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State business is a cruel trade

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1. INTRODUCTION[1]

The notion that there is an ideal way to conduct an international trade negotiation is a beguiling one. Countries usually know what they want from other countries but cannot be sure that they will get it. A sure-fire negotiating method would seem to offer the hope of saving effort and minimising risk. Treasuries might be pleased because it would also seem to offer a way of reducing the years spent on trade rounds. But would following a set of negotiation principles dutifully be of any use? To do so would be to fail inevitably. Even if no other reason is given, a negotiating formula would be quickly understood by the other negotiating country or countries and, negotiators being what they are, they would quickly be ahead of the game.

To dismiss a set approach to negotiating in trade rounds is not also to dismiss the existence of any standard methods in negotiation. It is rather to assert that negotiations are not conceived in the abstract nor divorced from the country or the people conducting the negotiation. The manner in which a country conducts itself in international trade negotiations will be a reflection of how that country conducts its international relations generally and as such will be a product of many ingredients: its history, its interests, its view of itself in the world, its aspirations, its power, its vulnerabilities, its size, its political system and much more.

So it is with New Zealand. The country has been an active participant in multilateral trade negotiations. In those negotiations it has developed a style and stance of its own. This study is an investigation of that style and stance, or more broadly an investigation of aspects of the manner in which New Zealand goes about pursuing its interests within multilateral trade negotiations. It seeks to identify what the style and stance have been, whether that style and stance have been appropriate and effective, and whether they will be appropriate or possible in the future.

This project was undertaken as a small part of a grant funded by the Foundation for Research, Science and Technology. Most of those involved are economists. A great deal of the material in the present study comes from interviews conducted by the writer, or by Chris Nixon and John Yeabsley of the New Zealand Institute of Economic Research, of New Zealand officials or former officials who have been trade negotiators for New Zealand. Two Australian former negotiators were interviewed by the writer. The reason for involving them was that the New Zealand Ministry of Foreign Affairs and Trade has a perception of how it conducts itself in multilateral trade and it seemed sensible to test these perceptions against those of other people who had been in the same negotiations as the New Zealand officials.

To clarify some definitions. Thus far the terms style and stance have been used together. They are linked but not interchangeable terms . The working distinction is that the stance is the negotiating position New Zealand takes the point at which New Zealand makes an offer, say to reduce a tariff, responds to an offer, makes a concession, or is prepared to make a deal. These basic negotiation points are set out in considerable detail in a brief held by the negotiators, though sometimes negotiators need to take a fairly flexible approach. The style is the manner in which New Zealand conducts itself in an negotiation. The two are interrelated. It would be unrealistic, for example, for New Zealand to decide that it will not settle for anything less than its total agenda and to stick to that attitude doggedly. New Zealand has to cut its cloth according to its weight. In

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fact, no country, however powerful or economically strong, will usually get all it wants from a multilateral trade negotiation. Almost all the emphasis in this paper will be on style, but to emphasise that aspect alone would be to negate the idea that there are benefits New Zealand wants to get out of the negotiation and disadvantages New Zealand is determined to avoid, which is the very point of the negotiation. Hence there are references to stance as well as to style.

The second definition is about multilateral trade negotiations. In theory, one could consider that any trade negotiation other than one with an individual country was multilateral. Even the bilateral negotiation may have a multilateral aim because it might have as an aim an attempt to drive the global world agenda towards freer trade. For instance, to some trade strategists even the Closer Economic Relations agreement with Australia was a step towards a wider trade agenda, though the negotiation was strictly bilateral. Here, however, the MTNs being referred to are those which have been conducted under GATT and some of the processes now conducted under the World Trade Organisation (WTO). The WTO was set up after the Uruguay Round and subsumed GATT.

The study is policy oriented, not theoretical. Nevertheless, it should be noted that in favouring international institutions, in seeking to establish international rules, and even in its emphasis on economic matters, New Zealand conforms to the typical behaviour of small states as identified by some small state theorists.

This study is not concerned with the broader philosophical arguments of free trade or globalisation. It will not make the case for or against free trade. It will assume much about the world trade negotiations agenda and New Zealand s adherence to that.

Although it can be argued that all negotiations have some points in common, MTNs have a character of their own, partly brought about by the time it takes to conclude them, partly by the procedures and circumstances under which they are conducted, and by a dozen other factors. Countries develop their own ways of dealing with the demands and opportunities of MTNs. The argument advanced in the paper is that New Zealand has developed an effective style of its own, that the style depended on and developed during particular domestic political conditions, and that those political conditions no longer prevail.

Most of the paper will be concerned with the negotiations conducted by officials, not the part played by ministers. The intervention by ministers in MTNs is often critical for negotiations and deserves a study of its own. But it is not treated here.

After a brief explanation of multilateral trade negotiations, the paper summarises the various dynamics and constraints inherent in them, then describes the New Zealand style and stance. The next section has a very brief discussion of whether the style and stance can be considered successful. The following section advances some explanations for the influences on New Zealand s style and stance. The conclusion addresses the question of whether there are new and difficult factors now facing New Zealand negotiators. In dealing with these subjects, no attempt will be made to treat any aspect exhaustively, though enough background will be sketched to make the argument.

2. WHAT IS AN MTN?

Eight Multilateral Trade Negotiations (MTNs), sometimes called trade rounds, have been conducted since the General Agreement on Tariffs and Trade was established in 1947. The last of these rounds, the Uruguay Round, took the longest to negotiate and was concluded in 1993 after seven years, though the final agreement was signed in 1994.[i] The rounds may take their names from the place at which they were launched but the main negotiations are conducted in Geneva, continuously involving officials from the countries participating, occasionally involving ministers in Geneva as well. Their purpose is to remove barriers to trade, though trade in agriculture was usually exempted despite the hopes of a number of countries, including New Zealand. The hopes were that barriers to agricultural trade would be lessened or removed in the same way as barriers to trade in industrial goods. The Uruguay Round was notable in that agriculture was included as well as the new trade in services. The previous round, the Tokyo Round, had lasted from 1973 until 1979 [ii] and had concluded badly on agriculture.

