C1. This "Buy C1" policy is very popular.
- C1 currently restricts imports of steel and textiles to protect domestic steelworkers and clothing manufacturers.
- C1 has a very large automobile industry but is facing stiff competition from foreign competitors. The government currently has a number of safety regulations in place which help restrict the importation of cheaper foreign cars.
- The people of C1 are concerned that increased economic ties to C2 will encourage large-scale immigration from C2.
- C1 imports much of its wine from C3.
- Home appliance and shoe companies in C1 have already transferred assembly of their products to C2 and support the trade deal. Workers and consumers were initially angry when assembly moved overseas but have come to recognize they benefit from cheaper products as a result.
- C1 is involved in a number of different trade negotiations with many countries outside of C2 and C3.
- C1's president is from the National Conservative Party but the legislature is currently controlled by their main opposition party, the Progressive Liberal Party. The Progressive Liberals are badly divided over support of the trade deal. The Progressive Liberals also have the power to disrupt the trade negotiations and ensure their interests are represented

in the final product since the President needs the support of some Progressive Liberals to pass the trade deal in the legislature.

- Labor Unions and Environmental interest groups are generally opposed to the trade deal and many Progressive Liberals receive campaign contributions from these groups.

Business Interests:

- Pro-business lobbying groups are very interested in securing a trade deal, particularly with C2, since it will increase the profits of most member businesses.
- Oil companies in C1 would like to see an increase in investment in C2's oil industry to modernize their pipelines, refineries, and explore for more oil deposits.
- Sugarcane and orange growers prosper in C1 due to large government subsidies. They maintain these subsidies through expensive lobbying and hope to maintain these subsidies in any trade deal.
- Wheat and corn growers and dairy farmers benefit from large government subsidies and restrictions in imports from other countries. While they would like to maintain their protections in C1, they also would like enter the markets of C2 and C3 since they know they can sell their product at a cheaper price than producers in C2 and C3. In general, all of these sectors oppose anti-dumping regulations.
- The pharmaceutical industry wants to maintain protections that restrict market access to cheap generic drugs from C2 and C3.
- Business groups support the "Buy C1" policy since it limits competition over government contracts.
- Auto manufacturers support a trade deal that allows them to move assembly plants to C2 and C3 in order to be more competitive in the global market.
- **Business leaders support the free movement of labor into C1 since it would increase competition and drive down wages.**
- The steel and textile industry would like to maintain government protections of their industry since they would not be able to compete with cheaper imports from C2.
- The lumber industry fears competition with C3 will drive many of them out of business.

<u>Country 1 Profile (Labor)</u>

Information that may be kept secret is highlighted in **Bold**

General Interests and Information (Shared with all members of Country 1)

- Country 1 has the largest economy of the three countries. While it is very interested in securing a trade deal with Country 2 and Country 3, it also recognizes that C2 and C3 have more to gain from a trade deal than does C1.
- Country 1 is currently in an economic recession with stagnating economic growth and growing unemployment.
- The economy of C1 is dependent on oil imports from many countries, but especially from C2 and C3.
- Oil companies in C1 have many investments in C3's oil industry but have no investments in C2's oil industry.
- The largest agricultural sectors of the economy include corn, wheat, and dairy. C1 also produces a small amount of oranges and sugar. All of these industries are protected by the government through subsidies and restrictions on imports.
- C1 is a strong public supporter of anti-dumping laws.
- C1's pharmaceutical industry is very powerful both economically and politically and is concerned about competition from generic drug makers in C2 and C3.
- One of C1's major exports is their films and music. Political leaders, business and labor oppose protections of local film and music industries in C2 and C3.
- C1 is very concerned about lax copyright protections in C2 since C2's government has not been able to control a large black market of pirated computer software, films and music.
- C1's government has a policy that provides incentives for government contracts to only be given to businesses from C1. This "Buy C1" policy is very popular.
- C1 currently restricts imports of steel and textiles to protect domestic steelworkers and clothing manufacturers.
- C1 has a very large automobile industry but is facing stiff competition from foreign competitors. The government currently has a number of safety regulations in place which help restrict the importation of cheaper foreign cars.
- The people of C1 are concerned that increased economic ties to C2 will encourage large-scale immigration from C2.
- C1 imports much of its wine from C3.
- Home appliance and shoe companies in C1 have already transferred assembly of their products to C2 and support the trade deal. Workers and consumers were initially angry when assembly moved overseas but have come to recognize they benefit from cheaper products as a result.
- C1 is involved in a number of different trade negotiations with many countries outside of C2 and C3.
- C1's president is from the National Conservative Party but the legislature is currently controlled by their main opposition party, the Progressive Liberal Party. The Progressive Liberals are badly divided over support of the trade deal. The Progressive Liberals also have the power to disrupt the trade negotiations and ensure their interests are represented

