

Summary

For several decades, there has been considerable debate about the position of small states in the international trading system. Small states rely heavily on trade and are particularly vulnerable to changes in international trade rules. They thus have a high level of interest in the outcome of trade negotiations. At the same time, small states face power asymmetries and well-known structural economic and political constraints that heavily circumscribe the space within which they can manoeuvre. These constraints often produce pessimism about their prospects for success in international negotiations. Taken to the extreme, such assessments can lead to a view that ‘no amount of negotiating will make a difference’.

A more optimistic view is that while asymmetric power structures might predispose negotiations toward a set of outcomes, weaker states can and do sometimes influence negotiations and the resulting content of trade agreements. Indeed, the literature and primary research that informs this study reveal that even in the context of significant structural constraints, there is some room for small developing countries to ‘manoeuvre at the margins’ and that they can have an important influence over the outcome of negotiations.

The contribution of this study is to identify the constraints that prevent small states from maximising their potential influence in trade negotiations. It builds on existing scholarship about such constraints, but also marks the first attempt to systematically analyse the views of representatives of diverse small states on the constraints they face in negotiations. Having identified a series of constraints, the study reflects on the implications of these findings for capacity building initiatives.

The principal constraints faced by small states fall into three categories:

- **Building an effective negotiating team**, including gaps in human resources, information and expertise, institutional co-ordination and communication;
- **Harnessing the support of civil society and the private sector**, including limitations in political leadership and in private sector and civil society engagement in the trade policy process;
- **Leveraging limited bargaining power**, including weaknesses in the negotiating strategies and tactics employed by small states and in the accountability and incentives facing negotiators, as well as limitations arising from psychological factors, leadership and personalities.

Building an effective negotiating team

This study shows that inadequate human resources continue to be a major constraint for small states. While the number of officials working on trade negotiations is very low, particularly for the smallest and poorest countries, it is the recruitment, development

and retention of high quality officials that is seen as the greatest challenge. This is often linked to weaknesses in the government institutions where negotiators work, which can generate disruptive incentives such as poor career prospects, low levels of recognition for effectiveness, frequent reshuffles, lack of clear policy direction and interest from capitals, and low pay.

To increase their negotiating leverage, small state negotiators emphasised the need for their countries to develop and sustain a core team of skilled negotiators that can accumulate and retain knowledge. Here, negotiating experience is perceived to be at least as important as technical knowledge. The interviews emphasised that diplomatic qualities, tenacity and personal attributes also play important roles. The research also suggests that we should not underestimate the impact that charismatic, strategic individuals can have on increasing the profile of small states in negotiations and ensuring that their interests are reflected on the negotiating agenda.

Shortfalls in information availability and analytical capacity are significant problems across small states and are closely related to human resource constraints. Most small states have access to national trade data, but rarely have economic impact assessments or the analytical capacity to properly assess the trade-offs of different trade policy options. In most cases, therefore, countries lack access to quality data regarding the impact of particular changes in trade rules on the local economy. They also lack the data needed to monitor changes in trade laws and policies among their trading partners. Even where small states have access to vast amounts of information, they face substantial human resource-related challenges in analysing this information and turning it into concrete negotiating positions. Countries also vary in their links to international networks of expertise, whether in the non-governmental organisation (NGO), intergovernmental organisation (IGO) or academic community.

Accountability is a further area of concern. The survey and interviews strongly indicate inadequate oversight by many capital-based ministers and officials of their negotiators. Further, in many small states, parliaments play no role in holding trade ministries to account. As a result, there are often few benchmarks for negotiators or requirements on them to deliver concrete and positive results. Instead, armed with only vague instructions, much is left to the discretion of individual negotiators. To ensure accountability, institutional design matters at the national and regional level. Given the reliance of many small states on regional coalitions and secretariats, the design and functioning of regional negotiating bodies pose particular challenges. Regional negotiators need to represent the interests of and be accountable to all member states, even when there are significant asymmetries in technical capacity and some members are far more forceful in articulating their interests than others. The survey and interviews also show that co-ordination among government institutions is difficult for a significant number of small states.