The focus on MTNs in this study can be justified on several grounds. In the first place, although not all of New Zealand s international trade is with members of the World Trade Organisation, 91 per cent of it is. By the time that China and Taiwan join the WTO, which is highly likely during 2001, some 96 per cent of it will be.[iii] It is, coincidentally, also a compelling reason for New Zealand to put as much effort into MTNs as it does. Secondly, when it has entered bilateral and regional trade agreements, New Zealand has ensured that these are thoroughly compatible with the rules of GATT and now the WTO. While the other agreements have advantages in themselves, the thrust of Zealand trade strategy has generally been towards the open markets favoured by multilateralism. Thirdly, the focus can be justified because export earnings are critical for New Zealand s economic growth. The small size of New Zealand s domestic market is insufficient to produce growth and jobs.

The focus in this paper on multilateralism notwithstanding, New Zealand has not put all of its faith in the multilateral system. The Ministry of Foreign Affairs and Trade identifies four tracks: domestic economic strategy, multilateral trade policy, regionalism, and bilateralism.[iv] Indeed during September of 2000 the New Zealand Government concluded a trade agreement with the Government of Singapore. Such agreements are not considered to undermine multilateralism but rather to supplement it.[v] Here, the emphasis will be on MTNs.

3. DYNAMICS AND CONSTRAINTS OF AN MTN

Multilateral trade negotiations have constraints and acquire dynamics of their own. These shape the negotiations themselves and affect all the parties. The constraints may drive the process as much as the dynamics that develop. For instance, the need to get results is both a constraint and a factor in the dynamics. It is within these constraints and dynamics that the New Zealand style and stance must necessarily have their context.

That pressure to get results and for the round to succeed comes from four main sources. First, Governments have invested many resources in the round. Secondly, failure might not simply mean no progress towards freeing trade but a reversal of gains already made. The most extreme form that concern takes is the haunting fear of a trade war developing. Thirdly, politicians, who have to approve the launching of a new round in the first place, have a stake in stopping the round from failing. Dominating all these other reasons however, is that getting results and making the round succeed is what the negotiations are all about.

There are also the pressures of time. The logistics of accommodating so many people are immense. The schedules of ministers have to be arranged. Senior officials might have other calls on their expertise. The logistics have to be attended to: halls and hotel rooms booked. The negotiations cannot drag on forever.

The system adopted is to get a complete deal, sometimes referred to as globality. This means that there is a principle of all or nothing. MTNs are not one negotiation but a series of negotiations in different sectors. In the Uruguay Round, for instance, there were 15 groups in which negotiations were being conducted. They were: tariffs; non-tariff barriers; natural resource products; textiles and clothing; agriculture; tropical products; GATT articles; Tokyo Round Codes; anti-dumping; subsidies; intellectual property; investment measures; dispute settlement; the GATT system; and services. So if, say, 12 of the groups conducting negotiations reach agreement and three do not then there is no deal. That is because concessions made in one area may, politically, need to be balanced by gains in another.

The principle of MTNs under GATT was to end up with a series of agreements bound into rules. This rules-based approach is at the heart of MTNs.

During the negotiations, the aim is to settle an issue by consensus. Individual voting is permitted but all delegations strive to avoid having an issue go to a vote. No country chooses a vote if it knows that it is going to be voted down.

The negotiations acquire an intellectual dynamic of their own. Negotiators puzzle about how to deal with this or that problem. The normal situation is that a country or group of countries will be looking to protect some trade or industry and others will want access to those countries markets. There is pressure on those who want to protect their markets to get a final agreement. There is a concentration of thinking on how to resolve the issue and no country wants to appear irrational. The application of logic, experience, and the capacity to think through a subject thus become powerful elements in the whole process.

The negotiators are not all equal. Some countries have larger markets to offer, some have greater leverage, some have greater economic power. The major negotiating countries are the United States, which commands 12.6 of world merchandise exports and 18.2 per cent of world services exports, and the European Union. Within the European Union, Germany has 10 per cent of world merchandise exports and 6 per cent of world services exports; the United Kingdom has 5 per cent of world merchandise exports and 7.6 per cent of world services exports; and France has 5.6 per cent of world merchandise exports and 6.4 per cent of world services exports. Japan is a sufficiently big player to be taken into account. It has 7.2 per cent of world merchandise exports and 4.7 per cent of world services exports. Compare these with New Zealand s 0.2 per cent of world merchandise exports. New Zealand does not figure in the top 40 of world services exports.[vi]

The negotiations last several years. A core of negotiators is involved and they get to know one another well and develop their own relationships. They will often refer to one another as tradies. Apart from the general dynamics arising from knowing one another well, negotiators with different personalities can affect the progress or the lack of progress in negotiations.

Negotiators must maintain a close relationship with their home governments and, if a key decision is to be made, it will have to go back to the government to be cleared. Sometimes the need to refer a decision to a home government is used as a ploy to delay matters. Yet the negotiators cannot allow themselves to get too far ahead of what would be acceptable to their home governments. If they do they might not only lose the backing of their government, but also their credibility in the negotiations. Alan Oxley tells the story from the talks about discussions on whether the Uruguay Round would be launched. At an informal meeting of ministers in Stockholm the Brazilian Minister was more enthusiastic than the country s officials had been and hopes were high that a round would be launched. Back in Geneva, however, the Brazilians let it be known that that the position adopted by their Minister in Stockholm had to be understood . Oxley writes:

> *In diplomatic parlance this meant that the Brazilians would continue to be as intransigent as ever and that events in Stockholm would be ignored. A Latin American from a neighbour of Brazil opined that Brazil s foreign ministry careerists would have been mortified at how forthcoming their minister had been. It was far too soon to have given such ground.*[vii]

The negotiators will usually also have to maintain communication with other government departments. A department of agriculture, for instance, does not want to arrive at work one morning and discover that a major decision has been taken which will affect the livelihood of the country s farmers adversely.

