

Developments In Business Simulation & Experiential Exercises, Volume 22, 1995

NAFTA STANDOFF: A CROSS-CULTURAL NEGOTIATING ROLE-PLAY

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ABSTRACT

The purposes of the symposium are to introduce NAFTA Standoff and to address some of the avenues that have opened up (and some that have not opened up) since the passage of NAFTA. The learning objectives of NAFTA Standoff are to illustrate two types of integrative negotiating agreement, logrolling and bridging, and their antecedents; and to show some differences between socialized power and personal power.

INTRODUCTION

NAFTA Standoff is designed for two participants to negotiate the location of a new manufacturing plant. The negotiators play the roles of mayors of adjacent towns, one on each side of the U.S. - Mexican border. Both mayors want the plant in their own towns, but each town meets only two of the three criteria for locating the plant. Also, both mayors have personal motives that are stronger than their desires to locate the plant in their towns.

NAFTA Standoff offers two types of integrative (win-win) negotiated agreements, a logrolling solution and a bridging solution. The logrolling solution allows both mayors to lose a little to win big. The bridging solution requires both mayors to refocus on what they want most of all. In order to forge either one of these types of integrative agreement, the mayors must share certain information about their towns, about their personal goals, and about other things that they know.

ROLE OF MAYOR MACDOUGAL OF LAKEVIEW, ARIZONA

You are the mayor of Lakeview, AZ, a medium-sized, mostly working class town. Lakeview is right on the Mexican border. Unemployment in your town is currently near 15%. You have learned that the Kokishi Company, of Japan, is planning to build a new manufacturing plant in your area. Such a plant would provide jobs for all your townspeople who want to work and then some.

Such full employment would make up for a number of very embarrassing things that have happened to you lately. During the last month it's been one damned thing after another. Your chief of police has been publicly accused of fixing speeding tickets. Then the state auditors found over \$20,000 of your town's funds "unaccounted for," and some of the townspeople have been looking suspiciously at you. Worse yet, your son, Joe, was caught breaking and entering into the local bar after hours. He and some of his friends were trying to steal two cases of beer.

Consequently, you have fallen out of favor with your voters. Your term as Mayor expires in two months and you fear that your chances of winning the next election are slim.

You want very much to win that election. You are quite certain that, if you can entice Kokishi to locate their plant in Lakeview, the reduction in unemployment will bring you enough popularity to win the election.

However, your primary, number-one, life-long dream has always been for your son, Joe, to go to the University of Arizona. Joe is now a star offensive tackle for Lakeview High. You have been in touch with the University of Arizona about a football scholarship, but all they wanted to talk about was a medical school scholarship for a Hispanic student. Ironically, the person you talked with said that any premed college student with decent grades who applied for that scholarship would be quite certain to get it. You feel frustrated because that won't help Joe at all. You would gladly trade your mayorship and forget all about the Kokishi plant if Joe could have a chance at a college education.

One thing about Lakeview that Kokishi likes is Lakeview Technical College, which specializes in employee training. Lakeview Tech is denoted by an asterisk on your map. Lakeview also has five types of zones (see the map): open space, residential, woodlands, parks, and commercial. Locating the plant in some of these zones would cost the town a net loss in taxes and other costs per acre. Locating it in other zones would bring a net gain per acre. These cost and benefit figures are on the map.

The problem is that Lakeview does not have an emergency facility with squad members trained in handling potential hazards from the chemicals that Kokishi will be using. It will cost Lakeview \$300,000 to build an emergency facility and hire trained technicians.

Another disadvantage is that Lakeland is a border town with restricted movement to the south. People have to clear customs every time they go into Mexico. However, under NAFTA, tariffs on the relevant goods will soon be phased out and trucks will soon be allowed to travel freely on routes across the border.

Kokishi's criteria for locating their plant are the following:

1. The plant must have at least 200 acres of land with some additional adjacent land for future expansion.
2. The plant must be located within two zones of an emergency facility.
3. The plant must be located within two zones of a technical college.