in the final product since the President needs the support of some Progressive Liberals to pass the trade deal in the legislature.
- Labor Unions and Environmental interest groups are generally opposed to the trade deal and many Progressive Liberals receive campaign contributions from these groups.

Labor Interests

- In general, labor unions in C1 are skeptical of a trade deal, particularly with C2.
- Since labor protections are weaker in C2, and multinational corporations based in C1 may take advantage of the lower cost of labor in C2, labor in C1 perceives that a trade deal will lead to increased unemployment in particular sectors of the economy.
- Oil workers support reductions in oil protections as it might create more jobs.
- Sugar and orange workers face the possibility of losing their jobs if protections for these industries are eliminated as a result of a trade deal.
- Wheat, corn and dairy farmers support a trade deal and access to the markets of C2 and C3 since they will be able to make and sell more of their products.
- Labor unions support anti-dumping laws since they fear jobs could be lost as cheap foreign imports flood the market.
- Labor unions would prefer to see a drop in pharmaceutical prices to reduce the health care costs of their members.
- Labor supports the “Buy C1” policy since it helps protect jobs.
- The very powerful auto-workers union is aligned with the major opposition party in control of the legislature and opposes allowing auto-worker jobs to be “shipped” abroad.
- Labor unions are vocally opposed to any type of trade deal that allows for the free movement of labor across borders since it will threaten the jobs of their members.
- Steelworkers and textile workers support government protections of their industries since a reduction in protections would likely lead to job loss.
- Unionized loggers in the lumber industry fear their jobs will be threatened if restrictions are removed on imports from C3.

<u>Country 2 Profile (Government)</u>

Information that may be kept secret is highlighted in **Bold**

General Interests and Information (Shared with all members of Country 2)

- Country 2 has a very large foreign debt and is having trouble making payments towards the debt. C2 is also facing a serious recession and inflation. The economy has not grown at all in the last 8 years.
- C2 has already tried and failed to secure trade deals with countries other than C1 and C3.
- For the last several decades, C2's economy has been very closed to foreign investment and competition from foreign companies. Prior leaders have sought to protect their domestic industries from competition with their wealthier neighbor, C1.
- The population of C2 has increasingly sought access to the films and music of C1, to the point where foreign films & music are more popular than domestic films & music.
- C2's economy is very dependent on oil profits. For decades the government has relied on oil profits to fund the government and pay for services. However, the reliance on oil to fund the government during bad economic times means the government-run oil industry has not invested in maintaining oil pipelines and refineries. It also lacks the technical expertise to explore for hidden oil deposits. This lack of investment means that much oil is lost in pipeline breaks and other malfunctions. It also means that if C2 does not find more oil deposits, it is in danger of exhausting current reserves in the next 50 years. Government ownership of the oil industry is extremely popular among C2's citizens.
- The largest agricultural sectors of the economy include corn, sugar, oranges, and dairy. C2 primarily imports wheat from C1 and C3.
- Corn farmers have been protected from cheap corn imports from C1 and C3 for many years. Corn growers are opposed to a trade deal that forces them to compete against the more efficient growers from C1 and C3.
- C2 has developed fairly strong steel and textile industries, but has restricted access to C1's market due to very high tariffs and quotas that make C2's steel and textiles uncompetitive.
- C2 does not have its own auto industry and purchases most of its automobiles from C1. C2 is interested in providing incentives for C1 to move automobile assembly to C2 to help create jobs and also reduce the costs of automobiles sold within C2.
- C2 has a large unregulated black market of pirated software, film and music. Many of the poor rely on the piracy of intellectual property as their main source of income.
- C2 has a government run health care system that relies on the production of generic drugs to keep costs low. Most of the generic producers of drugs are domestic companies.
- People from C2 have a long history of immigrating to C1.
- Supporters of the opposition to the current government are seeking easier access to C1 for immigrants and would like greater flexibility for workers to travel back and forth between C1 and C2.
- C2 has a small wine industry that is heavily protected through restrictions on imports.
- C2 is a major producer of shoes that it exports to C1 and C3.

