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Post Graduate Diploma in Strategic Studies

**THE CAUSES AND EFFECTS OF MARGINALIZATION OF
AFRICAN COUNTRIES WITHIN THE WORLD TRADE
ORGANIZATION (WTO), 1956-2006**

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DECLARATION

This is my work and has not been presented to any academic institution and that all materials from other sources have been duly acknowledged.

Signed  Date..... 13/11/07

This project papers has been submitted for examination with my approval as University Supervisor

Signed  Date..... 21/11/2007

PROFESSOR NYUNYA

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My special appreciation is extended to my supervisor, Professor Nyunya. He read my work with a lot of concern and in time to ensure that I complete the study in time. His valuable criticism and advice from one stage to another progressively helped to shape this report in present form.

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DEDICATION

This work is dedicated to my fiancée, Seiphoro and our son, Kgosi.

ABSTRACT

This dissertation examines the marginalization of African countries within the World Trade Organization (WTO). The major objectives of the study is to find out if Africa benefits from the WTO agreements and/or rounds; to establish whether Africa has an enhanced share in the World trade; to establish whether the WTO has African interests in World trade issues; and to identify key issues of concern to African Countries in WTO.

The World Trade Organization (WTO), was legally created on 1 January 1995 with a membership of 128 countries. Its emergence was a partly response to the changing imperatives of the international trading system in the 1990s. It was established from the General Agreement on Tariffs and Trade (GATT). The GATT was considered a poor substitute to the aborted International Trade Organization (ITO). GATT was formed from parts of the International Trade Organization, a proposed specialized agency of the United Nations. GATT was established with minimal institutional arrangements, in order to expedite its approval; it was supposed to be temporary, and its functions were to be assumed by the ITO. It is, however worth mentioning that the idea behind the formation of the ITO was, because the industrial stated that prepared the Havana Charter needed approval of the participating less developed countries (LDCs), the charter incorporated provisions that took into account some of the provisions that tool into account some of the LDCs special needs. Moreover the international trade organization (ITO) opened possibility for participation in the management of international trade. The Havana Charter and the ITO, never came into

effect. The notion of the “less developed countries”, negative connotations in itself to some scholars; those who live in a European or North American city cannot easily envision the conditions that are a way of life for hundred of millions of people in Africa, Asia and Latin America. Only a provisional visit can transform academic descriptions into living images of deprivation, squalor, and helplessness. The term less-developed countries (LDCs), used in current literature resembles a decent garment thrown over the emaciated shoulders and the swollen belly of a sickly, malnourished child. It may conceal some of the ugliness but it does not give an accurate image of reality.

The creation of the WTO was also a function of the elaborate negotiation process that resulted in what may be described as a “Grand Bargain”. The creation of a multilateral trade organization was not on the agenda when the Uruguay Round was launched. Due to the dissatisfactions that were brewing around GATT the WTO came into being. The first seven rounds of negotiations were launched in Geneva (1974); in Annecy, France (1949); in Torquay, England (1950-1951); and in Geneva (1955-1956, 1961-1962 [the Dillon Round], 1964-1967 [the Kennedy Round], and 1973-1979 [the Tokyo Round]). The eighth round, launched in Punta del Este, Uruguay (1986-1993 [the Uruguay Round]), was the one from which the WTO was born.

The World Trade Organization (WTO), was formed in 1995. Its predecessor organizations are GATT and ITO. Ever since the inception of the World Trade Organization, African member countries have not fully benefited from the mandate governing it. The WTO has a multiplicity of roles which may have not been beneficial to African member-states. The areas of interest are the number of

objectives which are questionable as to whether they are a practical backdrop to the African context. These objectives are; improved standards of living, full employment, and an enhanced share of developing countries in the world trade. The area of utmost concern is, however, whether African countries have benefited from the so-called reciprocal and mutual advantageous arrangements directed at the substantial reduction of tariffs and other barriers to trade and to the elimination of discriminatory treatment in international liberalization of trade.

Although the core objective of the WTO is confined to trade liberalization, African countries seem to have found themselves not fully benefiting from this arrangement. 'The consequence of this is that Africa has become marginal in Europe's trade and, more tellingly, in its attention. Trade liberalization within the World Trade Organization (WTO) has also sidelined Africa. The notion of trade liberalization, among others, was to adhere to the lowering of tariffs by all member states regardless of their stature. The African situation is that, does it really have such products that it is best at producing? This is related to the concept comparative advantage. Even if it might be having such products are they quality enough to fairly compete in the world market?

African countries have to some extent not been able to fully participate in world trade since the developed countries have adopted the protectionist policies on their products. This has caused African countries to fail in participating in world trade.

The other area of concern is that African countries have found themselves in a situation of marginalization or putting African countries in the periphery. It is worth noting that, 'the key feature of the international economy is the decision of the world into core, semi-periphery and periphery areas. Within the semi-periphery and the periphery there exist cores which are tied into the capitalist world economy, whilst within even the core are there are peripheral economic areas. In all of this that matter is the dominance of the power not of states but of international capitalism, and it is these factors that ultimately determine the main political patterns in world politics. This environment has compelled Africa to fail in shaping the WTO to her advantage. African countries, have therefore, become rule-takers rather than agenda setters. It is worth noting that some officials from African member states have failed to influence key decision making meetings since a good many of them lack bargaining skills.

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THE CAUSES AND EFFECTS OF MARGINALIZATION OF AFRICAN COUNTRIES WITHIN THE WORLD TRADE ORGANIZATION, 1995 - 2006.