Besides the relationship between negotiators and their home government and between or among various government departments, there has to be communication between or among the negotiators and the various industry sector groups in their home countries. It may not always be complete communication and the negotiators may sometimes not take into account the wishes of the sector groups, but there is usually some attempt made to keep the sectors informed and to be aware of their reactions.

Although officials usually conduct much of the detail of a negotiation, ministers enter at specific points. The personal relationship between individual ministers and negotiators or heads of department can be critical.

Finally, world events can affect a negotiation. During the Uruguay Round, for example, the Governments of Eastern Europe and the Soviet Union collapsed developments which may have contributed to the success of the outcome of the round as the European Community had to turn its attention to matters of expansion and the shape of the new Europe. Its determination to preserve all the elements of its Common Agricultural Policy became less dominant

This description of the constraints and dynamics which characterise MTNs is not exhaustive. Nevertheless, it conveys something of the circumstances under which New Zealand negotiators practise their craft, a subject to which this paper now turns.

4. CHARACTERISTICS OF NZ STYLE AND STANCE

Among the most marked characteristics of New Zealand s participation in MTNs is that New Zealand adopts a non-confrontational style. New Zealand does not publicly challenge the positions of another country or adopt a hostile position. It is the perception of many New Zealand negotiators that they differ in this from Australia and they regard Australians, ministers and negotiators alike, as being under greater domestic pressure to show that they are standing up to the Europeans or whoever. It was interesting, in describing the non-confrontational aspect to another observer, that he thought it was a comment by New Zealanders on Australians as much as a comment on a New Zealand style.

New Zealand also puts considerable emphasis on the logic of a position. There is something of a culture among New Zealand negotiators that they rigorously apply intelligence and logic throughout the negotiation. New Zealand negotiators will seek to apply logic to the positions of others so that they can draw out the implications of the argument. New Zealanders often have considerable respect for French negotiators because of their consistency. They might not like the unremitting emphasis given to French interests, but they at least see where the French are coming from and admire the clarity of thought with which the French negotiators pursue their goal. Although it can be imagined that the officials of all countries taking part in such high-level negotiations are intelligent and logical, the New Zealand approach is to display their application of intelligence and logic to the analysis of positions in an effort to ensure that they, and New Zealand, cannot be ignored.

Within the negotiations, New Zealanders make extensive efforts to reconcile positions. This is often done by floating positions through the presentation of papers. Often negotiations will get to an impasse and positions become seemingly irreconcilable. The danger for the negotiations as a whole is the positions will become intractable. Because of the pressures to conclude a round, the negotiators seek to find a way through the issue. This can be done by the floating of ideas, say through a bit of paper that does the rounds among negotiators. This may be a compromise or take some other form. New Zealand negotiators, through floating such ideas, will often seek to advance the negotiation.

It follows from this that New Zealand negotiators are highly active. The production of papers seeking to reconcile positions is one aspect of being a highly active participant in trade negotiations. The extent to which they were actively involved was apparent in one of the interviews I conducted. A former Australian senior official said:

> *New Zealanders say the Australians were too confrontational, took for granted where they were, frequently made mistakes, and marginalised themselves. Like all perceptions it had about 60 per cent truth .maybe at times higher. The standard Australian view, which I didn t share, is that the New Zealanders were too quick to compromise and ran around trying to get involved in things in which they didn t have a real interest. The third thing was, they are always trying to undermine the Australians.*

A further aspect of the culture and style of New Zealand negotiators is that there is a heavy focus on understanding the positions of others, not just the position of negotiators but the political ground from which the other country s negotiating position comes. A real attempt is made to grasp what is at stake in the position of other parties. All negotiators to some extent have to know at least the demands of other countries. The New Zealand practice appears to go much further than that. They seeking to grasp the economic, political and trade dilemmas of another country. There is a culture in the ministry which emphasises an approach of getting a thorough grasp of the issues at stake for another country. One negotiator commented that he and other staff considered that they had to spend more time with their enemies than with their friends in the negotiation.

In summary of the above points it may be argued that New Zealand negotiators make themselves useful to the system as a whole. The New Zealand aim is to get into the critical negotiations. To do this they must not only understand the system thoroughly, but they also must take an interest in a great many subjects which do not directly involve New Zealand s trading interests. They have to have the ability to develop positions which serve the interests of the system as a whole. If they are invited into the critical negotiations which involve the interests of others, it is because of their expertise and a demonstrated capacity to contribute to the solutions. New Zealand negotiators have no other right to be part of such negotiations. If they confined themselves to subjects that bore directly on New Zealand issues they would not be wanted. That does not mean that the negotiators take positions against New Zealand s interests but that they are applying themselves to thinking through the issues that might be holding up the negotiation, whether or not those issues are related directly to New Zealand s interests.

New Zealanders are pragmatic negotiators. They seek to be realistic and are not heavily ideological. They do not take extreme positions knowing that they must eventually give ground. The Americans, by contrast, will often deliberately take a maximalist view and be prepared to settle for something considerably less. For instance, in the Uruguay Round the Americans took a zero option position on agriculture, which provided for the phasing out of all trade distorting subsidies and import barriers within a period of 10 years. New Zealand, through the Cairns Group, took a more measured position.[viii] New Zealand might not lay its final negotiating position on the table at once, but it will not make demands that it does not believe the other side will countenance for a moment.