- C2's governing party, the Conservative Revolutionary Party, faces a growing opposition from the Revolutionary Left Party that opposes the trade deal and is extremely skeptical of C1's influence in Country 2.

Government Interests

- C2 leaders feel the only way to get their economy back on track is to increase competition domestically and gain access to foreign markets to export more goods. In particular, C2 feels that a trade deal with C1 is the only way to fix their economic problems.
- While C2 fears that opening up the country to free trade may wipe out many domestic industries, it sees few other alternatives and would rather negotiate a favorable deal with C1 rather than just opening up their economy to foreign competition without concessions from C1.
- The leaders of C2 are concerned that removing protections of local film and music companies will wipe out the remaining cultural industries of C2.
- **C2 opposes C3's participation in the trade deal. C2 has little interest in access to C3 (and perceive the reverse to also be true). C2 is particularly worried C3 will spoil the negotiations and cause delays. They believe C3 is seeking to prevent C2 from getting preferential access to C1's market, and has greater incentives to maintain the status quo. C2 is also in a hurry, since they fear delays caused by C3's participation could derail the entire negotiation process with a change in government in either C3 or C1.**
- C2's government wishes to improve its international reputation by securing a trade deal. Failure to solve economic problems and negotiate a favorable trade deal could lead to a breakdown in the governing party's support coalition and the election of an opposition party.
- Some sectors in the governing party feel they can continue to rely on the oil industry to support domestic industry and oppose any opening of the economy to companies from C1. **Secretly, political leaders are hoping to weaken this faction within the party.**
- **Major producers of pirated goods have important political connections to members of the current governing party and any crackdown on piracy will have negative political consequences.**
- **C2 is willing to signal to C1 they will negotiate on foreign investment in the oil industry but secretly opposes any foreign involvement in the oil industry and would like to completely exclude the oil industry from trade negotiations.**
- **C2's governing party is hesitant to alienate business groups since these groups may withdraw political support and defect to opposition parties.**

Country 2 Profile (Business)

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General Interests and Information (Shared with all members of Country 2)

- Country 2 has a very large foreign debt and is having trouble making payments towards the debt. C2 is also facing a serious recession and inflation. The economy has not grown at all in the last 8 years.
- C2 has already tried and failed to secure trade deals with countries other than C1 and C3.
- For the last several decades, C2's economy has been very closed to foreign investment and competition from foreign companies. Prior leaders have sought to protect their domestic industries from competition with their wealthier neighbor, C1.
- The population of C2 has increasingly sought access to the films and music of C1, to the point where foreign films & music are more popular than domestic films & music.
- C2's economy is very dependent on oil profits. For decades the government has relied on oil profits to fund the government and pay for services. However, the reliance on oil to fund the government during bad economic times means the government-run oil industry has not invested in maintaining oil pipelines and refineries. It also lacks the technical expertise to explore for hidden oil deposits. This lack of investment means that much oil is lost in pipeline breaks and other malfunctions. It also means that if C2 does not find more oil deposits, it is in danger of exhausting current reserves in the next 50 years. Government ownership of the oil industry is extremely popular among C2's citizens.
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- C2 does not have its own auto industry and purchases most of its automobiles from C1. C2 is interested in providing incentives for C1 to move automobile assembly to C2 to help create jobs and also reduce the costs of automobiles sold within C2.
- C2 has a large unregulated black market of pirated software, film and music. Many of the poor rely on the piracy of intellectual property as their main source of income.
- C2 has a government run health care system that relies on the production of generic drugs to keep costs low. Most of the generic producers of drugs are domestic companies.
- People from C2 have a long history of immigrating to C1.
- Supporters of the opposition to the current government are seeking easier access to C1 for immigrants and would like greater flexibility for workers to travel back and forth between C1 and C2.
- C2 has a small wine industry that is heavily protected through restrictions on imports.
- C2 is a major producer of shoes that it exports to C1 and C3.