CHAPTER ONE

1.0 Introduction

The World Trade Organization (WTO), was legally created on 1 January 1995 with a membership of 128 countries. Its emergence was a partly response to the changing imperatives of the international trading system in the 1990s. It was established from the General Agreement on Tariffs and Trade (GATT). The GATT was considered a poor substitute to the aborted International Trade Organization (ITO). 'GATT was formed from parts of the International Trade Organization, a proposed specialized agency of the United Nations. GATT was established with minimal institutional arrangements, in order to expedite its approval; it was supposed to be temporary, and its functions were to be assumed by the ITO.'¹ It is, however worth mentioning that the idea behind the formation of the ITO was, 'because the industrial states that prepared the Havana Charter needed approval of the participating less developed countries (LDCs), the charter incorporated provisions that took into account some of the provisions that took into account some of the LDCs special needs. Moreover the international trade organization (ITO) opened possibility for participation in the management of

¹ Richard E. Mshomba, *Africa in the Global Economy*. Lynne Rienner Publishers. Boulder London. 2000.

international trade. The Havana Charter and the ITO, never came into effect.² The notion of the “less developed countries”, negative connotations in itself to some scholars; ‘those who live in a European or North American city cannot easily envision the conditions that are a way of life for hundred of millions of people in Africa, Asia and Latin America. Only a provisional visit can transform academic descriptions into living images of deprivation, squalor, and helplessness. The term less-developed countries (LDCs), used in current literature resembles a decent garment thrown over the emaciated shoulders and the swollen belly of a sickly, malnourished child. It may conceal some of the ugliness but it does not give an accurate image of reality.’³

The creation of the WTO was also a function of the elaborate negotiation process that resulted in what may be described as a “Grand Bargain”. The creation of a multilateral trade organization was not on the agenda when the Uruguay Round was launched. Due to the dissatisfactions that were brewing around GATT the WTO came into being. The first seven rounds of negotiations were launched in Geneva (1974); in Annecy, France (1949); in Torquay, England (1950-1951); and in Geneva (1955-1956, 1961-1962 [the Dillon Round], 1964-1967 [the Kennedy Round], and 1973-1979 [the Tokyo Round]). The eighth round, launched in Punta del Este, Uruguay (1986-1993 [the Uruguay Round]), was the one from which the WTO was born.⁴

² D. G. Kousoulos, *Power and Influence: An International Relations*. Books/Cole Publishing Company, Monterey, California. 1985.

³ *Ibid.*

⁴ Richard E. Mshomba, *Africa in the Global Economy*. Lynne Rienner Publishers. Boulder London. 2000.

The changing comparative of developed countries, led by the US, demanded that the GATT would have to expand into the issues of services, intellectual property rights, and investment measures if it wanted to keep the major traders aboard. Developing countries were left with new imperatives. The economic down of the 1980s led many of them to consider the East Asian of export-oriented model of growth, and attempt to counter their widening deficits through an expansion of world trade. In order to implement such a growth strategy, to reap the benefits of unilateral liberization, to protect themselves against increasing non-tariff barriers, and to ensure that the new issues were included in a manner and with a trade-off that supported their interests, developing countries had to go to the negotiating table.

The developing countries, including Africa, were suspicious of the idea of a multilateral trade organization, hence the formation on the WTO. 'Africa's present condition is traceable to problems derived from internal developments within the continent and from increasing marginalization in the global political economy. This marginalization has been accentuated by the erosion of Africa's linkages to the superpower(s) and traditional 'Great Powers of Europe.'⁵ The idea behind it was to strengthen dispute settlements mechanisms and the developing countries were granted the inclusion of the agriculture and textiles, and also special differential treatment through longer time periods for implanting some of the new agreements. Once the single undertaking was extended to cover the Agreement establishing the WTO, the only choice that developing countries had was between agreeing to the entire package, including its potential cost, or

⁵ Sola Akinrinade and Amadu Sesay (ed.), *Africa in the Post-Cold War International System*. Pinter. London and Washington. 1998.

surrendering all the new opportunities that the Uruguay Round Agreements had opened up.

The idea behind the creation of the WTO was from a background of a wide exchange of concessions that were intended to promote free trade. 'Much of international trade theory, and most developed country trade economists, oppose the use of tariffs and other trade barriers as economically inefficient ways of stimulating industrial growth or achieving almost any other economic aim.'⁶ However, there has been criticism especially from the less developed countries on the principle of equal trading opportunities on the grounds that free trade benefits the economically strongest countries.

Background of the Study

1.2 Mandate of WTO

The agreement of the WTO cover tariffs, but also non-tariff barriers to trade, and extend to areas of services and intellectual property rights. It was in the year 2002, that the WTO continued to oversee rules of the international trade, settle trade disputes and organize trade negotiations. This was preceded by Doha Development Agenda. The Doha Development Agenda through the ministerial Conference was for liberalizing market access for services, agricultural products and manufactured goods. The areas of concern with regard the WTO are discussed below.

⁶ Michael P. Todaro, Economics for a Developing World. Second Edition. Longman. London and New York. 1982.

1.3 Trade in Goods

In the year 2002, the Council for Trade in Goods continued to monitor the implementation of multilateral trade agreements and examined and approved requests for waiver extensions from members in connection with the transposition of their schedules into a harmonized system. The council tendered to conduct its initial review of China's implementation of its WTO commitments; reviewed the implementations of the Agreement on Textiles and Clothing; discussed oversight functions regarding certain restrictions on products; and addressed issues related to the implementation of the trade related investments measures agreement. The council also discussed trade facilitation needs and priorities of member-states, especially of the developing and least developed countries; and technical assistance and capacity building.

