

# An Experimental Study on Internal and External Negotiation for Trade Agreements

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## Abstract

This paper experimentally studies the performance of negotiation considering individual and party, like a country, share of benefit over the best ones. It experiments two-stage bargaining games, internal and external negotiations. From the experimental results, this paper shows strong tendency to select fair allocation in the internal negotiations, but the tendency would be weaker with attractive outside option. In addition, the outside option may claim difference in individual benefit. From the regression on individual performance in the negotiations, being a proposing party would matter to enhance the performance. However, relative individual performance within party fairness matters. Still attractive no agreement options happen to break the tendency. As policy implication for trade negotiation, this paper warns that possible loss in individual benefit from not active participation to the external negotiations, no active role of proposer in case that players stick to internal allocations, and possible deviation by advantageous sector due to attractive outside option.