

Overall Goals and Strategy

Red’s goal for this negotiation with Blue is, to secure around 70% more than 60% of the negonium and get Blue’s investment for our national park. If Red’s allocation percentage is not lower than 60%, we are willing to use our negonium to make Blue promise with Blue’s investment for the national park enhancement project.

As an agenda for this negotiation, we will first negotiate regarding mine development project and then move on to our national park enhancement project. This is because Blue is also eager to participate in mine development project. On the other hand, we are unsure Blue’s interest regarding national park enhancement project.

Thus, as a negotiation strategy, we will first talk about the mine development project and then seek their participation regarding the national park enhancement project.



Mine Development Project

Goals to Achieve

As Red, our ultimate goal is to find a partner who can commit earnestly to our negonium project by sharing the risk of research and feasibility study. Negoland and Red will utilize negonium to boost our economy, thus securing necessary amount of negonium is crucial for us. For negonium allocation, we would like to get negonium within **the range of 60% to 80%**. We have the range because at the current stage, we are unsure about how much will be needed in Negoland, so we would like to take the balance between negonium allocation and risk hedge by dividing the investment. Thus, we are willing to bear US\$60 million to US\$80 million of US\$100 million of cash investment. However, Red needs

Blue to invest more than US\$15 million for 2018, since Red has the budget limitation of US\$35 million.

Our second goal is to keep the valuation price for the Blue's technology **lower than US\$5 million**. Considering the point that this technology valuation would affect the valuation in the future full-scale project, Red would like to keep the valuation below US\$5 million.

The third goal is, to get **the call-option** into the agreement to buy back negonium that Blue has. Red would like to have this call-option because Red wants to prepare for the case that Red and other Negoland companies need more negonium in the future. Apart from our goals, Red has to make sure Red can stop the research and feasibility study and give up on this project if the total amount Red has to bear exceeds US\$200 million.

Red's Strength and BATNA

At the current stage, we have 7 candidates who would like to be a partner for this negonium project. During the negotiation, if Blue seems to hesitate to pay cash investment, we will once again inform Blue that Blue had known about the risk division when they applied as a partner. If negotiation with Blue does not result in achieving our goals, we would end this negotiation without agreement, and negotiate 6 other candidates.

Blue's Possible Interests and BATNA

Blue's possible interest would be, to get much negonium since it is very versatile. However, Blue may want to keep their cash investment as low as possible and increase the valuation of the technology to get negonium with less cash investment. There may be some other interests Blue has, such as getting fame as a pioneer of negonium or to use and test Blue's own technology.

Strategy for Our Goals

(a) Negonium Allocation

Red would like to secure around 70% of the negonium in total. To achieve this goal, Red would firstly ask and find out about how much negonium Blue wants. Further, as mentioned above, getting 70% is the most ideal percentage for us considering the objectives written below. However, we are able to agree within our range of 60% to 80%. To match our goals, we will use following three objectives. Regarding (b) and (c), Red is planning to propose a package deal with (b) and (c) after the first proposal to seek for Blue's real interest since those two are very closely related to the negonium allocation.

(b) Cash Investment

For the research and feasibility study for 2018 and 2019, US\$50 million in cash is needed each year. Both parties' contribution to this cash budget would directly result in negonium allocation for this case. Red will confirm that the cash contribution is connected with negonium allocation and ask Blue how much Blue is willing to invest and the reason for that number. Further, Red would like to check the gap between Blue's budget limitation and their ideal percentage of negonium.

(c) Technology Valuation

Red understands that Blue's technology is high-level, however since this is a new technology that has never been used and since this is only 2 years usage, Red believes the valuation of US\$3 million will be reasonable. High valuation of this technology might reduce our share of negonium. If Blue seems to have a tight budget, Red would increase the valuation up to US\$5 million or pay a royalty rather than considering the technology as the capital investment.

(d) Call Option

Red would like to have a call option for negonium Blue is getting. However, this call-option will be only needed if Red fails to get more than 70% in the result of (1) and (2). To get this call-option, Red is willing to offer a higher price for the negonium regarding call-option.

Possible Scenario

Allocation	Technology Valuation	Call Option	Comment
R 60% : B 40%	License (To secure Negonium)	30%	Red has to secure call-option and choose to pay the royalty for Blue's Technology.
R 70% : B 30%	License or Capital Investment	15% or none	License is ideal, but Capital Investment is possible. In this case, Red can agree on evaluating the US\$5 million. If Red agrees with its ideal percentage, Red can adapt any options for its objectives.
R 80% : B 20%	Capital Investment	none	In this case, since Red is paying nearly \$80 million, Red cannot pay for the license. Because Red could get sufficient share of the negonium, Red does not need to secure call-option.

National Park Enhancement Project

Goals to Achieve

As Red, our ultimate goal is to obtain the geopark status by 2025 and make the national park as one of the most famous sightseeing spots. In order to achieve Red's goal, Red would like to build the hotels, develop the transportation and take other measures to the national park. Red believes that the construction of tourist-oriented facilities is most important because the national park does not have sufficient hotels and access between Negoria to the national park in the present situation.

Red's Strength and BATNA

The national park has high potential to attract the tourists. In this negotiation, Red is not just asking for Blue's cooperation to enhance our national park, but we Red is offering an attractive business chance to Blue. During the negotiation, if Blue seems to hesitate regarding the investment, Red does not have to rely on Blue to develop the national park because Red can enlist the help of Negoland's hotel chain and railway company.

Blue's Possible Interests and BATNA

Blue's possible interest would be to secure the extra amount of negonium by participating this project. Red would check Blue's interest regarding this project before Red goes on to specific agenda. Second possible interest would be, to earn not only monetary benefit but also social fame. Participating in a national park would be a big chance to gain a reputation as an ecological company.

Strategy for Our Goals**(a) Blue's donation**

Since it will cost a lot for making the national park as the tourist attraction, Red would like to obtain Blue's donation of US\$100,000 million each year over the three-year period. If Blue refuses to invest in facilities or transportation at first stage, Red will obtain the donation as much as possible. On the other hand, in the case when Blue is ready to invest all facilities what Red requests, Blue's donation is not an essential element in this negotiation.

(b) Construction of facilities in the national park

It is a key for this project to lure more tourists by having the hotels and better access to the national park. Thus, Red would like Blue to invest both facilities in order to improve the situation. However, Red would like to construct 2 or 3 hotels prior to the transportation because there is an ordinary road to go to the national park, but not sufficient hotels. Regarding the transportation, Red is planning to build either fixed-route bus or railway. Red will give the priority to build the railway because it is more convenient for the tourists. Building the railway costs a lot and starts from scratch, thus Red is willing to pay 10% to 30% as for its building (This condition is only for the railway).

If Blue seems to hesitate to invest the facilities, Red would like to use the allocation of negonium as a bargaining chip.

(c) Ideas for luring the tourists

Red is excited to exchange various ideas which contribute to make the national park attractive. Furthermore, Red would like that more Arbitrians will come to our national park in order to obtain the geopark status. Thus, Red would like to discuss a joint project with the Abu-Nea district or some effective plans to invite tourists from Arbitria.