- C2's governing party, the Conservative Revolutionary Party, faces a growing opposition from the Revolutionary Left Party that opposes the trade deal and is extremely skeptical of C1's influence in Country 2.

Business Interests

- Business groups support opening up the oil industry to investment from C1 and C3 since they feel government protection of oil has artificially increased production costs in other industries.
- Sugar and orange growers seek greater access to C1's market to sell their goods.
- The generic pharmaceutical companies would like to have access to C1's market since their products are generally cheaper than those produced in C1.
- The film and music industry is under threat from movies and music from C1. They are lobbying the government to maintain subsidies for the local industry.
- Major businesses in C2 oppose reducing protections on government contracts. While they would benefit from greater access to government contracts in C1, many businesses in C2 are completely dependent on government contracts in C2 for their survival. **However, since it is often necessary to bribe public officials to obtain government contracts in C2, business leaders may be willing to concede on this issue since they know companies from C3 and C1 will have a hard time navigating C2's corrupt government contract system**.
- Steel and textile manufacturers would support a trade deal that reduced or eliminated barriers to export to C1 and C3.
- Business groups support increased investment from C1's automobile industry.
- **Business lobbying groups secretly support cheaper corn imports from C1 but are afraid to publicly make this statement due to potential backlash from small corn farmers in C2.**
- Business groups want to protect their shrinking lumber industry **but secretly are willing to concede on reducing lumber protections in exchange for something else since C2 is facing a severe deforestation problem and consumer demand for lumber is shrinking.**
- Wine producers fear increased cheap imports from C3 will wipe out their small but growing industry.
- C2's home appliance industry is relatively large and manufactures cheap but reliable appliances such as refrigerators and home ovens. It also has taken over the assembly of appliances for C1's market. These companies seek greater access to C3's protected appliance market.
- Dairy producers in C2 could be regionally competitive but have a limited presence in other markets due to heavy subsidies. Dairy producers support a trade deal that eliminates these subsidies in C1 and C3.

Country 2 Profile (Labor)

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General Interests and Information (Shared with all members of Country 2)

- Country 2 has a very large foreign debt and is having trouble making payments towards the debt. C2 is also facing a serious recession and inflation. The economy has not grown at all in the last 8 years.
- C2 has already tried and failed to secure trade deals with countries other than C1 and C3.
- For the last several decades, C2's economy has been very closed to foreign investment and competition from foreign companies. Prior leaders have sought to protect their domestic industries from competition with their wealthier neighbor, C1.
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- C2 has developed fairly strong steel and textile industries, but has restricted access to C1's market due to very high tariffs and quotas that make C2's steel and textiles uncompetitive.
- C2 does not have its own auto industry and purchases most of its automobiles from C1. C2 is interested in providing incentives for C1 to move automobile assembly to C2 to help create jobs and also reduce the costs of automobiles sold within C2.
- C2 has a large unregulated black market of pirated software, film and music. Many of the poor rely on the piracy of intellectual property as their main source of income.
- C2 has a government run health care system that relies on the production of generic drugs to keep costs low. Most of the generic producers of drugs are domestic companies.
- People from C2 have a long history of immigrating to C1.
- Supporters of the opposition to the current government are seeking easier access to C1 for immigrants and would like greater flexibility for workers to travel back and forth between C1 and C2.
- C2 has a small wine industry that is heavily protected through restrictions on imports.
- C2 is a major producer of shoes that it exports to C1 and C3.