The committee on Agriculture continued to review progress in the implementation of commitments resulting from the Uruguay Round agricultural reform programme, or from accession to WTO. There was also an inter-agency panel to explore improving access to short-term credit from international financial institutions to finance food imports of developing countries and to examine a proposal by the net food-importing developing countries for the establishments of a food-importers revolving fund. There was also a committee on sanitary and physo-sanitary measures which monitored the implementation of the Agreement on the application of sanitary and physo-sanitary measures, which set out the rights and obligations of the members to ensure food safety protect humans from disease and hunger, plants and animals from pests and diseases.

1.4 Trade in Services

In the year 2002, the council of trade in services held six formal meetings and special meeting to review air transport under annex on air transport services. Among other things, the council addressed issues pertaining to emergency safeguard measures and accounting rates.

1.5 Intellectual Property

The TRIPS Agreement provided for minimum international standards of protection in copyright, trademarks, geography indications, industrial designs, patents, layout designs of integrated circuits and undisclosed information. In the very same year, the council for TRIPS further reviewed the national implementation legislation of developing countries and economies in transition.

1.6 Regional Trade Agreements

By December 2002, WTO received notification of 20 additional regional trade agreements, bringing the total number of notification agreements in force to 177.

1.7 Trade Development

The committee on Trade and Development continued to consider special and differential treatment of developing countries to facilitate their participation in

world trade, technical cooperation and training, market access for least developed countries (LDCs) countries. 'A basic principle at WTO and its predecessor, GATT, is non-differentiated treatment commonly called the most favoured nation (MFN) principle. The term means that a member country must treat all other members equally in respect to tariff policy.'⁷

1.8 Plurilateral Agreements

The International Trade Centre (ITC) is operated jointly by WTO and the United Nations Conference on Trade and Development. Its mandate is to play a crucial role in trade-related technical cooperation and trade-related capacity building. By the year 2002 it reinforced its mandate by focusing its technical assistance to helping businesses comprehend WTO rules, strengthening enterprise competitiveness and developing new trade strategies.

1.9 International Trade Centre

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⁷ Richard E. Mshomba, *Africa in the Global Economy*. Lynne Rienner Publishers. Boulder London. 2000.

Statement of the Problem

1.10 The World Trade Organization (WTO), was formed in 1995. Its predecessor organizations are GATT and ITO. Ever since the inception of the World Trade Organization, African member countries have not fully benefited from the mandate governing it. The WTO has a multiplicity of roles which may have not been beneficial to African member-states. The areas of interest are the number of objectives which are questionable as to whether they are a practical backdrop to the African context. These objectives are; improved standards of living, full employment, and an enhanced share of developing countries in the world trade. The area of utmost concern is, however, whether African countries have benefited from the so-called reciprocal and mutual advantageous arrangements directed at the substantial reduction of tariffs and other barriers to trade and to the elimination of discriminatory treatment in international liberalization of trade.

Although the core objective of the WTO is confined to trade liberalization, African countries seem to have found themselves not fully benefiting from this arrangement. 'The consequence of this is that Africa has become marginal in Europe's trade and, more tellingly, in its attention. Trade liberalization within the World Trade Organization (WTO) has also sidelined Africa.'⁸ The notion of trade liberalization, among others, was to adhere to the lowering of tariffs by all member states regardless of their stature. The African situation is that, does it

⁸ Sola Akinrinade and Amadu Sesay (ed.), *Africa in the Post-Cold War International System*. Pinter. London and Washington. 1998.

really have such products that it is best at producing? This is related to the concept comparative advantage. Even if it might be having such products are they quality enough to fairly compete in the world market?

African countries have to some extent not been able to fully participate in world trade since the developed countries have adopted the protectionist policies on their products. This has caused African countries to fail in participating in world trade.

The other area of concern is that African countries have found themselves in a situation of marginalization or putting African countries in the periphery. It is worth noting that, 'the key feature of the international economy is the decision of the world into core, semi-periphery and periphery areas. Within the semi-periphery and the periphery there exist cores which are tied into the capitalist world economy, whilst within even the core are there are peripheral economic areas. In all of this that matter is the dominance of the power not of states but of international capitalism, and it is these factors that ultimately determine the main political patterns in world politics.'⁹ This environment has compelled Africa to fail in shaping the WTO to her advantage. African countries, have therefore, become rule-takers rather than agenda setters. It is worth noting that some officials from African member states have failed to influence key decision making meetings since a good many of them lack bargaining skills.

⁹ John Baylis and Steve Smith (ed.), *The Globalization of World Politics: An Introduction to International Relations*. Second Edition. Oxford University Press. New York. 2001.

Hypotheses

- 1.10 African countries do not have a voice at WTO rounds.
- 1.11 The intended mandate of WTO does not benefit African countries.
- 1.12 Officials from African countries do not have the expertise to participate in the WTO rounds.

Objectives of the Study

- 1.13 To find out if Africa benefits from WTO agreements and/or rounds.
- 1.14 To establish whether Africa has an enhanced share in the World trade.
- 1.15 To establish whether the WTO has African interests in World trade issues.
- 1.16 Key issues of concern to African Countries in WTO.

Justification of the Study

Many of the African countries are members of the WTO. The bureaucracy running the WTO has less participation of Africans in so much as that the policies that are adopted within it tend to be skewed to favour the developed countries. This state of affairs has resulted in African countries to resort to institutions like the, African, Caribbean and Pacific (ACP), whose member-states are from more or least developed countries (LDCs). The issue at hand is that the same African countries still remain members of the WTO despite their marginalization. Although the issues on non-tariff barriers may have been adopted from a formal

perspective, the question to ask is how African goods and services are capable to competitively penetrate the world trade arena. Even if they may be policies like preferential treatments adopted, these may remain beneficial to only a handful of African countries. The other issue that is worth mentioning is that African countries have been able to be a source of raw materials in all spheres of international trade. These raw materials find their way to the developed countries at a low price. As a result Africa finds herself purchasing finished products from their raw materials at a higher price. The other issue of concern is to actually establish how Africa benefits from the mandate governing the WTO. Those among others include, trade in goods, trade in services, intellectual property, regional trade agreements, trade and development, plurilateral agreements and the International Trade Center. The benefits referred to may include as to agreements of the WTO vis-à-vis the developed countries. The other area of concern is whether African member-states are able to influence policy matters, their level of participation in the political set-up and even the bureaucratic decision-making within the WTO.

