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CHAPTER FOURTEEN WORLD TRADE ORGANIZATION: AN AGENT OF ECONOMIC IMPERIALISM

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ABSTRACT

This paper discusses world trade organization, its history and its functions in regulating international trade among nations. But it appears it is not serving the interest of every nation, rather the paper sees it as agent of imperialism, serving the interest of developed countries. The paper highlights the role of developed nations on agricultural subsidy, textiles and biological diversity as some of the examples of subjugation of the developing world. Progress could be made if goal-oriented policies are put in place in these developing nations.

INTRODUCTION

World Trade Organization is one of the intergovernmental organizations within the International Economic System. Its main focus is to regulate and take charge of international trade among trading countries as a result of friction. Like any other business international trade cannot be conducted without friction. Conflict has existed and it still exists between domestic politics and international trade. However, in 1947, trading nations including the United States, Britain, France, Germany, etc. met in Havana and reached a consensus on the establishment of an international trading order to solve conflict in the international trade relations. At Geneva, the trading order was drawn and was embodied in General

Agreement on Tariffs and Trade (GATT). The agreement was to provide a procedural base and to establish guiding principles for tariff negotiations. It was also intended to be a temporary treaty to serve until the Havana charter was implemented. But because that charter was never ratified, General Agreement on Tariffs and Trade became the expression on the international consensus on trade (Spero, 1981:134).

General Agreement on Tariffs and Trade (GATT) was not an "organization" but a multilateral treaty which was signed by ninety-six governments known as "contracting parties" (Jhingan 1997: 518) Indeed Rourke posited that GATT was throwing in some confusion since it represented name of a treaty and not organization, which coordinated treaty implementation and conducted other functions (Rourke 1998:343). With time the responsibilities shouldered by GATT was becoming too complex and heavy, hence at the Uruguay Round (conference) of GATT, negotiation aimed as establishing a new body started. The World Trade Organization (WTO) was established in 1 January 1995 at the end of the Uruguay Round (of GATT) negotiations which started in September 1986 and ended in Marrakesh in December 1993/94. It was a follow-up to the Kennedy and Tokyo Round of GATT negotiations that had ended in 1979. (Onimode: 2000:183) The World Trade Organization agreement is the Uruguay Round agreement whereby the original GATT becomes a part of the WTO agreement which came into force from 1 January 1995.

The World Trade Organization is based in Geneva, Switzerland. It provides legal and institutional framework for the global trading system, prods independent nations on ways to frame and implement domestic legislations and regulations within the context of global business relationships. It provides the fulcrum for trade relations among countries, which evolves through collective debate, negotiation, bargaining and

adjudication. It also provides declarations, important agreements covering trade in goods, services, intellectual property and plurilateral trade (Jhingan, Ibid).

The negotiations, collective debate, bargaining is not in favour of the developing countries of the South in which Nigeria is part. The primary aim of this paper is to identify the role of World Trade Organization (WTO) as imperialistic in the conduct and regulation of international trade and other economic exchange relations as it affects developing countries. In doing this, the study will rely on information in the literature on international trade and international economic relations without any empirical study.

THE GOALS AND OBJECTIVES OF WORLD TRADE ORGANIZATION

The agreement establishing the W.T.O. laid down the following objectives:

1. The deregulation and fair competition in the global trade relations.
2. In the field of trade and economic endeavor, the conduct shall be such that it will raise the standards of living, ensuring full employment, expanding the product and trade in goods and services, the need for steadily growing volume of real income and effective demand.
3. The enhancement of world's resources for sustainable development especially that of protecting and preserving the environment.
4. Efforts geared towards ensuring that developing countries especially the least developed share in the growth in international trade in line with the needs of their economic development.
5. Reciprocity and mutual arrangement directed towards substantial reduction of tariffs and other barriers to trade and the elimination of discriminatory treatment in international trade relations (Akpan, 2000:62; Jhingan, Ibid).