- C2's governing party, the Conservative Revolutionary Party, faces a growing opposition from the Revolutionary Left Party that opposes the trade deal and is extremely skeptical of C1's influence in Country 2.

Labor Interests

- Labor unions are a very strong supporter of the governing party, and most workers fear a trade deal will cost them jobs. Workers also recognize the primary advantage of C2 is an abundant supply of cheap labor. The trade deal will make it harder for workers to negotiate future contracts and pay raises. **However the leaders of the labor unions are corrupt and in the pockets of C2's leaders**.
- Oil workers oppose foreign involvement in the oil sector since they fear foreign workers will be brought in to replace them.
- Sugar and orange farmers support a trade deal that expands their exports.
- Labor unions support a trade deal that increases access for domestic pharmaceutical companies in C1 since it will help create local jobs.
- Musician and filmmaker unions oppose reducing protections on C2's cultural industries
- Labor opposes lifting protections that limit government contracts to only companies from C2 because it may cost jobs.
- Steelworkers and textile manufacturers support reductions in the protection of these industries in C2 and C3.
- Workers in automobile assembly plants are unionized and support the movement of more automobile manufacturing to C2 from other countries since it will create jobs and increase union membership.
- Most corn is grown on small- to medium-sized farms and is heavily protected by the government. Corn farmers fear the influx of cheap corn from C1 and C3.
- Workers in the lumber industry oppose a trade deal with C3 since they know they will be unable to compete with C3's larger lumber industry.
- Labor opposes a reduction in the protection of the local wine industry.
- Workers in the appliance industry support a trade deal that makes it easier to sell their products to C1 and C3.
- Dairy workers seek a reduction in protections in C1 and C3.

<u>Country 3 Profile (Government)</u>

Information that may be kept secret is highlighted in **Bold**

General Interests and Information (Shared with all members of Country 3)

- Country 3 is currently in a recession.
- The politically powerful lumber industry wants access to C1's market but to date has failed to overcome opposition from C1's lumber industry and powerful logger unions.
- C3 opposes anti-dumping laws since they feel these laws restrict the normal operation of free market competition. Farmers from C3 would benefit from the elimination of these laws.
- C3's agricultural sector is dominated by corn, wheat, wine and dairy. It is dependent on imports for sugar and oranges.
- The population of C3 has increasingly sought access to the films and music of C1, although the leaders of C3 are concerned that removing protections of local film and music companies will wipe out the remaining cultural industries of C3.
- C3 has weaker economic ties to C2 but a potential trade deal with C2 has led to some fears of strong competition in C3's agricultural and textile sectors.
- C3 wants an end to C1's "Buy C1" policy which restricts competition for government contracts to business from C1 only.
- C3 is one of the world's largest producers of oil and the large majority of oil is exported to C1. C3 is C1's largest supplier of oil. The people of C3 are concerned that any trade deal will encourage greater exports of oil and lead to gasoline shortages in C3 since all the oil companies operating in C3 are privately-run. Currently, the government of C3 can restrict the export of oil if there is the possibility of domestic shortages.
- C3 does not have its own domestic auto companies, but many foreign automakers have assembly plants in C3. C3 and C1 have an agreement that allows for the free trade of materials and goods related to the auto industry. C3 is concerned that if C1 and C2 negotiate a trade agreement, the lower cost of labor in C2 relative to C3 will encourage automobile companies to shift assembly plants from C3 to C2.
- C3 has a government run health care system that relies on the production of generic drugs to keep costs low. Most of the generic producers of drugs are domestic companies. Access to C1's market would be beneficial for these companies and their workers.
- Migration between C3 and C2 has never been very large. While C3 is very well developed, it lacks a large enough workforce to fill many unskilled jobs in agriculture and food processing industries.
- C3 exports a lot of wine to C1 and is hoping to expand its exports to C2.
- The people of C3 fear that industries from C1 will come in and buy up all the domestic businesses.
- C3 has no domestic shoe industry and is dependent on imports.
- C3's government, currently controlled by the Right to Freedom Party just recently won a hard fought election over the issue of trade. The Independent Liberal Left Party is the primary opposition party and stands to gain electorally if the current governing party agrees to more concessions that hurt domestic industries.