While donor organisations correctly identify strengthening human resources as a priority need, their trade-related interventions do not appear to address underlying constraints, and indeed may sometimes exacerbate them. A substantial number of small

states rely on their negotiating partners for information. However, the research and information provided by external consultants are not always tailored to the needs of the small states, and there are concerns that some information is biased towards the interests of donors. Short-term interventions such as studies by external consultants or international organisations may sometimes be useful, but these do not address the broader need to support the development of analytical capacity within countries among researchers and analysts who are more familiar with the local economy.

Harnessing the support of civil society and the private sector

The study also explores the process of trade policy formulation in small states. One of its most striking findings is that a relatively high proportion of negotiators lack clearly defined priorities for trade negotiations. While this partly reflects weaknesses within government, it also reflects weaknesses in the underlying consultative process. Where there is relatively little concerted lobbying from interest groups, the mechanisms established for consultation are often ineffective and yield little in the way of substantive positions and strategy for negotiators.

Our primary research shows that a wide range of actors attempt to influence trade policy in small states. In general, the domestic private sector has the greatest influence, while the influence of the foreign private sector varies substantially. In some countries, key exporting industries make direct substantive interventions into trade decision-making, most notably where there are clearly identifiable external constraints to their capacity to trade (for example particular regulatory barriers in export markets or foreign government subsidies to competing industries that affect their market share). However, the interests of smaller businesses and other stakeholders are often marginalised. Barriers to greater participation by small businesses include the costs in terms of managerial time and a lack of technical expertise. Where donors do provide support to aid the engagement of the private sector in the trade policy-making arena, it is not always evenly spread and prioritises some economic actors, such as export-oriented interests, over others.

International donors have the second highest influence over trade policy, particularly in those negotiations where donor governments sit at the opposite side of the table. Civil society organisations (CSOs) are active on trade policy in many small states but have variable degrees of influence. Technical capacity is a constraint for many civil society actors and impedes their ability to lobby government successfully. However, the level of civil society influence also reflects the government's predisposition to incorporating their concerns, as much as their own capacity to articulate them. While officials in small states widely welcome input from the private sector, many negotiators perceive the contributions of civil society to be unhelpful. A further challenge that the study confirmed concerns the weak influence and engagement of trade unions, as well as academia and think-tanks, in the area of national trade policy, and their relative lack of input into trade policy formulation.

Overall, the research suggests that weaknesses in consultative processes are rarely due to an absence of formal consultation mechanisms, which exist in nearly all countries. Instead, they are due partly to low demand for inputs from government, and partly from weak capacity among stakeholders. Our findings show that in some countries governments are working to strengthen the consultative process by supporting small business associations to develop the necessary skills to influence trade policy and by actively and regularly soliciting input.

Leveraging limited bargaining power

The study examines the constraints that impede small states from designing and deploying a negotiating strategy and effectively exploiting the margin they have for manoeuvre in international negotiations. Adding to the scholarly insights on strategies available to small states, the research suggests a strong linkage between the formulation of negotiation strategies and the psychology of negotiators. Negotiators with a higher expectation that they are likely to have a significant influence and who represent small states that have clearly defined interests are also those who are most likely to invest in developing a strategy.

Our research shows that many small state representatives 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 described at length the threats and intimidation they experience, suggesting that this severely constrains their perceived ability to negotiate successfully and their determination to persist.

On the positive side, negotiators emphasise that political strategy, the successful formation of coalitions, and the use of principles and norms can make a difference. Reframing an issue can 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.

Even as many small states turn to coalitions, particularly regional blocs, to build their leverage in international negotiations, there are also significant challenges to successful group formation. Regions that are most effective in the negotiating room are those with a long history of integration, a high level of trust and effective communication among the members. In some cases, the selection of group leadership is determined on the grounds of political considerations or is based on the principle of rotation among group members. There are also instances where coalition leadership is based on perceptions of the technical capacity of particular negotiators or countries. Some small states are perceived as having an explicit strategy of taking on the leadership of groups and coalitions as one way of exerting greater influence in negotiations. While deference to expertise and capacity may work to the advantage of the group as a whole, interviewees also noted the potential risk that those countries with greater capacity will dominate the formulation of the group's agenda in ways that may best advance their own individual interests.

