

Abstract

Three-party negotiations are analyzed in which the players are able not only to rank alternatives but also have a preference for impasse. In a dynamic model, players progressively invoke fallback positions to try to prevent inferior outcomes from being implemented in a game of incomplete information.

A player's intransigence, or unwillingness to retreat to fallback positions, generally works to its advantage. Greater size—or, equivalently, an enhanced ability to effect preferred outcomes—also helps, but intransigence is a potent force by itself.

Recent world trade negotiations are analyzed as a game among the United States, the European Community, and Japan. The positions of these players on the critical issues in these negotiations—agricultural supports and market access—indicates why an agreement supported by all three players has been difficult to achieve.

The game-theoretic analysis illuminates the rational basis of disagreement and why it develops in the manner it does. Extensions of the dynamic model are discussed, including making the preferences of the players for impasse endogeneous.