Government Interests

- While C3's government definitely favors freer trade, it is reluctant to stir up further controversy with a new trade deal. C3's leaders wants to ensure they can sell any new trade deal to their people and avoid losing the next election.
- C3 is somewhat reluctant to participate in the trade deal since it already has some preferential access to C1's market.
- **C3 is very concerned about the competition C2 will provide within C1's market. C3 primarily wants more access to C1's market and really could care less about C2. But, if C1 and C2 negotiate a trade deal, and C1 and C3 negotiate a separate trade deal, C1 will become an investment hub for business, negatively affecting the amount of investment in C3. If C2 secures their own bilateral trade deal with C1, C3 is concerned C2 might get a better deal than C3. The best option would be a trilateral deal.**
- Political leaders oppose reducing protections on the oil industry since doing so would be politically unpopular.
- Political leaders are hesitant to reduce protection of their steel and textile industries since it may cost them votes in the next election.
- Political leaders publicly oppose including the auto industry in any trade deal since it will eliminate their current preferential agreement with C1. **However, they secretly are willing to concede on this issue since most autoworkers vote for the opposition.**
- The government is seeking more markets for the large corn and wheat industries since they already produce more than can be consumed domestically.

<u>Country 3 Profile (Business)</u>

Information that may be kept secret is highlighted in **Bold**

General Interests and Information (Shared with all members of Country 3)

- Country 3 is currently in a recession.
- The politically powerful lumber industry wants access to C1's market but to date has failed to overcome opposition from C1's lumber industry and powerful logger unions.
- C3 opposes anti-dumping laws since they feel these laws restrict the normal operation of free market competition. Farmers from C3 would benefit from the elimination of these laws.
- C3's agricultural sector is dominated by corn, wheat, wine and dairy. It is dependent on imports for sugar and oranges.
- The population of C3 has increasingly sought access to the films and music of C1, although the leaders of C3 are concerned that removing protections of local film and music companies will wipe out the remaining cultural industries of C3.
- C3 has weaker economic ties to C2 but a potential trade deal with C2 has led to some fears of strong competition in C3's agricultural and textile sectors.
- C3 wants an end to C1's "Buy C1" policy which restricts competition for government contracts to business from C1 only.
- C3 is one of the world's largest producers of oil and the large majority of oil is exported to C1. C3 is C1's largest supplier of oil. The people of C3 are concerned that any trade deal will encourage greater exports of oil and lead to gasoline shortages in C3 since all the oil companies operating in C3 are privately-run. Currently, the government of C3 can restrict the export of oil if there is the possibility of domestic shortages.
- C3 does not have its own domestic auto companies, but many foreign automakers have assembly plants in C3. C3 and C1 have an agreement that allows for the free trade of materials and goods related to the auto industry. C3 is concerned that if C1 and C2 negotiate a trade agreement, the lower cost of labor in C2 relative to C3 will encourage automobile companies to shift assembly plants from C3 to C2.
- C3 has a government run health care system that relies on the production of generic drugs to keep costs low. Most of the generic producers of drugs are domestic companies. Access to C1's market would be beneficial for these companies and their workers.
- Migration between C3 and C2 has never been very large. While C3 is very well developed, it lacks a large enough workforce to fill many unskilled jobs in agriculture and food processing industries.
- C3 exports a lot of wine to C1 and is hoping to expand its exports to C2.
- The people of C3 fear that industries from C1 will come in and buy up all the domestic businesses.
- C3 has no domestic shoe industry and is dependent on imports.
- C3's government, currently controlled by the Right to Freedom Party just recently won a hard fought election over the issue of trade. The Independent Liberal Left Party is the primary opposition party and stands to gain electorally if the current governing party agrees to more concessions that hurt domestic industries.

