

THE QUOTA CASE

**CONFIDENTIAL INSTRUCTIONS FOR
THE DEPUTY VICE-MINISTER FOR COMMERCIAL AFFAIRS
ZAPATAN MINISTRY OF FOREIGN AFFAIRS**

You serve as a Deputy Vice-Minister in the Zapatan Ministry of Foreign Affairs. You are in charge of the North American desk in the Commercial Affairs division of the ministry, which means that your responsibilities can include any number of different commercial trade issues relating to countries in North America. You recently received the following directive from one of your supervisors, the Vice-Minister of Foreign Affairs for North America:

"The Prime Minister has asked us to lead the Zapatan delegation to the upcoming negotiation with the U.S. over our request for an increased fishing quota. I know that you do not have special expertise in the fisheries area. Normally, the Ministry of Industry and Trade would handle this matter, but because of the Foreign Minister's close relationship with the Prime Minister, the matter has been given to us. It also seems that the press attacks on the Prime Minister and the delay in the base negotiations has caused a rift between the Ministry of Defense and the Ministry of Industry and Trade."

"The Prime Minister is in a difficult position, wanting to preserve a good relationship with the U.S. and preserve his political support at home. According to the Foreign Minister, the Prime Minister has decided not to get actively involved due to the potential for further political attacks and would rather have us work out an acceptable solution to the current crisis. Your task is to work with the Ministries of Defense and Industry and Trade to work out a common approach to the upcoming negotiations. It is important that we maintain a united front vis-à-vis the U.S., so as not to allow them to take advantage of our internal divisions to secure a base agreement and then slam the door in our face on the fisheries issue. We will also need to become more familiar with the substance of the quota issue in order to negotiate effectively with the U.S."

"The primary objectives for the meeting with the U.S. are to produce an outcome that will reduce the current level of anti-American sentiment in Zapata, to secure the political position of the Prime Minister, and to preserve a good relationship with the U.S. The Prime Minister is committed to preserving a strong relationship with the U.S., yet knows that politically we cannot be seen as backing down to the U.S. at the expense of our domestic economy. The Prime Minister does not want to face the dilemma of having to choose between a good relationship with the U.S. and domestic imperatives. Thus, our main challenge is to use the meeting with the U.S. to develop better options that provide the Prime Minister a way out of his dilemma."

"This will not be easy. First, the United States has dealt with us in an insensitive, almost insulting manner on this issue. It is hard to understand why the Americans have so stubbornly refused even to discuss the quota. The quota issue is insignificant to the Americans, especially in

comparison to the base renewal agreement. The quota increase *is not* insignificant to us. It is the key to bringing economic relief to the impoverished Pescadilla province and an important factor in our negotiations for admission to the European Union (EU)."

"Moreover, the Ministries of Defense and Industry and Trade have taken hardline and opposing positions on this issue. Industry and Trade feels that now is the time to be more aggressive in pushing for the quota increase because the U.S. has asked us for a meeting. They want the quota increase in order to attract investment in a processing plant they want to build in the province of Pescadilla. The processing plant is the centerpiece of the Ministry's plan to revitalize the poor economy in Pescadilla. In addition, the quota increase and processing plant will help secure the competitiveness of our domestic fishing industry within the EU."

"The Vice-Minister of Industry and Trade has been personally involved in the project and was very angry over the way in which the U.S. dealt with our request for an increased quota. After ignoring several requests for a meeting, the U.S. embassy sent over a Counsellor to meet with our Vice-Minister of Industry and Trade. The meeting did not last long as the Vice-Minister felt that the Counsellor was condescending and had instructions only to stonewall and hide behind their domestic legislation on quotas. The U.S. is very protective of its domestic fishing industry which does not have the sophisticated technology needed to compete with our fleet or those of the Japanese and other European countries."

"Soon after this meeting, the anti-American attacks appeared in the press. 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." Several opposition leaders from Pescadilla have used the fisheries issue and the base issue to attack the Prime Minister. With elections looming around the corner, the Prime Minister will not do anything to strengthen the opposition. Reluctantly, therefore, he agreed to let the head of our delegation to the base negotiations ask for a delay in concluding the base agreement in order to allow the current intense attacks on the U.S. and the Prime Minister to die down. A member of our delegation to the base negotiations said he hoped that "perhaps some progress on the fisheries issue" would help the stalled base talks."

"The Ministry of Defense is equally angry over the delay in the base negotiations. Defense feels that it is not worth jeopardizing our relationship with the U.S. over a few metric tons of squid. By asking for a delay, they feel that they have lost much credibility in the eyes of the Americans and they are eager to restart the talks as soon as possible in order to mitigate any further damage. Defense sees the quota request as a power grab by the Ministry of Industry and Trade, and is eager to show them who is "boss."

"Unfortunately, it is not clear to us how Industry and Trade came up with their figure of 800-1000 metric tons quota increase and exactly how it would be used. This may put us at a disadvantage in our meeting with the U.S. unless we know more. Regardless of the amount, the quota increase has taken on a very important symbolic meaning and to give in on the issue would entail costs for Zapata and the Prime Minister. Thus, it will be difficult to simply drop the issue as the Ministry of Defense would like."

"While the Foreign Minister agrees that a good long term relationship with the U.S. is essential, the Minister also is looking toward our relationship with the EU. The Minister feels that in order to be truly integrated into the EU, Zapata needs to distance itself somewhat from the U.S. Certainly, it will not serve us well in the EU if Zapata is seen as controlled by the U.S. We will be in a much stronger position entering the EU if we are seen as capable of winning concessions from the U.S. This is a point on which the Foreign Minister has taken a much bolder stand than the Prime Minister."

"We will need to agree on an approach with MOD and MIT that gives us the flexibility to deal constructively with the U.S. If we are not able to reach agreement on a common approach with the Ministries of Defense and Industry and Trade, we do have the authority to decide which line to adopt in the negotiations. However, we would like to avoid this. Inevitably, MOD or MIT will push the matter up to the Prime Minister. The Prime Minister does not want to be forced into choosing between Defense and Industry and Trade."

"Thus, you must obtain commitments from the Ministries of Defense and Industry and Trade to an approach that will allow us to manage this issue well by making progress on the quota issue in a way that preserves a good relationship with the U.S. and avoids criticism here at home."

"This will allow you to focus on the real issues at hand: how to work out with the U.S. delegation an acceptable basis for continuing a productive dialogue on the quota issue. Be wary of attempts by the U.S. to appease us by simply promising to meet again on the quota issue. We will be at a greater and greater disadvantage if we allow the discussions drag on. You should insist on making concrete progress on the fisheries, such as an agreement in principle or a framework for a solution to the quota problem."

"It is also important that we preserve our relationship with the U.S., yet produce an outcome on the quota issue that will quiet the attacks on the Prime Minister and that **will not** make Zapata look as if it backed down. We should not agree to simply drop the issue, nor can we expect the U.S. to simply back down."