Literature Review

1.16 The Concept of Globalization

The WTO was formed under the concept of globalization. 'Globalization is perhaps best defined as a significant shift in the spatial reach of social action and

organization.¹⁰ This means that the WTO is an institution based on the premise of global trade. 'By globalization we simply mean the process of increasing interconnectedness between societies such that events in one part of the world more and more have effects on peoples and societies far away.'¹¹

According to Held, Mc Grew, Gold Battle and Perraton (1999),¹² there are three approaches of globalization as follows:

1.16.1 Hyperglobalists: They are referred to as radicals. According to them, closed economies or centralized ones, have lost their importance with regards to the globalization process. Nowadays, because of the fact that market mechanisms are operating more internationally than nationally, global markets have begun to reduce the importance of individual states. Even if the state can afford local and national aspects of life, it does not have the power to affect the changes in the global economy. In this respect, lessened interest of world people in the national economy and disappointment of citizens about patriotic national economy are a result of economic globalization process. In other words, according to hyperglobalists, the global markets are more powerful than the national ones. This recession in the national economy can be observed as an increase and widening in other institutions, unions and local/regional economic integration. Hyperglobalists are of the belief that this process will lead to winners as well as losers in the global economy as global capitalism causes inequalities both between and within nations.

¹⁰ John Young and John Kent, *International Relations since 1945: A Global History*. Oxford University Press. New York. 2004.

¹¹ John Young and John Kent, *International Relations since 1945: A Global History*. Oxford University Press. New York. 2004.

¹² McGrew, A Goldblatt, D Held and J Perraton, *Global Transformation Politics, Economics and Culture*. Cambridge Polity Press. 1999.

According to hyperglobalists view, enhancement in the global economy and emergence of global market, can be taken as an evidence for the new world order, and are interpreted as the death of national economy concept. Nowadays, nations have a difficult time in controlling the economic transaction across their borders, the restriction of economic activities at the national level are eroding gradually.

1.16.2 Skeptical or Opponents of Globalization: These people are totally against the radical/hyperglobalists. They are about economic globalization in all areas. They claim nothing is new in our world as there was free trade and movement even before the 19th century. They advocate that people in the 19th century did not even use passports in crossing border for economic activities while today, most economic transactions are strict and controlled between state borders. According to them, efforts of today towards the collapse of the walls in the world economy are just a return to similar situation experienced 100 years ago. Briefly, they do not accept economic globalization as a new process. For them, economic globalization is a term used as a vehicle by industrialized countries to exploit the least developed countries, especially Africa. Some members of this group regard globalization as a geo-economic imperialism or new and non-combative operation system of capitalism while others define it as the new ways for establishing neocolonialism in Africa. Economic regionalization which is developed against the economic regionalization process is not a station in the way but an alternative for economic globalization.

The world is leading towards a division within the framework of core countries at the centre and peripheral countries which depend on the former, rather than coming together as global markets. Economic globalization is raising disputes among the different countries and regions instead of providing integration. This group is pointing out to the inequalities within the world economy and in line with the neo-liberalists supports the ideas that economic globalization will cause the emergence of radicalism or aggressive nationalism but not lead to the beginning of a global economy. They claim furthermore that economic globalization process is an ideological change. Today, few apart from those with vested interest who benefit from keeping out the goods produced by the poor countries defend the hypocrisy of pretending to help developing countries by forcing them to open up their markets to the goods of the advanced industrial countries while keeping their own markets protected, policies that make the rich and the poor more impoverished and increasingly hungry.

1.16.3 Transformationalists: This group regards economic globalization as the main thrust behind the rapid economic changes resulting in the restructuring of modern societies and the world order. There is no more difference between foreign or international trade and internal trade. Today, we are in a different economic period than that of three or four decades ago. The emerged new global markets are more integrated than the ones before. This group argues that the increasing amount of commodities interchanged between the countries cannot be compared with the 19th century. And above all, economy's dependence on the services sector is increasing gradually. Business in terms of information,

entertainment, communication and especially electronics and finance economy crossing the border are increasing at accelerated speed. Communication has provided an opportunity to communicate instantly, that is to say communication reform has changed business patterns of trading, and where by different business persons from different countries get in touch more easily under economic globalization. The group argues that the opening up to international trade has helped many countries grow far more quickly that they would otherwise have done. International trade helps economic development when a country's export drive its economic growth. Export-led growth was the centerpiece of the industrial policy that enriched the much of Asia and left a million of people therefore better-off. They say even those who are against economic globalization do not want to see their children die, when knowledge and medicine are available somewhere else in the world.

Despite the ideological difference in their approaches, they agree with the idea that there is an integrated global economy, which increases gradually. However the inequality of global economy has widened the gap between industrialized and developing countries. The industrialized countries have been using the IMF to ensure that African states reduce government spending by cutting subsidies in social economic activities including agriculture inputs, education and health services. This phenomenon creates inequalities in the global markets at the detriment of African countries, as a result African farmers become victims of circumstances by becoming poorer while young able and energetic youth migrate to look for alternative jobs at urban areas but ultimately turn out to be beggars.

Africa as a least developed part of the world has realized that free market economy which is led by international trade is skewed in favor of the highly industrialized countries. Indeed, inequality in international trade is a hallmark of dependency theories.