New Zealand will often join in groups with similar interests. During the Uruguay Round the Cairns Group, an Australian initiative, included the following primary producers: Argentina, Australia, Brazil, Canada, Chile, Columbia, Fiji, Hungary, Indonesia, Malaysia, New Zealand, the Philippines, Thailand and Uruguay. It has joined with other groups in the past. The Cairns Group was a particularly effective group. It was a highly successful Australian initiative. Mike Moore has said publicly that the idea came from John Pryde, a New Zealand agricultural economist, and that he (Mike Moore) suggested it to Australia, but an agreed origin has not been documented. One Australian negotiator did not rule out that origin but said that a good idea often has many parents.

A further aspect of the New Zealand style can be seen mainly from the past, particularly at the time New Zealand was seeking to preserve its own markets when Britain was negotiating to join the Common Market. New Zealand constantly reiterated the same arguments. i.e. New Zealand came to Europe s aid during World War 2, and that New Zealand was a small economy which could be ruined by the loss of its markets. At a later time, in pleading for continued access to British or European markets, New Zealand argued that it could help shore up security in the South Pacific if its own economy were sound. If its economy were sound, it could follow a doctrine of strategic denial to the Soviet Union.[ix]

There are two fine ironical points to be observed in this. New Zealand believed that it had a good case to sell to Britain and to Europe at the time of British negotiations to enter the European Economic Community. Jack Marshall, the Minister of Overseas Trade, constantly used the same arguments of New Zealand efforts to save Europe from the horrors of Nazism. He was so used to launching into the familiar spiel that he started with a Foreign Minister one day before he realised that it was the German Foreign minister to whom he was talking and had to make a deft recovery.

The second irony lay in the fact that for part of the time that New Zealand was maintaining its don t harm our economy argument because if we are economically strong we can keep alien influences out of the Pacific approach, it was at the same time making some cool assessments about Soviet intentions in the South Pacific because of Soviet interest in fishing. New Zealand came to the conclusion that the Soviets were not interested in the region strategically. It was a marvellous example of eating your cake and having it too.

Lastly, in this section, an important technique New Zealand uses should be noted. New Zealand looks to the formation and implementation of international rules to further its own interests in trading. Below is an account of how one New Zealand negotiator came to terms with this. After a particularly brutal experience, with the United States as it happened, he reflected:

> *Big countries can get away with subsidies and little ones find it harder. You would think, well, maybe it s the other way round. But it actually isn t. If you think about the fish-for beef deal and the subsidies things with the United States and what finally happened to our access to the British market and so on, you say this is just a game about power finally. At that stage I came to the conclusion that New Zealand s best interests lay in promoting the rules of the game. I mean, we don t have the power to take the United States to court on our own so we have to try to get organisations to have rules by which somebody more powerful than us takes the United States to court. And so when all this argument about New Zealand being a little sucker and giving in where other people don t is run, my response is, well, try it. Try putting on a whole collection of subsidies, protections and just see what happens. Try using the argument that you ve got them, so we will too , and see what happens. History would predict that these big countries will keep their subsidies but they won t let you have yours .*

The personal experience of that negotiator, repeated by others, has become incorporated into the New Zealand position as a whole. Bruce Brown wrote:

> *Although the Labour Party was initially wary of GATT despite Nash s participation in its founding New Zealand under successive governments gradually realised the advantages for a small country with little international bargaining power but highly dependent on international trade of an international system of rules which might protect their trading rights against stronger states.*[x]

5. HOW SUCCESSFUL A STYLE?

The measurement of an individual country s effect on a multilateral negotiation is a difficult and inexact undertaking. Most of the countries of the world are involved in an MTN 115 countries took part in the Uruguay Round - and the final deal was the bringing together of a great many efforts. The final text consisted of 22 separate agreements and 550 pages of legal text. It can certainly be said that the inclusion of agriculture within the GATT system served New Zealand s interests. It can be broadly said that agriculture was included in the final text of the Uruguay Round because the United States wanted it there. There is no doubt also that the Cairns Group made a major contribution to getting it there. Within the Cairns Group New Zealand was an active player. Without the insistence of the United States and the persistence of the Cairns Group agriculture would not have been included to any significant degree.

Nor can the effectiveness be measured in a crude manner by looking at what New Zealand s interests were in the negotiation and seeing if these were incorporated in the outcome of the negotiation. The Ministry of Foreign Affairs and Trade summarised the outcome of the Uruguay Round as tackling a series of old trade problems including agriculture which had been shelved by previous GATT negotiations and as developing new trade rules for new areas of international commerce, particularly trade in services, which had not been dealt with since GATT had been established.[xi] The fact that elements of the outcome reflected New Zealand s interests does not prove that New Zealand brought them about. Nevertheless, there is ample written and oral evidence that New Zealand negotiators played a significant role in aspects of the negotiations to help them towards a successful conclusion.

When New Zealand sought to preserve its trade with Britain as Britain negotiated to join the European Economic Community, the success was easily judged. In those negotiations, New Zealand was on its own. No other country managed to retain this type of access. Australia and Canada greatly wanted to. Similarly, after the five transition years New Zealand continued to have access for dairy products. It was always a holding operation. New Zealand held on until the trade was subsumed under GATT rules in the Uruguay Round. New Zealand was a willing seller but Europe was not a willing buyer. That negotiation and the maintenance of trade access was an outstanding foreign policy and trade policy achievement.

Despite the difficulties inherent in making judgments of success in MTNs there are a number of clues. One came from one of the Australians interviewed who argued that there were only three at the big table of the negotiations as of right the United States, the European Union and Japan but somehow New Zealand always managed to get itself a place. He thought New Zealanders were very focused on their national interests, perhaps more so than Australians. He believed that both New Zealand and Australia punched above their weight.

