

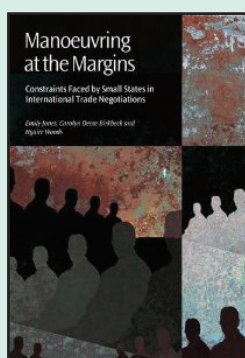
# Manoeuvring at the Margins: Constraints Faced By Small States in International Trade Negotiations

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The policy brief summarizes key findings and recommendations of a joint research project of GEG and the Commonwealth Secretariat.

*"... an interesting, ambitious, timely and useful study... (it) asks good questions and contributes original evidence from three methods: an online survey, semi-structured interviews; and country case studies."*

John Odell, University of Southern California, and author of *Negotiating Trade: Developing Countries in the WTO and NAFTA*

Small states live with a paradox when it comes to trade negotiations. They depend on international trade to a greater extent than any other group of countries, yet they have the weakest voice when it comes to influencing the rules that govern trade. By dint of their small market size, small states have little to offer negotiating partners by way of market access concessions, the major currency of trade negotiations; institutional capacity is often limited so they have few trade negotiators and limited budgets; and they may be subjected to coercive threats by more powerful states to comply with their interests.

These manifold challenges often produce pessimism about small states' prospects for success in trade negotiations. Taken to the extreme such assessments can lead to the view that 'no amount of negotiating will make a difference'. However our research suggests a more optimistic view. Building on existing scholarly and policy literature, *Manoeuvring the Margins* is the first attempt to systematically analyse the perceptions of small state negotiators on the constraints they face in international trade negotiations. Based on the views of more than eighty trade negotiators from thirty small states, it shows that small developing countries can exert a decisive influence over the outcomes of trade negotiations. This briefing paper highlights some of the key findings.

## Leveraging Limited Bargaining Power

Unlike some larger states, small states cannot fall back on coercive power tactics to see that their interests are met. Nevertheless small states can exert influence if they adopt an astute negotiating strategy and use a wide array of tactics to augment their negotiating power. As one negotiator noted, creativity is critical *'when you are small, you need to find other angles and approaches. Get yourself around the wall, don't try and go over it.'* However, a striking finding from the research is that many small state negotiators do not have a clear negotiating strategy and tend to use a narrow range of tactics, relying heavily on the use of arguments about special and differential treatment and on negotiating through coalitions.

### PSYCHOLOGY OF NEGOTIATIONS

The study suggests a strong link between the formulation of negotiating strategies and the psychology of negotiators. Small state negotiators often have low expectations of influence to the point that some feel totally powerless in the context of negotiations with large states *'We are not*

*hold us by the necks because they have development finance and can give it to us, or not give it to us.'*

In stark contrast, some negotiators are more optimistic about their potential to influence outcomes. They tend to represent small states with clearly defined interests that have invested in developing and pursuing a well articulated negotiating strategy. *'...despite our lack of means, our countries can fiercely defend their interests if they organize and understand the system well.'* These negotiators emphasized that in addition to political strategy, the successful formation of coalitions, and the use of principles and norms can make a difference. Reframing an issue can also be an important way of augmenting negotiating power. That negotiating power is crucial for creating a space within which technical skills and knowledge can be deployed to influence the details of texts.

### NEGOTIATING AS A GROUP

Many small states turn to coalitions, particularly regional blocs, to build leverage in international negotiations. Issue-based coalitions can be an effective vehicle for negotiations, but they tend to be under-utilized by small states. The regions that are most effective in the negotiating room are those with a long history of integration, a high level of trust and a high level of communication among members. Some small states are perceived as having an explicit strategy of taking on the leadership of groups and coalitions as one way to exert greater influence in negotiations. While deference to those countries with greater expertise and capacity may work to the advantage of the group as a whole, interviewees also noted the risk that these countries with greater capacity tend to dominate the formulation of the group's agenda in ways that may best advance their own individual interests.

### POLITICAL ENGAGEMENT

Active engagement by the political executive of small states is seen as crucial. Strong commitment to clearly stated national trade goals and advocacy in domestic and international circles can significantly strengthen the national negotiating position. Engaging the most senior political level in powerful states prior to negotiations is important, as is seeking allies among powerful states, as this helps to break down their negotiating positions and makes compromise more likely. In the words of one negotiator *'to influence in Geneva, you need to make use of political processes outside Geneva.'*

## Small States and Development Challenges

About a third of all developing countries are classified as 'small states'. With small populations (most under 1.5 million) and economies, they face particular development challenges. Many are susceptible to natural disasters that cause high volatility in national incomes; they tend to have limited capacity in the public and private sectors; and they are particularly vulnerable to external economic shocks. While they share these characteristics, there is a high level of diversity. Some small states are very poor, others quite wealthy - Guinea-Bissau has a per capita GDP of only US\$180, while that of Barbados is US\$9,440. Their geographies differ too - the Cook Islands has a population of only 18,000 living on 15 widely dispersed islands over nearly 2 million kms<sup>2</sup> of Pacific Ocean, while Jamaica has a population of 2.8 million on a single island of 11,000 kms<sup>2</sup>.