1.17 Modernization Theory

The modernization ideals are 'ideals often regarded as necessary for sustained *economic growth*. They include *rationality, economic planning, social equalization* and improved institutions and attitudes.'¹³ Every country strives for development. Development encompasses economic growth and human development. African countries had for along time suffered progressively through the international system; slavery and colonialism with the resultant impoverishment of its people. In finding the reason for suffering and the way forward, in the 1950s scholars' especially Western ones came up with the Modernization Theory. Modernity was a project of global conquest originating in Europe with the assumption that Western Europe had achieved development in trade, industrial, investment and technological through modern values (capitalism). The Modernization Theory argued that the developing, countries Africa, cannot develop due to the following factors;

¹³ Michael P. Todaro, *Economics for Developing World: An Introduction to Principles, Problems and Policies for Development*. Third Edition. Financial Times, Prentice Hall. England. 1992.

1.71.1 Lack of Modern Values

Africa is accused of failure to keep time, extended family value, Africans share whatever little they have instead of investing (accumulation of wealth) and lack or weak capital base to benefit from global economy.

1.17.2 Lack of Trained Manpower (Human Resources)

They further argue that Africa lack technology and trained personnel hence there must be a pool of trained people and transfer of technology from the West. In the process, Western scholars came up with ways or stages to bring about these changes; since according to them Africa was at the traditional stages, it needed the second stage-precaution for change, by introducing the Western values, followed by the third stage – take-off stage then followed by consolidation stage (consolidating the gains from the West value after take-off) followed by the stages of mass consumption-capitalist style. The issue of human resource may be perceived from the context that, 'in aggregate terms, such high talented manpower is only a fraction of the labour force, but its role in national development is crucial. This group is the nucleus of a country's brainpower. Some of its members are developed inside the country; others may be brought in from abroad. Unfortunately, many migrate to advanced nations.'¹⁴ It, therefore, follows that 'the developing countries thus may be both a "brain gain" (through producing and

¹⁴ Frederick H. Harbison, *Human Resources as the Wealth of Nations*. Oxford University Press. New York, London and Toronto. 1973.

importing high talent manpower) and a “brain drain” (through out-migrating of such manpower).¹⁵

1.17.3 The Difficulty in Adapting Western Technology

Advanced Western technology, on which most hopes for progress are pinned, is by no means ideally suited to the conditions of typical under-developed countries. By and large, this technology has evolved along the lines appropriate to the conditions of the country which created it, meaning that it uses little labour and technically trained personnel. Such technology is quite inappropriate to the conditions of most underdeveloped countries where there is abundant or super-abundant labour, extremely scarce capital; there is acute shortage of skilled labour. Despite some efforts in this direction, however, the adoption of modern technology does not really exist. The modern underdeveloped countries typically tries to import the “latest” Western methods, with the consequences that faces acute shortage in certain areas like capital and trained personnel, while it has idle surplus in other like numbers of unemployed and unskilled workers.

1.17.4 Lack of Preparation for an Industrial Revolution

In many underdeveloped countries a complete social and political revolution is required while the industrial is getting underway. In general there is lack of prior preparation means that these countries are economically poorer than their 19th

¹⁵ Ibid.

century predecessors. The African Agricultural and commercial sectors have not developed to the point where they can easily sustain rapid industrial progress. A sharp desire for material betterment, a willingness to work hard and in regular, punctual manner, an awareness of the future benefits of present sacrifices; these attitudes may be the prerequisites of economic growth, yet they are largely absent in many African countries.

This theory led to the idea of foreign aid, to infuse capital into "poor Africa" (this includes expatriates, as the pool of trained people lacking in Africa). They introduced Western technology, including military one that has led to a myriad of wars. All these supplemented by the multi-nationals. These led to the dependency-syndrome of even advisors. By the 1970s, there was massive infusion of Western ideas, capital (aid) and technology.

1.18 Globalization's Impact on Agriculture

As an economist, David Bigman (2003)¹⁶ in his book, *Globalization and the Developing Countries: Emerging Strategies for Rural Development and Poverty Alleviation*, provides an in depth analysis of the impact of globalization on developing countries with special emphasis on agriculture and the rural poor. Bigman notes that, free trade, better communication, and more rapid movement of goods and technology under globalization intend to raise living standards and reduced poverty however many developing countries have been left out of the

¹⁶ David Bigman, *Globalization and the Developing Countries*. The Netherlands University of Wageningen. 2003.

process, and even among those that did make progress, benefits accrued mainly in urban areas. Most developing country farmers, Bigman contends, not only lack access to lucrative overseas markets, where they can sell their products at higher prices and purchase cheaper inputs and better technology, they also lack sufficient access to local markets. Bigman, further argues that many farmers have failed to fully benefit because protective subsidies industrialized countries and because of problems adjusting to the rules that govern international trade, primarily regulations governing food safety standards and intellectual property rights. Compounding the problem is the fact that many national agricultural research organization have been slow to recognize the difficulties that globalization creates for small-scale farmers and the need to develop strategies that can respond quickly and efficiently.

Bigman is of the contention that, 'national as well as international agricultural research programs continue to focus on boosting the yields of traditional products, while inadequate resources are devoted to crops that can help farmers enter the cash economy'. 'Small-scale peasant farmers are never going to get rich or derive much benefit from globalization by growing low-value food crops', says agricultural economist, Michael Morris. 'Many farmers, however, have little choice but to continue growing staple food crops in order to feed their families'. Increasing the productivity of basic food crops, Morris says can help improve the living standards of millions of rural households, but admittedly this is only a short term solution. Over the long-term households that want to escape poverty will

need new opportunities to diversify production and grow more profitable cash crops.