It can be argued that by force of personality, by mastery of the subject matter and by the use of various methods, New Zealand manages to be a prominent player despite the size of its economy. New Zealand aims at and usually succeeds in being in the room where the penultimate draft of a negotiation document is made. It cannot aspire to be in the room where the final deal is cut, which will almost certainly be done by the United States, the European Union and Japan. However, it would be inaccurate to believe that it does not matter what has gone before the final deal because those major players know that bringing the round to a successful conclusion will be done by consensus. They cannot simply impose their own solutions on the major outstanding issues. On the way to the final deal there are many critical meetings and lunches where the outline of all the solutions to the problems are developed. New Zealand aims to be represented at those meetings and often is.

These critical meetings deal with a huge range of issues. The deals struck shape the final outcome of the negotiations. To be represented at these critical meetings is quite an accomplishment. New Zealand has no automatic right to be there. Apart from the United States, the European Union and Japan, an automatic right usually extends to countries with a major trade interest in the subject being discussed. In New Zealand s case it would have a right to be represented only at those meetings concerned with sheepmeat and dairy products. In being represented at a far wider range of meetings, the New Zealand negotiating team works towards bringing the negotiation to a final conclusion rather than confining itself to direct New Zealand interests.

In playing this role within the negotiations, the New Zealand negotiators consider that they eschew the attractions of playing to the audience at home for political reasons.

A measure of the standing in which New Zealand negotiators are held can be seen in the number of times New Zealanders have been asked to serve in the quasi-legal role of adjudicators in trade disputes. For disputes settlement the WTO appoints panellists . New Zealand is second only to the host country, Switzerland, in being asked to serve on such panels. In 1999 , for example, Tim Groser, Adrian Macey, Wade Armstrong, and Hugh McPhail , all New Zealand negotiators, served on panels. They were seen as having the expertise to contribute to the resolution of disputes. There is an additional point to their being panellists. It is an indication that they are contributing to the work of the WTO which reinforces their position in other negotiations. The fact the late Chris Beeby, of the Ministry of Foreign Affairs and Trade, became an international lawyer dealing with trade issues is also a mark of the expertise within the Ministry. Not the least mark of New Zealand expertise is the fact that Mike Moore, who was so deeply involved in the Uruguay Round, has become Director-General of the WTO. He was a minister, not an official, but New Zealand s general reputation in the WTO was an important factor.

6. FACTORS INFLUENCING THE NEW ZEALAND STYLE

The most obvious constraint on New Zealand is that it is a very small player in world trade, occupying only 0.2 per cent of world trade.[xii] It thus has little leverage. Even if it opened its markets totally, it might offer a handy, but not a great market. With rare exceptions, the markets other countries offer New Zealand are far more significant than the market New Zealand can offer. Some other countries have markets large enough to use as a lever or at the very least as an incentive.

The dilemma for New Zealand is that its voice is not going to be heard because of the economic strength it can command This forces two options on New Zealand. If it hopes to exert influence it has to find something else to offer. This helps to explain the role it has devised for itself in serving the system as a whole. The constraint brought about by New Zealand s size is also a major factor in determining New Zealand s attitudes towards international rules and international organisations.

It is worth observing in passing that if New Zealand does not have a large enough market to exert leverage on other countries, it is improbable that New Zealand will be a profound influence on other countries by dropping all its barriers to trade. There may be an economic argument for doing so to make the New Zealand economy more efficient, but that should be kept separate from a trade strategy argument that it will strengthen New Zealand position in negotiations.

Another factor comes from historical experience. Although New Zealand is a much more confident negotiator than it was when it sought to preserve access to the British market when Britain was seeking to join the Common Market, one could look to that experience as helping to form the style. New Zealand had had experience in dealing with other countries but certainly no experience of the scale in which it was fighting for continued access for its basic export commodities. It learned as it went. This was a successful negotiation and New Zealand managed to obtain what no other country did. Both Australia and Canada wanted continued access; New Zealand obtained it when they did not. It achieved that partly by having good intelligence, by being non-confrontational, by having a case, by managing its relationship with Britain carefully and extending its relationship with other countries and by being persistent. It was prepared to use its standing with the British public to appeal over the heads of the British negotiators but understood that power could not be expended lightly and had more value as a threat than as a usable weapon. Bruce Brown cites one occasion on which John Marshall, as Deputy Prime Minister and Minister of Overseas Trade, was faced with a figure for access for milk equivalents from Geoffrey Rippon , the chief British negotiator in the Heath Government, which he found unsatisfactory. Marshall said that he would fly back to London and say so publicly. Rippon said, You wouldn t dare. Marshall replied, Try me. Rippon went back into the negotiations and got a figure which was more satisfactory for New Zealand.[xiii]

There was a view that had New Zealand sought to appeal to the British public, it could have scuppered the bid British were making to enter the European Economic Community. It was a view held by some New Zealanders. Brown does not believe, and that was the conviction of New Zealand negotiators at the time, that such an action would have been in New Zealand s long-term interest with the British.[xiv] Brown s view reinforces the argument that a non-confrontational approach serves New Zealand s interests best.

During that campaign New Zealand gained other valuable experience. New Zealand was not directly represented because the negotiations were between Britain and the Common Market. Any presentation of the New Zealand case was going to be made by Britain. Marshall set up a room alongside the British negotiators room in Brussels and sought to influence matters from there. Extensive domestic networks were established and a hotline to the Dairy Board was set up. Within New Zealand there was widespread domestic support, particularly from the farmers. There was bipartisan support within Parliament. There was a sense of the whole country being engaged in a struggle for domestic economic survival. The New Zealand approach was viewed askance by some others. One Australian, not among those interviewed for this study, characterised the New Zealand position as lying on its back and putting its feet and hands in the air and saying Oh don t do this to us, you will kill us. We will die if you do this to us. One of the New Zealand negotiators, on being told of this, commented on that point as it is, if you like, a rather emotive description of the thing about using weakness as a lever, and that is something that does require skill. . Lying back and pleading and screaming wouldn t have actually have worked. The New Zealand negotiator s argument was that New Zealand had used its vulnerability but in a more subtle way than the Australian had credited it with.