*trying to influence negotiations. It's unrealistic, so we don't go in with that mindset.* They perceive themselves to be operating under a high level of threat from large states, reducing their expectations of influence. This includes fears of possible trade and aid reprisals, as well as of intimidation in the negotiating room. Small state representatives describe at length the threats and intimidation they experience, suggesting that this severely constrains their perceived ability to negotiate successfully and their determination to persist. As one negotiator explained *'at the end of the day, they can*

## Preparing for Negotiation: Identifying Interests

A clearly identified set of trade interests is a prerequisite for influencing negotiations. However, one of the most salient findings of our study is that a relatively high proportion of negotiators lacked clearly defined priorities for trade negotiations (22 of the 31 negotiators we interviewed). As one negotiator commented *'how many of us really know what our interests are?'* In the words of another *'Our biggest problem is within our government. It is our inability to decide what our trade policy is.'*

### ADEQUACY OF INFORMATION

Small states often find it difficult to gauge the impact of particular changes in trade rules on the local economy. Shortfalls in information pose significant problems, impeding the identification of interests. The survey showed that most small states have access to national trade data,

but rarely have more detailed economic impact assessments or the analytical capacity to properly assess the trade-offs of different policy options, or to keep up with changes in trade laws and policies among their trading partners. As one negotiator observed *'I do not think there is a shortage of studies, but someone has to filter the information.'*

Small states often turn to international networks of expertise to help address information deficiencies, including non-governmental organisations, intergovernmental organisations or the academic community. Rather strikingly, nine of the 18 Brussels representatives interviewed said they relied on the EU as a primary information source in the Economic Partnership Agreement negotiations, despite the obvious risks concerning the neutrality of information provided by negotiating partners. Although external consultants and training programmes are considered an

important source of knowledge, negotiators expressed concern that these are not always tailored to their needs and can be biased towards the interests of donors.

### LOBBYING BY INTEREST GROUPS

Weak input from those who stand to lose or gain from trade negotiations, communication breakdowns, and/or a failure or unwillingness to listen or incorporate input, also undermine the identification of trade interests.

When asked to rank the influence of lobby groups on trade policy, negotiators attributed the greatest influence to the domestic private sector, while the influence of the foreign private sector varied substantially from country to country. International donors were ranked as having the second highest influence, with a quarter of respondents saying they had the greatest influence, raising concerns about conflict of interest and accountability. Civil society organisations were active on trade policy in many small states and have a variable degree of influence, while trade unions, academia and think-tanks were only weakly engaged.

Many negotiators said they would like to see more input from small and medium size enterprises as the voices of larger firms, local or foreign, tend to dominate. Barriers to participation by small businesses include the costs in terms of managerial time, lack of technical expertise and the apparent remoteness of the negotiating agenda from their business priorities. As one negotiator explained *'we*

*try to make our businessmen aware of the issues but the issues are too complex to warrant their attention'*. In some countries governments support small business associations to develop the necessary skills to influence trade policy and actively and regularly solicit input (see box). In other instances donors provide support to bolster private sector lobbying, but there

### Barbados: Strengthening Private Sector Input

Rum, retail, finance and tourism industries have traditionally dominated trade policy processes in Barbados. In an effort to widen the consultation process the government has created a dedicated 'private sector trade team', which works with small business groups to increase their understanding of the key issues in negotiations and channels inputs from the private sector to government. In addition, the government provides financial support to a series of business associations. As a result, the interests of some new and fledgling sectors are reflected in trade policy, particularly niche services industries that are central to the government's vision for future development.

is concern that is not always evenly spread and favors some economic actors over others.

Technical capacity is a constraint for many civil society actors and impedes their ability to lobby government successfully. However, low levels of influence also reflect governments' predisposition to incorporating their concerns, as much as their own capacity to articulate them.

## Strengthening Government Institutions

### NEGOTIATING TEAM

Negotiators continually emphasised the importance of having a core team of skilled negotiators that can accumulate and retain knowledge on trade issues. Yet few officials work on trade negotiations: on average small states said they have only four officials working full-time on trade negotiations in their capitals and twenty small states that are members or observers of the WTO do not have permanent representation in Geneva.

Quality of personnel is often more important than quantity, and negotiating experience is particularly highly valued. In the words of one negotiator *'you can send people on training courses, but living through day-to-day interaction with your negotiating partner counts for a great deal... you get to know how the other side thinks and this gives you an advantage in the process'*. The study shows that diplomatic qualities, tenacity and personal attributes also play important roles. Charismatic, strategic individuals can increase the profile of small states in negotiations, helping to ensure that their interests are reflected on the negotiating agenda.

While there are notable exceptions (see box) small states struggle to retain their most experienced negotiators, particularly following postings to Geneva and Brussels. Problems of retention are linked to poor career prospects, low levels of recognition for effectiveness, frequent reshuffles, lack of clear policy direction, and low pay. As donor initiatives try to make up for the capacity gap they also reinforce the underlying problems of personnel recruitment, development and retention.