As Manfred B. Steger,¹⁷ observes there is a clear indication an impending large-scale confrontation between the forces of globalism and its challengers came on 18 June 1999, when various labour, human rights, and environmental groups organized international protests known as 'J 18' to coincide with G8 Economic Summit Group in Cologne, Germany. Financial districts of cities in North America and Europe were subjected to well-orchestrated direct actions that included large street demonstrations, as well as more than 10,000 'cyber-attacks' perpetrated by sophisticated hackers against the computer systems of large corporations. In London, a march of 2,000 protestors turned violent, causing dozens of injuries and significant property damage.

Six months later, 40,000 to 50,000 people took part in the anti-WTO protests in Seattle. In spite of the predominance of the North American participants, there was also significant international presence. Activists like Jose Bove, a French sheep farmer who became an international celebrity by trashing a McDonalds outlet, marched shoulder to shoulder with Indian farmers and leaders of the Philippines' peasant movement. Clearly articulating universalist-protectionist concerns, this electric alliance of anti-globalists included consumer activists, labour activists including students demonstrating against sweetshops), environmentalists, animal rights activists, and advocates for Third World, debt

¹⁷ Manfred B. Steger, *Globalization: A Very Short Introduction*. Oxford University Press. New York. 2003.

relief, feminists, and human rights proponents. Criticizing the WTO's neo-liberal position on agriculture, multilateral investments, and intellectual property rights, this impressive crowd represented more than 700 organizations and groups.

1.19 The Gap on Literature Reviewed

The shortfall for both theories and research highlights at the literature review on the marginalization of Africa within the WTO is of generalization. From my knowledge, no one has attempted to study the marginalization of African countries at the WTO before. The impact of the marginalization of Africa at the WTO has similar consequences on other less-developed countries of Latin America and Asia. However, the said consequences have more negative connotations to the African continent than its sister continents which they together are categorized as the less-developed countries.

Study Design/Methodology

1.21 Research Methodology

Contemporary social research is both qualitative and quantitative. According to Polit and Hurgler (1995;40), "neither qualitative nor quantitative research alone can fully deliver on its promise to establish the truth about phenomenon of interest together, they supply each others lack through enhanced theoretical insights, incrementally and enhanced validity." However, due to the financial limitations,

this study shall be library-based. As such, issues of measurements of variables will not be adequately addressed. Moreover, there shall be no sampling procedures employed since there is no primary data collection method. The main source of secondary data will be the library. The study shall also endeavour to collect data from other sources, including the internet.

Theoretical Framework

1.22 Dependency Theory

The theory of dependency was developed in the late 1950s and 1960s. The theory attempts to explain the present under-development state of many African nations by examining the patterns of interactions among nations and argues that inequality among nations is as a result of external influences; political, economic, cultural as well as influence on national development policies. ' Some of the dependency theorists' arguments are drawn from Prebisch (1950) and Singer (1950), who pointed out that specialization in primary products, limits the scope technical progress in the developing countries because the industries supplying them with machinery and other inputs, and transforming their raw materials, are almost all in the developed countries. Thus the developing countries cannot easily develop a diversity of labor and managerial skills, making it difficult for them to initiate the production of manufactured goods in which they are potentially competitive.'¹⁸

¹⁸ Clarence Zuvekas, *Economic Development: An Introduction*. Macmillan. USA. 1979.

Proponents of dependency theory agree on three common features that characterize dependency; first, dependency characterizes international system composing of dominant states that are advanced industrially and dependent states that have low per capita Gross National Product (GNP) and which rely heavily on export of few primary commodities for foreign exchange earnings. Second, external forces are of singular importance to the economic activities within dependent states. These external forces include Multinational Corporation, International commodity markets, foreign assistance, communications and other means by which advanced industrialized nations represent their economic interests abroad. Allocation of resources is not driven by economic interests of dependent states. Third, all relations between the two sets of state tend not only reinforce but also intensify the unequal patterns. More important theorists share the view that dependency is a deep-rooted historical process, founded in the internalization of capitalism and is ongoing process as the case of economic globalization which is part of the international system dominated by the developed nations.

1.22.1 Causes of Dependency

A cause of Africa's dependency on the developed nations is associated with the following facts;

1.22.2 Slavery

The shipping of Africans from the African continents to the West in the form of slaves left the continent with less productive human resource. Slavery deprived Africa of its primary economic resource. The 'British colonialism, the disruption of African society by the slave trade and subsequent colonialism, and the total destruction of Incan and Aztec civilization by the Spanish conquistadores as examples of the creation of underdevelopment.'¹⁹ The Africans developed the Americas and Europe by providing forced labour in crop plantations and in the construction industry. As a result of this Africa remained underdeveloped.

1.22.3 Colonialism

The colonial system made Africa a source of primary products for the European industries and consumers. 'Colonialism is essentially "a political phenomenon, whereby the sovereignty of a state and a people are totally alienated for the benefit of a foreign power:" The colonial power puts itself in a position to decide which policies are best suited to the interests of the colonies and the indigenous people, and to firmly control the decision-making machinery, both national and local, designed to implement these policies.'²⁰ European manufacturers then exported processed consumer goods to the African markets at a higher price. With colonialism there was little or no imperative to invest profits to develop African

¹⁹ E. Wayne Nafziger, *The Economics of Developing Countries*. Wadsworth Publishing Company. Belmont, California. 1984.

²⁰ Guy Martin, *Africa in World Politics: A Pan-African Perspective*. Africa World Press, Inc. Eritrea. 2002.

economies. The profits were all spent in Europe and only reinvested in Africa, when investments were in activities that were geared towards profits for the Europeans and not for the public good. Development was thus concentrated in areas of European settlement and business. The exports were almost entirely in the form of raw materials and mostly exported to Europe. This pattern of trade made African colonies economically dependent on European economies. The economies were also dependent on very few commodities.