EXPECTED FUNCTIONS OF WORLD TRADE ORGANIZATION

World Trade Organization (WTO) is expected to facilitate the implementation and operation of all the agreements and legal instruments negotiated in connection with Uruguay Round including plurilateral trade agreement; administer the understanding of rules and procedures governing the settlement of disputes and the Trade Policy Review mechanism, and cooperate with the International Monetary Fund, The World Bank so as to achieve coherence in global economic decision-making (CBN, 1998:362). The objectives were to help promote free trade among members and engender confidence in the system against any sudden changes of policy. It serves as a forum for trade negotiation among members. These functions therefore, highlight the influence of the new organization over international trade in the future. As later seen, the implementation of all the agreements negotiated during the Uruguay Round, transforms the world economy into an integrated production and trading system which is bound to marginalize non-technological countries.

IMPERIALISTIC TENDENCIES OF THE W.T.O. ON DEVELOPING ECONOMIES

As at now one hundred and thirty-six countries are WTO members. Any country that wants to participate in international trade as a condition must sign or enter into agreement with the WTO. However, countries that signed or entered into agreement with WTO, are obliged to follow the WTO rules. These rules restricts or constrains the possible policy options in many areas. Non-compliance to the rules can bring about heavy penalty and punishment, including retaliation through measures affecting trade and other activities. Though there is no record yet to show, it is believed

that, in a more polaristic parameter, non-compliance can also lead to expulsion, and thus the trade boycott from other countries because of the firm and powerful structure of the WTO. Now, the WTO is firmly entrenched and the basic structural economic policies relating to foreign trade, investment, sectoral policies in services and agricultural or technology policy in areas such as intellectual property has placed it on a leverage. Any government that changes its policies and spits on WTO attracts disaster. It is contended that, in an alternative to nations not willing to abide by WTO rules, is to opt out of the multilateral system (Das, 1998:56). Opting out, should any country try, implies doom to such a nation, now that the world is almost becoming a global village. However, few examples from the goals of the WTO are presented below. Food is one of the basics for man's existence, and it is one thing that encourages trade within and without nations. Developing countries have been subsidizing for their farmers because of acute shortage of food. Put it the other way there is food insecurity in developing nations partly caused by poverty, famine, population increase, drought, ethnic feuds, etc. Food production would reduce import dependency and assist in development effort. WTO led by advance economies as the European Union (EU), United States and Japan are advocating for the abolition of subsidies to farmers by the developing nations (Griffin, 1999:38).

Indeed, reports say farmers in the advanced world are subsidized to the tune of \$1 billion per day, about six times the amount rich nations presently vote for development aid worldwide (The Punch Wednesday, September 10, 2003). Because of the liberalization, farmers in developed economies would be exporting their products to the developing countries. Thus, by the words of Watkins and Windfuhr (1995) concluded that producers in developing countries will continue to face competition in local markets from subsidized imports, this will have adverse consequences

on the livelihood of people. Exporters among developing nations will also continue to compete in world markets where prices are artificially depressed by subsidized exports from European Union and the United States. Agricultural liberalization will also raise world food prices, which may benefit food exporters, but developing countries will face higher food import bill and this will retard development efforts. However, seventy percent of people in developing world are engaged in agriculture, liberalization of agriculture and opening up of markets would mean large scale unemployment in these nations. It should be known that employment has a very positive linkage effect on a country's development. Again unemployment may breed acute poverty and poverty also has a negative linkage effect on crime prevalence in the society. This may also lead to instability as being experienced in many developing countries today including Nigeria.

To be specific, the largest category of internationally traded foodstuff is cereals. It generates about US \$20 billion annually. Studies indicate that the US and European Union account for over half of all exports of wheat and wheat flour. The US alone accounts for over three quarters of maize exports. Because producers in the US and EU dominate World Cereal markets, the export prices of which they determine effectively, they dictate world cereal prices-and-hence the price against which producers in importing countries have to compete. The subsidies paid to US and EU producers therefore play a key role in determining the price at which cereals are traded, not only in the developed world but the world over (Lang, 1999).