Finally, the active engagement of the political executive of small states is crucial for

influencing negotiations. Engaging powerful states at the most senior political level prior to negotiations is important, as is seeking allies within powerful states, as this helps to break down their negotiating positions and makes compromise more likely. A close relationship between the head of state and the trade officials within small states can also help bolster their negotiating position when subjected to threat.

Recommendations

The challenge for small states is to identify the underlying constraints which, if tackled, could enable sustained improvement in negotiating outcomes. As many of the constraints are inter-related, this is a complex task. However, the findings outlined in this study provide some clear recommendations:

- **Political leadership:** A theme underlying many of the findings of this research is the importance of having a high level of leadership from the executive on trade. Such leadership galvanises 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. Political leadership is particularly important for small states, as it helps offset the power asymmetries they inevitably face in trade negotiations, especially when negotiating with countries that are also donors. As leaders are most likely to effectively engage in trade policy when demands are made on them from their electorate, this speaks to the need to strengthen contributions by a diversity of relevant representative organisations from the private sector and civil society to processes of trade policy formulation and the development of negotiating positions.
- **Human resources and institutional design:** Small states need to develop strong negotiating teams with high levels of competence and experience, to attract and retain technical experts with excellent diplomatic skills and a tenacious attitude, and to provide them with a working environment in which they can excel. For this to happen, the study argues there is a need to move away from an exclusive focus on technical training of individuals and to address the disruptive institutional incentives that many negotiators face. This would improve performance and retention rates, as well as accountability to national trade ministers, parliaments and policy goals.
- **Clearly identified trade interests:** Few small states clearly and adequately identify their interests in trade negotiations. Where states have done so, this often reflects the presence of strong private sector interest groups. This poses a dilemma for the poorer small states with weak private sectors, as even if government is open to consultation it receives little input. One option is for states to strengthen private sector organisations to better articulate trade policy positions. However, this needs to be complemented by government taking the initiative in determining policy direction. This in turn requires strong human resources and policy analysis that is rooted in local

economic realities and relevant to ongoing negotiations. As this study highlights, the information and analysis provided by donor organisations is often inappropriate. Local academic and policy institutes could be greatly strengthened to provide autonomous and relevant policy advice.

- **Specific negotiating strategy:** Once human resource constraints have been tackled and negotiating interests clearly defined, small states need to be more proactive in negotiations and to consciously invest in a deliberate negotiating strategy. While technical skills are clearly extremely important, the effectiveness of efforts by technical officials from small states to influence the detail of texts is higher when complemented by efforts to also increase their bargaining power. In particular, this study highlights an array of tactics that can be used to increase political weight and leverage, including investing in alliances with like-minded countries, forming coalitions and engaging negotiating partners at a high political level prior to, and as appropriate during, technical negotiations.

By acting in concert, small states are able to pool technical capacity, mitigating the challenges posed by human resource constraints. Their individual negotiating strength is augmented by increasing their numbers and market size through collective action. The regional coalitions that have been 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 the members. A number of small states have an explicit strategy of leading groups and coalitions to exert influence in negotiations.

Further, engaging powerful states at the most senior political level prior to negotiations is important, as is seeking allies within powerful states. Together, these tactics can help to separate different aspects of their negotiating positions and make compromise more likely. Clear commitments to national trade goals from the head of state and wider government, and where necessary national and international advocacy on trade priorities, can significantly strengthen the national negotiating position. Further, the willingness of top political officials to defend national negotiators and other officials who faithfully pursue national trade goals can also have great importance, particularly when more powerful states complain about particular negotiators or where the negotiating team receives explicit or implied trade threats during a negotiation. By contrast, the personal engagement of Heads of State can also sometimes be counterproductive where expertise or adequate briefing is lacking. In some cases, the intervention of Heads of State in trade negotiation processes has resulted in political bargaining in favour of broader or foreign policy objectives (more or less successfully), sometimes compromising the achievement of more favourable outcomes on the trade front.