There was a further discovery among New Zealand negotiators that they came to know a lot more about the policy positions of individual countries than their Australian and Canadian counterparts. They built up good contacts with some of the main negotiators and were slipped bits of paper saying, for instance, that such and such a meeting would be held and New Zealand would be discussed at that. The New Zealand team built up very close links with the representatives of the main British and German newspapers and intelligence was fed both ways. The work was detailed and infinitely painstaking and it is the conviction of some of those taking part that it was this willingness to be painstaking that helped New Zealand preserve its access to the British market.

Despite the general backing of the country and the politicians, there were some inevitable domestic disputes. The trade policy division of the Department of Trade and Industry had not then been incorporated into Foreign Affairs and there were some turf battles. Trade and Industry wanted to establish its credentials with the Government and show that it knew how to handle these Europeans. The Meat Board believed that the Dairy Board had the ear of the Government but that the fate of lamb was being ignored. The concerns of the Meat Board were well understood by the New Zealand negotiators. One incident illustrates this well. The New Zealand Ministry of Foreign Affairs used to buy New Zealand paintings which it made available to its offices around the world. One painting, by Michael Smither, was of a large packet of butter and was kept by one negotiator on the wall of his office. Every time that the chairman of the Meat Board came the negotiator had the painting taken down so that the Meat Board did not get the idea that the Government was looking after butter but not lamb. Nevertheless, a considerable amount of domestic unanimity was maintained, probably more so than within any other country badly affected by the exclusion of its trade from Britain or Europe.

When New Zealand sought to preserve its place within the British market it had not been faced with so complex a negotiation previously. It had no model. There are differences today in the manner in which New Zealand conducts itself in multilateral trade negotiations but the lessons learned from that time have endured as well.

Five domestic factors were also influential in shaping the New Zealand approach. The first was that there was considerable stability in the ministerial portfolios dealing with trade. After Jack Marshall s long service as Minister for Overseas Trade, the Government changed and the highly experienced Joe Walding became Minister in the Labour Government of 1972 to 1975. In the Muldoon Cabinet from 1976 on Brian Talboys was Minister of Foreign Affairs and Hugh Templeton Minister of Trade and Industry, and remained in those positions until Labour won the election in 1984. During the fourth Labour Government Mike Moore was Minister for Trade

Negotiations until a few weeks before Labour was defeated in 1990. Thereupon Philip Burdon became Minister for Trade Negotiations. All these people became familiar with the details of New Zealand trade and their long retention of the portfolios created a stable negotiating environment.

The second was that there were a limited number of players. Before Foreign Affairs and Trade and Industry merged in 1988 the two departments were important in trade negotiations, as were the Department of Agriculture and the Dairy and Meat Boards, Federated Farmers and the New Zealand Manufacturers Federation. The Treasury was also involved in trade policy issues and sometimes involved in negotiations. Nevertheless, within those institutions, the senior staff dealing with multilateral trade issues were few in number and they all knew one another very well indeed. Add to that the small scale of Wellington where officials and staff of other institutions meet one another frequently, by accident if not by planning, and the picture emerges of a core of people who had the opportunity to talk frequently, were familiar with one another and who lived and understood the issues. The public was generally not much interested in trade policy and there was a domestic consensus about gaining more access for New Zealand. Occasionally, there might be a political effort to reassure the voters that their money was spent well on overseas travel by politicians and government officials or that protracted negotiations would eventually produce something of benefit to the country, but the wider aspects of trade policy were not a matter of public debate

A third factor was that there were majority governments and only rarely were there more than two parties represented in Parliament. At no time until 1996 was there a coalition government. Once a coalition partner is accommodated within the Government, that coalition partner will make an effort to distinguish his or her party from the government to maintain an identity. That presents a much more complicated situation than the maintenance of good relations between the Prime Minister and the Minister charged with the responsibility for trade or trade negotiations. As far as officials are concerned, it means that they have to be aware of the possibilities of divisions within the Cabinet. That, in turn, might mean that a negotiator is less inclined to take risks.

Another domestic influence lies in the fact that for a long time agriculture dominated the New Zealand economy and there was a widespread acceptance of the importance of agricultural interests within the New Zealand economy. Trade policy was largely identified with the bid to get or maintain markets for agricultural exports. Once the New Zealand economy became much more diversified, other economic interests had to be taken into the economic and trade equations. This was not necessarily a disadvantage to trade negotiators; nevertheless, it created a much more complex domestic environment.

The fifth and final point on the domestic aspects is that just as the style and stance of the negotiators of any country is bound to have been influenced by the national characteristics of the people, so New Zealand negotiators will reflect the national characteristics of New Zealanders. The point needs to be made; a wider discussion of the typical personality of the New Zealander would take this study far beyond its immediate focus. Perhaps the fact that New Zealanders do not stand in awe of people because of class or wealth may be one national characteristic which makes an important contribution.