Business Interests

- Auto assembly plant owners oppose including the auto industry as part of any trade deal.
- The powerful oil companies support reducing protections of the oil industry, especially in C2, since they could expand their operations abroad.
- C3's businesses have spent years seeking access to C1's lucrative government contracts but have largely failed.
- Businesses feel threatened by potential cheap imports of steel and textiles from C2.
- Corn and wheat growers oppose anti-dumping laws and seek to expand their sales to C1 and C3.
- The lumber industry is seeking greater access to foreign markets for its products.
- The wine industry opposes the protection of foreign wine industries, since C3's large industry produces many high quality and cheap wines that are internationally competitive.
- The small home appliance industry fears being overrun by companies in C1 and C2.
- The large dairy industry is seeking greater access to foreign markets.

<u>Country 3 Profile (Labor)</u>

Information that may be kept secret is highlighted in **Bold**

General Interests and Information (Shared with all members of Country 3)

- Country 3 is currently in a recession.
- The politically powerful lumber industry wants access to C1's market but to date has failed to overcome opposition from C1's lumber industry and powerful logger unions.
- C3 opposes anti-dumping laws since they feel these laws restrict the normal operation of free market competition. Farmers from C3 would benefit from the elimination of these laws.
- C3's agricultural sector is dominated by corn, wheat, wine and dairy. It is dependent on imports for sugar and oranges.
- The population of C3 has increasingly sought access to the films and music of C1, although the leaders of C3 are concerned that removing protections of local film and music companies will wipe out the remaining cultural industries of C3.
- C3 has weaker economic ties to C2 but a potential trade deal with C2 has led to some fears of strong competition in C3's agricultural and textile sectors.
- C3 wants an end to C1's "Buy C1" policy which restricts competition for government contracts to business from C1 only.
- C3 is one of the world's largest producers of oil and the large majority of oil is exported to C1. C3 is C1's largest supplier of oil. The people of C3 are concerned that any trade deal will encourage greater exports of oil and lead to gasoline shortages in C3 since all the oil companies operating in C3 are privately-run. Currently, the government of C3 can restrict the export of oil if there is the possibility of domestic shortages.
- C3 does not have its own domestic auto companies, but many foreign automakers have assembly plants in C3. C3 and C1 have an agreement that allows for the free trade of materials and goods related to the auto industry. C3 is concerned that if C1 and C2 negotiate a trade agreement, the lower cost of labor in C2 relative to C3 will encourage automobile companies to shift assembly plants from C3 to C2.
- C3 has a government run health care system that relies on the production of generic drugs to keep costs low. Most of the generic producers of drugs are domestic companies. Access to C1's market would be beneficial for these companies and their workers.
- Migration between C3 and C2 has never been very large. While C3 is very well developed, it lacks a large enough workforce to fill many unskilled jobs in agriculture and food processing industries.
- C3 exports a lot of wine to C1 and is hoping to expand its exports to C2.
- The people of C3 fear that industries from C1 will come in and buy up all the domestic businesses.
- C3 has no domestic shoe industry and is dependent on imports.
- C3's government, currently controlled by the Right to Freedom Party just recently won a hard fought election over the issue of trade. The Independent Liberal Left Party is the primary opposition party and stands to gain electorally if the current governing party agrees to more concessions that hurt domestic industries.

Labor Interests

- Autoworkers oppose including the auto industry as part of any trade deal.
- Oil workers support reducing protections of the oil industry since it may increase jobs.
- Steel and textile workers adamantly oppose eliminating protections of their industry since they will lose their jobs if forced to compete against steel and textiles from C2.
- Corn and wheat farmers want to maintain government protections while opposing anti-dumping legislation since this will ensure continued government support and the ability to increase market share abroad.
- Logger unions support reducing protections of the lumber industry as it will create jobs.
- Labor unions support a reduction in protections of the wine industry since it will create jobs.
- Workers in the home appliance industry fear losing their jobs if forced to compete against cheap appliances from C2.
- Dairy workers support reducing protections since it will create jobs.