To augment negotiating power, this study also emphasises the importance of political strategies that make strategic use of principles, norms and ideas to reframe issues to the advantage of small states both inside and outside the negotiating room.

This report did not set out to evaluate the initiatives of international donors in supporting small states. However, the research does provide some insights that suggest that

donor initiatives are not fulfilling their aims. Representatives of small states note that initiatives are tackling symptoms rather than underlying causes, for instance by providing research and consultancy assistance rather than helping small states improve their human resource base. Furthermore, there are clear concerns of bias in the provision of assistance, particularly when donors and small states sit on opposite sides of the table in trade negotiations. In addition, in some countries donors are considered to be the actors with greatest influence over trade policy, crowding out the interests of local constituencies. The study highlights a number of areas where external actors might refocus their efforts:

- **Government institutions:** Small states continue to face severe constraints in fielding a strong team of negotiators. External donors are well placed to provide financial and technical support to aid governments in reform of their institutions to improve working conditions and organisational efficacy. However, the report also highlights the fact that direct support to trade ministries is inevitably compromising. For this reason, such support could be channelled through independent third parties that have no direct stake in the outcome of trade negotiations. The Hub and Spokes project, which is partly funded by the European Commission, but managed by the Commonwealth Secretariat and the Organisation Internationale de la Francophonie, is a good example of such an arrangement. Regional development banks have also sometimes proved to be constructive partners in providing advice and substantive input into debates on national and regional trade policy matters. To be effective, support needs to be long term and predictable, and provide governments with a high degree of autonomy to hire and retain experts of their choosing on a long-term basis. This would avoid the creation of disruptive incentives and strengthen accountability.
- **Private sector:** Given the weakness of private sector organisations in many small states, donors could play a greater role in strengthening their capacity to identify their trade interests and lobby government. However, the study also highlights the need to avoid biases in such assistance that risk strengthening some economic sectors as against others.
- **Academic institutions, NGOs and think-tanks:** In many small states there is a paucity of independent scrutiny and advice to policy-makers, and a perception that donors unduly influence trade policy (particularly where private sector organisations are weak). To strengthen the autonomy and independence of trade policy-making, donors could play an important role in strengthening academic and research institutions, as well as NGOs, so that small states have a stronger information base from which to negotiate.
- **International coalitions and organisations:** The study highlights the importance to small states of coalition building and information sharing. A series of inter-governmental collaborations, initiatives and organisations, particularly at the regional level, have been established to facilitate these linkages. However, as they often depend

on funds from developing countries, they are often resource constrained. External donors could assist by strengthening such organisations through long-term financial assistance. But once again, to ensure that accountability is primarily to national governments, it is important that such support is channelled through independent third parties.

A final critical reflection concerns the need for developed countries to take seriously the imperative of reducing the perception of threat under which many small state trade negotiators operate, whether this is related to specific trade negotiations or more broadly to their aid relations. For the smallest and poorest states, bilateral development assistance is presented by donor agencies as a matter of co-operation for development. Counterparts from the trade ministries of the same donor governments often, however, engage in commercial, reciprocal bargaining processes with small states that demonstrate far less sensitivity to the unequal power of the negotiating parties.

While power asymmetries inevitably exist, countries negotiating with small states can and should take measures to insulate the weaker state from the abuse of power. To reduce the incidence of threats related to the withdrawal of trade preferences or other trade sanctions, larger and more economically powerful countries could ensure that the trade preferences they grant are long term and bound, with an effective enforcement mechanism, and do not have policy conditionalities attached. Similarly, to reduce concerns about bias in existing trade-related capacity building, reduced flows of such assistance or the withholding of potential assistance, developed country negotiating partners which are also donors should channel assistance through independent third parties and ensure it is disbursed in ways that provide small states with a high level of autonomy and discretion as to its use. Such initiatives would help address the fear among small state negotiators that such factors will be used to unduly influence their positions during trade negotiations.