1.22.4 Neo-colonialism

The dependence of the local economies on the European economies was a problem for leaders of independent Africa. To break from this dependence, the leaders established industries to produce finished products that had been imported in the colonial system in import substitution industrialization. However, reliance on imported inputs to support industrial production meant that African countries remain dependent on commodity trade with Europe. 'Colonialism is essentially "a political phenomenon, whereby the sovereignty of a state and a people are totally alienated for the benefit of a foreign power."' The colonial power puts itself in a position to decide which policies are best suited to the interests of the colonies and the indigenous people, and to firmly control the decision-making machinery, both national and local, designed to implement these policies.²¹ Primary products had to be exported to enable the new states pay for imports. In 1980 after some 20

²¹ Guy Martin, *Africa in World Politics: A Pan-African Perspective*. Africa World Press, Inc. Eritrea. 2002.

years of independence African economies remained dependent on a narrow base of export sent to a small number of countries. The implications of this vulnerability were made dramatically clear in the 1980s when Africa experienced declines in the prices and quantities of exports from across the continent between 1980 and 1990, the terms of trade (the price of exports compared to the price of imports), fell by over 50% for the continent as whole. To maintain the dependency, the Western powers continued to fund despotic African leaders thus building up big debts which had to be repaid from exports and taxes.

1.22.5 Imbalance Trade

The argument is that the trading fields are not level between the North and the South. The trade between the North and the South countries seem to benefit the more developed countries at the expense of the least developed or developing countries. It is worth noting that, 'market imperfections such as externalities, monopoly elements and information constraints are prevalent, especially in sub-Saharan Africa.'²² Africa exports raw materials to the West. This is because the continent has been unable to process its raw materials into finished goods. The finished products fetch high prices as opposed to the raw materials sold out. Additionally, the West exports to Africa other high quality goods for which the continent is unable to comfortably pay for and which the African countries does not need in the first place hence creating debts. In order to afford these commodities and services from the West, African governments have had to

²² Richard E. Mshomba, *Africa in the Global Economy*. Lynne Rienner Publishers. Boulder, London. 2000.

borrow money from international financial institutions such as International Monetary Fund (IMF) and the World Bank at agreed lending terms. The finances advanced often attract high interest rates, which African governments fail to pay on time. As a result they have to continue borrowing to clear outstanding debts meanwhile creating more debts. Earnings from raw materials are in most cases directed at servicing the loans but since the earnings from these are low, the interest rates accruing from the loans continue to pile up. This practice drives Africa into a situation which it continues to rely on money lending institutions owned by the West to meet its financial obligations. The continent is therefore left to continue depending on financial support from the west on terms unfavourable to most African countries.

1.22.6 Foreign Aid

Since independence, billions of dollars have been poured into Africa in the form of foreign aid. The intentions were noble then but the climate was not right because of the Superpower rivalry that existed then. Some African governments were run by tyrants and dictators and no accountability was demanded for the aid given some leaders siphoned the aid money into their personal bank accounts from the donor countries. Foreign Aid is based on the idea that third world countries do not grow because they lack financial resources. The biggest absurdity in foreign aid is the budgetary support and balance of payments support that is given to African countries by the West. African governments unashamedly include donor funding in their budgets as it is right. Some countries even run their governments on donor

money. Foreign Aid to developing countries is always tied with conditions, which do not necessarily represent the interests of the Africa countries.

1.22.7 Technology and Investment

African countries lack stable financial bases that would enable them to purchase modern technological equipment for industrialization that would contribute to viable investment. This situation leads to massive borrowing in a bid to industrialize. Africa is technologically behind other Western and Asian countries. While other continents have moved technologically, Africa has lagged behind and has made her a recipient of obsolete and outdated technology that is no longer in use in the developed countries. It is instructive to note that after more than four decades of independence in Africa farmers have not moved from the traditional subsistence mode of farming towards embracing technologically advanced methods of farming. The continent has continued to lend credence to manual ways of doing things as opposed to intellectual labour.

1.22.8 International Financial Market

The externalists believe that international financial lending institutions are controlled by the West leaving Africa with no role to play in their administration. For this reason they call for integration of the African economies and the establishment of the African Financial Institution – African International Monetary Fund, since the African Development Bank (ADB) has not fared well.

The exchange rate is determined by the West and international trade is done in hard currency.

The IMF is totally against any form of control and regulation of the economy by the states. They argue that to overcome dependency, states should remove subsidies. To stimulate economic growth governments should deregulate control of the economy and privatize. On the other hand the Internationalists School of thought blames African dependency syndrome on African internal economic policies as articulated by the Bretton Wood Institutions. Such policies include the elimination of subsidies in education, health services and other social welfare facilities. Others are nationalization of means of production like transport services and communications, manufacturing sector and service sector.

CHAPTER TWO

2.0 Introduction

This chapter will discuss the emergence of the World Trade Organization (WTO), the negative effects of the WTO mandate to African farmers, the Doha Round of negotiations, the Agreement on Agriculture (AoA), women farmers in the WTO (gender and international trade, representation of African woman farmer in the WTO), challenges facing the small-scale African farmer.

2.1 The Emergence of the World Trade Organization

World Trade Organization (WTO) is an international body that promotes and enforces the provisions of trade laws and regulations. The World Trade Organization has the authority to administer and police new and existing free trade agreements, to oversee world trade practices, and to settle trade disputes among other member states. The WTO was established in 1994 when the members of the General Agreement on Tariffs and Trade (GATT), a treaty and international trade organization, signed a new trade pact. The WTO was created to replace GATT.

