

THE QUOTA CASE

CONFIDENTIAL INSTRUCTIONS FOR THE DEPUTY VICE-MINISTER FOR OCEANS AND FISHERIES ZAPATAN MINISTRY OF INDUSTRY AND TRADE

You serve as a Deputy Vice-Minister in the Zapatan Ministry of Industry and Trade. You are in charge of policies relating to all aspects of marine-related commerce. You recently received the following from your supervisor, the Vice-Minister:

"As you may have heard, the U.S. has recently reversed its refusal to discuss our request for an increase in our fishing quota off Georges Bank. Apparently, the Americans are nervous that the quota issue will interfere with the speedy conclusion of our military base renewal agreement. While the American motives may not be genuine given how they have treated us in the past on this issue, the meeting does give us a new opportunity to push for a higher quota."

"Unfortunately, the Ministry of Industry and Trade will not be leading the delegation to the upcoming meeting. The Prime Minister, apparently trying to seek a compromise between our Ministry and the Ministry of Defense, has asked the Foreign Office to handle the negotiations. Your task is to work with the Ministry of Foreign Affairs to reach a common approach to the negotiations and see that our interests are adequately represented in the upcoming negotiations."

"I am led to doubt that the U.S. is truly willing to discuss the quota issue and will try to pressure us into dropping the issue altogether. After I tried for weeks to get a meeting with the U.S. Ambassador, the embassy sent only a Counsellor to meet with me. The meeting was a farce and the Counsellor's behavior was insulting. We tried to point out that using the data supplied by the U.S. government, Zapata's request for a quota increase could easily be provided without threatening the squid population off the Georges Bank. Then, in mid-sentence, the Counsellor interrupted to say, "I don't think you fully appreciate U.S. policy on quotas, we must think of our domestic industry -- I know this is difficult for Zapata to understand." The Counsellor's attitude was condescending. He then suggested that if we really wanted more squid, we should buy it from American producers -- an option the Americans know is undesirable because U.S. producers lack the technology and expertise to produce high quality squid at an affordable price. Given the American position, which amounted to stone-walling, I decided to end the meeting and left to attend to other matters."

"It seems obvious that the domestic fishing industry in the U.S. is so hostile to the idea of increasing the fishing quota for a foreign country that the U.S. government is afraid to even discuss the matter, preferring to hide behind their domestic legislation on fishing quotas. The U.S. behaves as if to give Zapata an increase in its quota is to take away profit from its domestic fleet. The truth of the matter is that the Americans, the great promoters of free enterprise, fear the competition. The use of quotas as a kind of trade barrier is especially infuriating because Zapata has no real barriers to the import of U.S. squid (other than the fact that generally Zapatans

prefer higher quality squid than the Americans tend to produce)."

"The Americans have no idea how much their protectionism on the fisheries issue is causing them problems both in the press and within the Government in Zapata. One editorial in *La Nación* recently explained that, "Each passing day, Zapata's relationship with the U.S. is proving to be more and more one-sided, in favor of the U.S.! Whether it's fisheries or military bases, Zapata is giving and the Americans are taking." Unless domestic opinion cools down, it could backfire on both the Prime Minister and the U.S., especially with elections coming up soon in Zapata."

"It is imperative at the meeting with the U.S. that we **not** agree to drop the quota issue despite the likely pressure from the U.S. to do so. To drop the issue would be a disaster for the Prime Minister and for the country. In fact, the negotiating team should be instructed to push hard for the quota increase because we are not likely to have this degree of leverage over the U.S. again. They want the base agreement, much more than they care about Loligo squid. We finally have something to trade the U.S. in exchange for a higher quota and we should take advantage of it (especially since we were already willing to renew the base agreement). The Prime Minister opposes linking the base agreements to favorable treatment for Zapata on the fisheries issue. Reluctantly, he agreed to ask for a delay in the base negotiations in order to allow the current intense attacks on the U.S. and the Prime Minister to die down. The U.S. should be made to understand that stonewalling on the fisheries issue will only fuel anti-American feeling and make it more difficult for the Prime Minister to conclude the base negotiations."

"The quota increase is vital to our project to rescue the economy in Pescadilla. As you know, Pescadilla has two main industries, fishing and dairy farming. The current glut in dairy production in Europe has hurt the dairy industry in the province and led to the closing of some plants. To make up for the resulting unemployment and to exploit the industry in which we have a competitive advantage, the Minister has proposed attracting private investment to build a state-of-the-art fish processing plant in Pescadilla. The plant would produce a range of products from pickled to frozen squid. The main problem in establishing the new plant is assuring an adequate supply of squid. In order to make the plant economically viable, we would need an additional 800-1000 tons of squid annually. Without an assured supply, the Government will not be able to attract the necessary investors to contribute to building the plant. In order to secure an increased supply of fish to the new plant, we must increase our fishing quota off the Georges Bank."

"At most, we could economically use only about 150-200 mt of lesser quality squid purchased from the Americans in over-the-side sales. However, the plant must be assured of at least 500 mt per year of high quality squid, the kind our ships would be able to produce if the quota were increased. Some have raised the possibility of joint ventures with other producers, but even these arrangements would take one or two years in order to upgrade equipment and train crews sufficiently to produce the quantity of high quality squid we require."

"We would only need the increased quota for about three years. Once we enter the European Union (EU), we will have access to additional fishing rights off Africa and other areas which the EU has already secured. Establishing the plant now will greatly enhance our economic and

political position when we join the more affluent nations of the EU. If we can win a major fishing concession from the U.S. we will prove our ability to stand up to stronger countries and wield some political clout. The stronger our fishing industry is when we enter the EU, the more control we will have over EU policy making in this industry."

"The negotiation team should therefore be instructed to push vigorously for the quota increase. The major resistance to this strategy will likely come from the Ministry of Defense, which is upset that they have had to delay the base agreement. Defense feels that the political military and economic benefits of the base outweighs the benefit of an increased fishing quota. Unfortunately, Defense is taking a rather self-interested perspective. In terms of economics, the future of Zapata's economy lies with the development of competitive industries, not in dependence on foreign military spending. What the Ministry of Defense really fears is a decline in their status within the Government. With the end of the Cold War, the new battlefields are economic ones, and our Ministry will take a central role in that arena."

"I do not expect the meeting with the U.S. to be easy. Be wary of U.S. attempts to appease us by simply promising to meet again, with no intention of do anything about the quota. You should push our position strongly. You should not agree to partial or false compromises in order to quiet the issue down while the base agreements are completed. We should insist on a firm commitment from the U.S. to provide us with the squid we need. We should avoid at all costs agreeing to simply "keep the issue open" or to talk again. Such vague commitments will be used to buy time for the base agreement, then when we have no bargaining power, the U.S. will stonewall us again on the fisheries issue."

"I am also very concerned that the Ministry of Foreign Affairs will be too willing to compromise in order to please the U.S. or, worse yet, will succumb to pressure from MOD. I would thus prefer that you be present at the meeting with the U.S. or, at the very least, get an explicit commitment from MFA that no agreement will be reached without prior consultation with MIT."

"If we are not able to reach agreement with the Ministries of Defense and Foreign Affairs on a common approach to the negotiations, we may have to push the issue to the Prime Minister's office. This will be a gamble for us as it is not clear which way the Prime Minister will decide. While he needs to bolster his domestic support, the Prime Minister has been an advocate of a strong relationship with the U.S. The Prime Minister's preference is that we work out a common approach with Foreign Affairs and Defense so that he does not have to make a hard decision."