A further influence on the style and stance has been the Ministry of Foreign Affairs and Trade (as it is now) itself. Although the Ministry does not have a formal training programme for its trade negotiators, newcomers absorb the style by osmosis. That is not to say that the development of a trade officer is left to chance. Care is taken for the officer to be exposed to various aspects of the work within the Trade Negotiations Division of the Ministry and to extend this with experience in trade policy work in Geneva or elsewhere. There is, however, no formal instruction as such. The shaping process that exists is of a junior official working alongside senior officials and absorbing approaches on the way. Hence the style is preserved and passed on. The Ministry usually has a stable staff and hitherto has not employed others on secondment, so the influences have been largely in-house. The now Trade Negotiations Division of the Ministry expects that after it has tested a staff member s abilities in trade, it will retain that officer in the division for a reasonable period. The result is that the Ministry turns out a core of officials highly experienced in trade and schooled in the New Zealand approach to trade negotiations. The departmental influence may be said to be an effort to produce people who will be negotiators rather than observers. The distinction being made is that the observer is the official who understands what is going on but does not necessarily take part in shaping the final outcome. The delegations of many nations tend to be observers. Put another way, the New Zealand approach encourages a negotiating rather than a bureaucratic style.

This argument thus far is that New Zealand has evolved an effective style of conducting itself in multinational trade negotiations and that style has come out of a particular climate of opinion and political context. In the last and concluding section an attempt will be made to demonstrate that the climate of opinion and the political context within which New Zealand has negotiated is changing.

7. CONCLUSIONS

Domestic or international attitudes towards particular subjects cannot be pronounced on with certainty. Here, some evidence will be assembled on factors that have formed part of the domestic scene, on the New Zealand political scene and on the international scene, which may indicate changes.

Domestically, anti-globalisation attitudes have become widely expressed and have been reinforced by a number of highly able speakers and writers, notably Professor Jane Kelsey of Auckland University. There has been much more debate and free trade is generally a more divisive issue within the country than it has been in the past. Within the economy, agricultural views have become less dominant and as there has been a growing diversification of the economy, the number of sectors involved in trade discussions has multiplied.

Politically, the changes within New Zealand have been marked as New Zealand has moved from the first-past-the-post electoral system (FPP) to the Mixed Member Proportional voting system (MMP). Until 1993, the last election under FPP, there was very strong party discipline under majority governments. An individual member of Parliament on the Government side would subordinate personal convictions to the need to maintain the Government in power. The exceptions were very rare indeed. On the opposition side there was usually only one party and party discipline was also strong. Between 1993 and 1996, the date of the first election under MMP, there was a string of governments in various combinations as parties broke up and different groupings were formed. Since 1996 the country has been governed by coalition governments. The tradition of Cabinet solidarity has been maintained but is not observed as consistently as it once was.

The coalition agreement between the Labour and Alliance parties after the 1999 election makes provision for party differences:

> *Where either party leader considers that a distinctive policy matter raises an issue of importance to the party's political identity, the leader will raise this with the coalition management committee which will resolve an appropriate course of action, including possibly identifying the matter as one of 'party distinction'. In this event there may be public differentiation between the parties in speech and vote which will not be regarded as being in breach of the convention. Such issues are expected to be infrequent and the parties recognise that dealing with them openly and responsibly is critical to the credibility of the coalition. Differentiation on such issues will not detract from the overall acceptance that the two parties are taking joint responsibility for the actions of the government.*

Such a difference occurred over the free trade agreement with Singapore in September of 2000. Without ill feeling the Labour Prime Minister allowed the junior coalition partner, the Alliance, not to support the agreement in Parliament.

Prime Ministers now have to have be aware of the need to give more rein to their coalition partner. A junior coalition partner may also affect Government policy. In April of 2000 the Government decided that it would freeze tariffs at current levels until at least 1 July 2005. It repealed legislation designed to phase out all tariffs by 1 July 2006. This could not be regarded as a major reversal of policy towards free trade because the Government continued the programme of tariff reduction for beer and paper, paper products and printed material which had been agreed as part of the Uruguay Round. The announcement was couched in terms of New Zealand will no longer be removing tariffs on a strictly unilateral basis. [xv] Nevertheless, the thrust towards lower tariffs had been halted and the influence for all to see was that of the Alliance.

That need for a junior coalition partner to be able to differentiate itself is probably the most significant change, though the fact that there are more parties in Parliament is also a profound difference. In the five decades before 1993 the Labour Party and the National Party dominated Parliament and only rarely would a minor party be in the House of Representatives. At the most one minor party would be represented and then never by more than two seats. It was thus a marked change when after the 1999 election members representing seven parties were elected to Parliament. One outcome is that if the senior coalition partner loses the backing of the junior coalition partner, as occurred over the free trade agreement between New Zealand and Singapore, the senior coalition partner has to seek support for important legislation from another party. That presents a number of uncertainties, especially for officials.

The number of parties in Parliament has not only increased but in the Greens a party with anti-free trade views is represented. Two Green members of Parliament joined demonstrators against the holding of the World Economic Forum in Melbourne during September. The Greens are not part of the New Zealand Government; nevertheless, the senior partner in the coalition, the Labour Party, believes that from time to time it will need to rely on the Greens to survive.

Internationally, there is some evidence that there has been a shift in attitudes towards free trade. One sign was the Organisation for Economic and Co-operation Development s abandonment of discussions on the Multilateral Agreement on Investment in December of 1998 after considerable world-wide criticism. One of the contentious issues was that the text of the agreement was kept secret. A Canadian non-government organisation managed to get hold of the text and published it on the internet. After the criticisms levelled at the content of the text, governments appeared to take fright and abandoned the negotiations.

A year later, a second sign came in Seattle, Washington State. Major demonstrations caused the WTO to abandon the proposal to launch a new trade round. Several groups claimed credit for stopping the launching of the new round. A full analysis of the reason for the failure of the meeting has yet to be published, though a number of observers have blamed the lack of preparation by the Americans. However, if some of the groups opposed to free trade believe that it was their efforts which prevented the launching, that will be an incentive to them to take the advocacy of their position further.