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You are thinking about asking the town finance committee to study the feasibility of building an emergency facility. But, before doing that, you decide to discuss the situation with Mayor Gonzalez of Las Aguas, Mex., the town just south of the Mexican border from Lakeview. You have heard that Mayor Gonzalez is trying to attract Kokishi to Las Aguas.

ROLE OF MAYOR GONZALEZ OF LAS AGUAS, MEXICO

You are the mayor of Las Aguas, Mex., a medium-sized, mostly working class town. Las Aguas is right on the Arizona border. Unemployment in your town is currently near 15%. You have learned that the Kokishi Company, of Japan, is planning to build a new manufacturing plant in your area. Such a plant would provide jobs for all your townspeople who want to work and then some.

Such full employment would make up for a number of very embarrassing things that have happened to you lately. During the last month it's been one damned thing after another. Your deputy mayor was just convicted of stuffing ballot boxes in the last election. Then the Mexican Federal Investigators discovered that 100,000 pesos (about 20,000 U.S. dollars) was missing from your town's coffers, and some of the townspeople have been looking suspiciously at you. Worse yet, your daughter, Maria, was caught taking a joy ride in a stolen Corvette with some of her friends.

Consequently, you have fallen out of favor with your voters. Your term as Mayor expires in two months and you fear that your chances of winning the next election are slim.

You want very much to win that election. You are quite certain that, if you can entice Kokishi to locate their plant in Las Aguas, the reduction in unemployment will bring you enough popularity to win the election.

However, your primary, number-one, life-long dream has always been for your daughter, Maria, to go to medical school. She has earned good grades as a premed student at the University of Mexico City. You have been in touch with the University of Arizona about medical school, but all they wanted to talk about was a football scholarship for an offensive guard. Ironically, the person you talked with said that any good high school guard who applied for that scholarship would be quite certain to get it. You feel frustrated because that won't help Maria at all. You would gladly trade your mayorship and forget all about the Kokishi plant if Maria could have a chance at medical school.

One thing about Las Aguas that Kokishi likes is your fire department with squad members trained in handling potential hazards from the chemicals that Kokishi will be using. The location of the fire department is shown on the map by an asterisk. Las Aguas also has five types of

zones (see the map): open space, residential, woodlands, parks, and commercial. Locating the plant in some of these zones would cost the town a net loss in taxes and other costs per acre. Locating it in other zones would bring a net gain per acre. These cost and benefit figures are on the map.

The problem is that Las Aguas does not have a technical college that can assist in training Kokishi's employees. It would cost Las Aguas \$300,000 to build and staff such a school.

Another disadvantage is that Las Aguas is a border town with restricted movement to the north. People have to clear customs every time they go into the U.S. However, under NAFTA, restrictions on immigration and job visas will soon be phased out.

Kokishi's criteria for locating their plant are the following:

1. The plant must have at least 200 acres of land with some additional adjacent land for future expansion.
2. The plant must be located within two zones of a technical college.
3. The plant must be located within two zones of an emergency facility.

You are thinking about asking the town finance committee to study the feasibility of building a technical college. But, before doing that, you decide to discuss the situation with Mayor MacDougal of Lakeview, AZ, the town just north of the U.S. border from Las Aguas. You have heard that Mayor MacDougal is trying to attract Kokishi to Lakeview.

MR. MACHAMUSHI'S BRIEFING

[Read the following briefing after the role players have had about five minutes to read and internalize their roles.]

I am Mr. Machamushi, president and CEO of the Kokishi Manufacturing Company. Now that you have read about your roles, negotiate with the other mayor for 20 minutes and decide on the following:

1. Where would you like to have the Kokishi plant located?
2. What will be your total income (loss) from locating the plant in your town?
3. What else do you plan to do? That is, what are the other terms of the agreement?

Remember, you will have no more than 20 minutes to answer these questions. If you have not answered the questions within 20 minutes, there will be severe consequences.

Now you may begin negotiating with the other mayor.