The US and the EU spent over US \$15.7 billion in 1995 subsidizing wheat and maize production alone. This is by far greater than the financial support available to farmers in the South. As a result, trade in cereals is massively distorted in favour of developed North producers, which can dump their

surpluses on developing countries at heavily subsidized price. The average subsidy, for example, to a US farmer producing wheat for export is about 25 times the total average per capita income in the 42 countries classified by the world bank as 'low income' and more than three times the average per capita income of the middle income countries of South East Asia and Latin America. Yet the developed nations are advising against government subsidy in the developing nations (Ibid).

INDUSTRIAL EXPORTS FROM THE DEVELOPING COUNTRIES

Apart from few developing countries that export crude oil and other minerals, the remaining export raw agricultural materials mainly cash crops. Opening up of the developed economies markets to the developing countries has been resisted. What is obtained now is the exclusion of trade in textiles from the rules of GATT-WTO. According to Das, developed countries have not shown willingness to liberalize their imports in sectors which they consider sensitive. A glaring example is the implementation of the agreement on textiles and clothing. This agreement contains different textile products, which they have advantage over developing nations. The rules of non-discrimination no longer hold because it affects developing nations (Das; 1998:640). Now, very stiff competition over fabric materials exist between the developed and developing countries. In Nigeria hundreds of textile mills have closed shops because of foreign competition with home-made fabrics (The Punch May 2003). In such a lopsided trading system, it is difficult for developing nations to break even. The implication has been the crippling of developing economies, increasing poverty, unemployment and debt burden.

UNITED NATIONS CONVENTION ON BIOLOGICAL DIVERSITY

The United Nations convention on biological diversity signed in Rio de Janeiro in 1992 was ratified by 183 countries recognizing the **sovereignty** of country over their genetic and biological **resources**. Unfortunately, there are absences of legally drafted **laws** against the offenders. However, GATT-WTO since 1985 required its member states, to comply with the trade related intellectual property right (TRIPS) agreement. "International law sets out that an invention can only **qualify** for patent only if it is new and includes a **resourceful action** (Qureshi 1996)."

But that is not what is observed in the developed west. There **patent laws** appear to have been designed to exploit **developing countries**. Hoodia Cactus grows in the Kalahari Desert, Botswana, Namibia and South Africa. The area especially Kalahari and Namibia are occupied by the San speaking people of South Africa. For centuries the San people have been using this plant for its medicinal value. They discovered that cactus when chewed staved of hunger, and since they were hunters, as a result enabled them to go on long hunting trips. Indeed, South Africa Council for scientific and Industrial Research (CSIR) approached a UK-based company, Phytopharm for the exploitation of the cactus resource without obtaining the patent right from the San. Phytopharm have now worked and extracted the material, an appetite-suppressing ingredient. Phytopharm was aware that the original knowledge comes from the San, but claimed that they were told by the CSIR that the San were extinct (NewAfrican, December 2003). Phytopharm have been making a profit of about \$6 billion a year. Having made billions she now sold the right to license the drugs to Pfizer, the US pharmaceutical giant, which of course the CSIR (was) a beneficiary. It is contended that all the collaborators were

smiling to the banks, the San whose knowledge made it possible, got nothing. The convention stated that "access to genetic resources shall be subject to prior informed consent of the contracting party providing such resources". The issue of the extinct of the San has no base. They are the owners of the land in which these plants grow-there was no inquiry, no consultation. The San people numbered about 100,000 spread across South Africa. That shows the work ability of the WTO as it affects developing nations.

CONCLUSION

In conclusion, the developing nations have suffered for too long in the hands of these developed economies. They have been assisting on the development and growth of developed economies since the era of slave trade. The time is now to checkmate the economic imperialism of these exploiters by formulating policies that would lead developing nations to be self supporting.

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