A lesser but still major demonstration occurred at Melbourne in September of 2000 at a meeting of the World Economic Forum. A number of people who wanted to attend the meeting were unable to do so. Later in September a further major demonstration occurred at Prague, at the annual meeting of the IMF and the World Bank, forcing the meeting to end a day earlier than had been planned. It now appears impossible for any major meeting associated with world trade to be held without attracting significant demonstrations.

The increased interest in trade by a number of non-government organisations also adds to the uncertainties about world attitudes to free trade. This changing attitude is likely to have an impact in two ways: directly on the negotiators because they will sense a lack of domestic consensus, and indirectly because the societal attitudes are likely to be reflected in political positions and parties and this will work itself to the surface of the political process and raise questions about the stance and style of New Zealand negotiators. Such developments would stifle the initiative which has been a mark of the present style.

It is important not to exaggerate the events which have occurred so far. What can be said is that the international consensus on the positive aspects of free trade and what has been the world trade agenda is not as firm as it was, though it has not yet broken down. There are strong political arguments which support the belief that the freeing of trade is still regarded favourably. One of the striking instances of that is that the nations of East Asia which were hit so hard by the financial and economic crisis of mid-1997 on did not turn towards protectionism. They did not seek to isolate themselves from international trade. Malaysia introduced currency controls but these were not matched by restraints on the flow of goods and services.

A further sign of changing attitudes is, nevertheless, to be found in East Asia where there appears to be a perception that such institutions as the IMF and the WTO, and the regional trade arrangement of Asia Pacific Economic Co-operation, are not serving the interests of certain East Asians. If that attitude hardens, the shape of the world trading system and with it the importance of the WTO will change.

Yet if the thrust towards freeing trade can accommodate the concerns being expressed about globalisation, trade and environmental issues and other concerns, then the current philosophy has a reasonable chance of continuing. If these concerns cannot be accommodated then the prevailing thinking is likely either to change or to swing wildly.

Should there be a change in philosophy towards free trade, this will affect the world trade environment as a whole, not New Zealand alone. International rules of trade and international organisations such as the WTO have served New Zealand s trade interests well and a turning away from MTNs as the primary instrument for opening up world markets would be against New Zealand s interests.

A further conclusion is again tentative. Agriculture was included in the outcome of the Uruguay Round because of the efforts of the Cairns Group and because the United States wanted it included. Much will continue to depend on consistent US policy both towards agricultural trade and towards the multilateral system. The Republican Administration of George W. Bush will almost certainly favour free trade, though the extent to which it will promote this through the WTO remains to be seen. The Bush Administration might veer towards unilateralism, which would have an adverse effect on world trade negotiations. This would undoubtedly have an impact on the international free trade agenda to which New Zealand primarily looks for its own free trade interests.

The last conclusion is slightly different than the first preceding ones. Assuming for a moment that there was a turning away from the multilateral trading system, it does not necessarily follow that there would be an outbreak of protectionism. It is much more likely that countries would look to bilateral and perhaps regional trading arrangements. As mentioned earlier, New Zealand pursues bilateral and regional tracks as well as the multilateral tracks. However, it is less likely that regional trading groups would have the same adherence to international trading rules, rules which have served New Zealand interests well. It is also less likely that New Zealand will be able to have as much influence in regional and bilateral trade arrangements as it has had in the multilateral system.

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[i] Oxley, Alan, The Challenge of Free Trade, Harvester Wheatsheaf, Hemel Hempstead, 1990, presents an extremely lively account of much of the Uruguay Round by an Australian Ambassador to GATT and a negotiator. His book appeared before the round was completed. Mike Moore, a former New Zealand Prime Minister of Minister of Trade negotiations, and now Director General of the World Trade organisation, is acknowledged as suggesting the book.

[ii] A very good academic account of this round is to be found in Winham, Gilbert R. International Trade and the Tokyo Round Negotiation. Princeton University Press, New Jersey, 1986.

[iii] From figures prepared by MFAT from Statistics NZ data.

[iv] New Zealand Trade Policy. Implementation and directions: a multi-track approach, Ministry of Foreign Affairs, 1993.

[v] For a discussion of the relationship between regional and bilateral trade agreements with multilateralism see Groser, Tim, “Multilateralism and Minilateralism: on a collision course,” in Globalisation and International Trade Liberalisation. Continuity and Change, ed. Martin Richardson, Edward Elgar, Cheltenham, UK 2000, pp126-136.
[vi] The figures are taken from the 1999 WTO Annual Report.
[vii] Oxley,op.cit. p133
[viii] Bruce Brown, New Zealand in the World Economy, in New Zealand in World Affairs Vol. 3 1972-1990. Ed Bruce Brown, Victoria University Press in association with the New Zealand Institute of International Affairs, Wellington, 1999. p49.
[ix] Bruce Brown op.cit. p30.
[x] Bruce Brown, op.cit. p46.
[xi] Trading Ahead. The GATT Uruguay Round: Results for New Zealand. Ministry of Foreign Affairs and Trade, 1994.
[xii] WTO Annual report, 1999.
[xiii] Bruce Brown, ‘Foreign policy is trade : Trade is foreign policy. Some principal New Zealand trade policy problems since the Second World War, in Fifty Years of New Zealand Foreign Policy Making. Dunedin Papers from the twenty-eight Foreign Policy School, 1993. Ed. Ann Trotter University of Otago Press in association with University Extension , Dunedin, 1993.
[xiv] Bruce Brown, ibid. p83.
[xv] Press release by Trevor Mallard, Acting Minister of Commerce.

Interviews

Graeme Ansell

Wade Armstrong

Alister Bisley

Tim Groser

David Hawes

Sir Frank Holmes

Peter Kennedy

Roger Kerr

Mike Moore

Merwyn Norrish

Richard Nottage

Terence O’Brien

Alan Oxley

Mike Robson

Graham Scott

Malcolm Templeton

Gerry Thomson

John Wood

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