Exogenous Shocks

Every 4-6 minutes, instructor rolls a 20-sided die to see if any events occur that alter trade negotiations.

1. Another major oil-producing country has been invaded and oil supplies to C1 are cut off. C1 becomes tougher in its negotiations over oil sectors in C2 and C3.
2. Nothing happens.
3. C1 talks with other countries collapse; current trade deal becomes more urgent. **C1 also privately seeks greater access to foreign agricultural markets and fewer restrictions on agricultural exports to C2 and C3.**
4. Legislative authority in C1 to conduct trade deal has ended suddenly. A deal must be reached in 20 minutes.
5. Nothing happens.
6. Legislative authority in C1 to conduct trade negotiations has been extended. There is no urgency to reach a deal.
7. Nothing happens.
8. Nothing happens,
9. Legislative opposition in C1 requires trade negotiators to address lack of environmental, health and safety standards in C2. Government negotiators in C1 must grant an additional concession to labor.
10. A coalition of labor and environmental groups run a successful ad campaign that sways public opinion in C3 against the trade deal. C3 must ensure an additional demand acceptable to these groups is incorporated in the deal or Labor cannot vote for it.
11. Nothing happens.
12. A coalition of business groups run a successful ad campaign that sways public opinion in C1 in favor of the trade deal. C1 must ensure an additional demand acceptable to these groups in incorporated in the deal or business cannot vote for it.
13. Nothing happens.
14. Nationalist anger over the trade deal in C2 and C3 is causing the leaders in both countries to reconsider their decision to seek a trade deal. The protection of cultural industries in C2 and C3 is now off the table and not up for negotiation.
15. Nothing happens.
16. Due to a potential revolt within C2's governing party that threatens their participation in the trade deal, any discussion of oil is now off the table.
17. Nothing happens.
18. Nothing happens.
19. Nothing happens.
20. A massive labor strike in Country 2 threatens to turn towards violence unless Country 2 can convincingly show that workers in Country 2 will benefit from the trade deal. Country 2 must ensure that an additional demand favorable to labor is part of the deal or they cannot vote for it.

Stage 1 Negotiation Sheet Country:_________________________

Names:____

Instructions: Mark an 'X' in the box that reflects your position.

Sectors of the Economy		
	Eliminate protection	Maintain status quo
Oil		
Sugar		
Oranges		
Pharmaceuticals		
Film & Music		
Government Contracts		
Steel		
Textiles		
Automobile manufacturers		
Corn		
Lumber		
Wine		
Wheat		
Home Appliances		
Dairy farmers		
Shoe manufacturers		

Other Topics to Negotiate	
Include anti-dumping laws? (Yes or No)	
Increase copyright protection laws? (Yes or No)	
Increase environmental protection laws? (Yes or No)	
Increase protection of labor rights? (Yes or No)	

Level of Integration (choose 1):	
Free Trade Agreement	
Customs Union	
Common Market	
Economic Union	

Signature:_______________________________ Representative of:___________________
Signature:_______________________________ Representative of:___________________
Signature:_______________________________ Representative of:___________________

Stage 2 – International Negotiation Sheet

Final Trade Deal

Countries:____

Sectors of the Economy		
	Eliminate protection	Maintain status quo
Oil		
Sugar		
Oranges		
Pharmaceuticals		
Film & Music		
Government Contracts		
Steel		
Textiles		
Automobile manufacturers		
Corn		
Lumber		
Wine		
Wheat		
Home Appliances		
Dairy farmers		
Shoe manufacturers		
Other Topics to Negotiate		
Include anti-dumping laws? (Yes or No)		
Increase copyright protection laws? (Yes or No)		
Increase environmental protection laws? (Yes or No)		
Increase protection of labor rights? (Yes or No)		
Level of Integration (choose 1):		
Free Trade Agreement		
Customs Union		
Common Market		
Economic Union		

Signature:__________________________ Representative of:____________________________

Signature:__________________________ Representative of:____________________________

Signature:__________________________ Representative of:____________________________