### COORDINATION AND ACCOUNTABILITY

In a fast moving negotiation, negotiators need to have timely input from officials and politicians based in capital. Yet more than half the negotiators that responded to our survey said they received feedback from capital 'sometimes', 'rarely' or 'almost never', which greatly undermined their negotiating

leverage. Interviews revealed some exceptions to this trend. One negotiator said the mission and capital *'communicate every day, often more than five times'*, and others noted that in periods of intense negotiation they were in regular contact with the minister or even the prime minister, even out of hours.

Weak communication between capital and missions leads to inadequate oversight of their negotiators. Further, in many small states, parliaments play no role in holding trade ministries to account. When strategic direction is missing and accountability weak, the process becomes discretionary and ad-hoc. In the words of one Geneva based negotiator, who noted the absence of directions from capital *'my interventions are based on my experience, not my government's position'*.

### Mauritius: Experienced Negotiating Team

Mauritius has a team of ten highly experienced negotiators, drawn from both public and private sectors. While governments and ministers have changed over the past decade, the core negotiating team has remained stable. Concentrating the responsibility for negotiations in a small, tightly bound group enhances trust and concentrates negotiation experience. Team members are highly esteemed negotiators and command great respect in negotiating circles which provides significant leverage.

Communication and accountability between small states and regional bodies is a cause of some concern. The research shows that while regional representation lessens the negotiating burden on individual states, regional negotiating bodies can pose particular accountability challenges. Significant asymmetries in technical capacity allow some members to be more forceful in articulating their interests, raising concerns of bias in the formulation of regional negotiating positions.

# Recommendations

## FOR SMALL STATES:

**Identify Trade Interests:** Small states need to take greater initiative in determining their trade interests. This requires strengthening the evidence base for policymaking to ensure that analysis and priorities are rooted in local economic realities and relevant to ongoing negotiations. Local academic policy institutes, industry organizations and NGOs should be seen as vital partners in gathering information and determining policy. Governments can strengthen inputs through systematic engagement, consultation and information-sharing with experts and stakeholders, and by actively supporting initiatives to strengthen their analytical capacity.

**Arrive at Negotiations with a Clear Strategy:** To see their interests met, small states need to be more proactive in negotiations and consciously invest in a negotiating strategy. There is an array of tactics that can be used to increase political weight and leverage. To augment negotiating power, our study emphasizes the importance of political strategies that make use of principles, norms and ideas to reframe issues to the advantage of small states both inside and outside the negotiating room, and to work to a greater extent in issue-based coalitions.

**Build an Excellent Negotiating Team and Bolster Institutional Performance:** To establish strong negotiating teams with high levels of competence and experience, the disruptive institutional incentives that many negotiators face need to be addressed. Key priorities are to improve staff performance and retention and accountability to national trade ministers, parliaments and policy goals. Greater leadership from the executive could play a critical role as it galvanizes the government machinery. When the executive is highly engaged, demands are made on trade officials and institutions to perform, and greater human and financial resources are allocated to trade.

**Strengthen Consultation with Private Sector and Other Groups:** Trade strategies are more likely to deliver meaningful benefits when they reflect the priorities of businesses, producers and other groups. Governments are also most likely to effectively engage in trade policy when demands are made on them from their electorate. This calls for strengthening consultations with a diversity of representative organisations and increasing the ability of the private sector and civil society to formulate and advocate positions on trade policy.

## FOR EXTERNAL ACTORS:

**Provide Support to Governments Through Third Parties:** External donors are well placed to provide financial and technical support that assists governments to reform their trade policy institutions to improve working conditions and organizational efficacy. Support needs to be long term and predictable, providing governments with a high degree of autonomy to hire and retain experts of their choosing. As direct support to trade ministries is inevitably compromising, assistance should be channeled through independent third parties.

**Support a Diversity of National Interest Groups:** Donors could play a greater role in strengthening small businesses and producer associations to formulate trade policy and lobby government, although care needs to be taken to avoid privileging some economic sectors above others. To improve the autonomy and independence of trade policy-making, donors could play an important role in providing generic support to trade-focused academic and research institutions so that small states have a stronger information base from which to negotiate.

**Address Power Asymmetries:** Developed countries should take seriously the imperative of reducing the perception of threat under which many small state trade negotiators operate and take measures to insulate weaker states from the abuse of power. These could include binding trade preferences and aid commitments to reduce the propensity for these to be used as bargaining chips in trade negotiations. Large states should also support reforms to multilateral trade institutions that would strengthen the influence of small states.

**Support International Coalitions and Collaborations:** A series of intergovernmental, initiatives and organisations have been established to facilitate coalitions and information sharing between small states but they are often resource constrained. External donors could strengthen such organisations through long-term financial assistance. To address concerns of partiality, support could be provided through long-term trust funds or independent third parties.

## The Global Economic Governance Programme

The Global Economic Governance Programme was established by Professor Ngaire Woods at University College in 2003 to foster research and debate into how global markets and institutions can better serve the needs of people in developing countries. The three core objectives of the programme are:

- to conduct and foster research into international organizations and markets as well as new public-private governance regimes
- to create and maintain a network of scholars and policy-makers working on these issues
- to influence debate and policy in both the public and the private sector in developed and developing countries



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