The WTO began operation on January 1 1995. GATT and the WTO coexisted until December 1995, when the members of GATT met for the last time. Although the WTO replaced GATT, the trade agreements established by GATT in 1994 are part of the WTO agreement. However, the WTO has a significantly broader scope than GATT. GATT regulated trade merchandise goods. The WTO expanded the GATT agreement to include trade in service, such as international telephone service, and protections for intellectual property – that is, creative works that can be protected legally, such as sound recordings and programs. The WTO is also a formally structured organization whose rules are legally binding on its member states. The organization provides a framework for international trade law. Members can refer trade disputes to the WTO where a dispute panel composed of WTO officials serves as arbitrator. Members can appeal this panel's rulings to a WTO appellate body whose decisions are final. Disputes must be resolved within the time limits set by the WTO rules.

All of the 128 nations that were contracting parties to the new GATT pact at the end of 1994 became members of the WTO upon ratifying the GATT pact. By 2003 the WTO had 146 members.

The WTO is based in Geneva, Switzerland, and is controlled by a General Council made up of member states' ambassadors who also serve on various subsidiary and specialist committees. The ministerial conference, which meets every two years and appoints the WTO's director-general, oversees the General Council.

Since its creation, the WTO has attracted criticism from those concerned about free trade and economic globalization. Opponents of the WTO argue that the organization is too powerful because it can declare the laws and regulations of sovereign nations in violation of trade rules, in effect pressuring nations to change these laws. Critics also charge that WTO trade rules do not sufficiently protect workers' rights, the environment, or human health. Some groups charge that the WTO lacks democratic accountability because its hearings on trade disputes are closed to the public and press. WTO officials have dismissed arguments that the organization is undemocratic, noting that its member nations, most of which are democracies, wrote the WTO rules and selected its leadership. WTO supporters argue that it plays a critical role in helping expand world trade and raise living standards around the world.

Criticism of WTO reached an apex in the late 1999, when more than 30,000 protestors disrupted a WTO summit in Seattle, Washington. The protestors called for reforms that would make the organization more responsive to consumers, workers, and environmentalists. The summit largely failed in its goal to set an agenda for a new round of global trade talks, largely because of disagreements between industrialized and developing nations. These disagreements focused on agricultural subsidies provided by the developing countries, particularly the European Union (EU) and the United States, to support their farmers. Developing countries objected to the extent of the subsidies, which amount to about \$300 billion annually, arguing that such generous support artificially lowered world crop prices and made it difficult, if not impossible, for farmers in developing countries to compete.

In 2001 at a summit in Doha, Qatar, WTO members agreed to an agenda for a new round of talks to be held in Cancun, Mexico, in 2003. The Cancun talks broke apart without an agreement as delegates from many developing nations walked out, objecting to the refusal of EU, in particular, to commit to lowering its agricultural subsidies. The developing nations also objected to efforts by the EU to tie subsidy issue to a proposal that would give multinational corporations based in the industrialized world greater access to markets in developing countries. As a result it was unlikely that a new global trade agreement could be fashioned by a self-imposed deadline of January 2005. Some observers believed that the failure of the talks would result in more bilateral trade agreements, jeopardizing the WTO's goal of establishing global trade rules.

A WTO meeting in November 2001 in Doha, the capital of Qatar, set in motion a multi-year negotiating process aimed at further liberalizing world trade but with a focus on the needs of the developing countries. However, disputes over agricultural subsidies, the definition of intellectual property rights, and whether poor countries were to be entitled to “special and different treatment” were not easy to resolve. The rich countries had the greater bargaining power, and their trade negotiators were under pressure not to make concessions that would hurt people back home.

In 2003 these issues came to a head as WTO talks in Cancun, Mexico, foundered. Representatives of a group of 21 developing countries withdrew from the talks after the EU and the United States failed to meet their demands for lowering agricultural subsidies. The same countries also resented EU and US proposals that they accept new rules for foreign investment without first agreeing on the issue of subsidies. Some observers believed that the failure of the talks in Cancun made it unlikely that global trade rules could be negotiated by a self-imposed deadline of January 2005.

2.2 The Negative Effects of the WTO Mandate to African Farmers

As mentioned earlier one of the key institution shaping globalization is the World Trade Organization (WTO), which traces its origins to a 1948 United Nations (UN) conference in Havana, Cuba. The conference called for the creation of an

International Trade Organization to lower *tariffs* (taxes on imported goods) and to encourage trade. Although the administration of President Harry S. Truman was instrumental in negotiating this agreement, the U.S. Congress considered it a violation of American sovereignty and refused to ratify it. In its absence another agreements, known as the General Agreement on Tariffs and Trade (GATT), emerged as the forum or a series of negotiations on lowering tariffs. The last of these negotiating sessions, known as the Uruguay Round, established the WTO, which began operating in 1995. Since its creation, the WTO has increased the scope of trading agreements. Such agreements no longer involve only the trade of manufactured products.

2.3 The Uruguay Round Negotiations

The Uruguay Round negotiations was the first where developing countries could participate and articulate their perspective. It was the eighth round of tariff negotiations since the end of the World War II. The signing of the Uruguay Round Accord intended at ending abnormalities in the international trading system. The main discussions of the Uruguay Round included market access, textile and clothing, agriculture, tariff peaks and escalation. TRIPS, GATTs, phasing out of MFA, dispute settlement mechanism. The signing of this agreement gave the developing countries an opportunity to speak for themselves and influence the design and implementation of the negotiating agenda.

The closing of the Uruguay Round Negotiations since the signing of the Uruguay Round agreement domestic subsidies have increased. The EU and the US are responsible for most of the export subsidies. The cumulative effect was that some of the poorest countries had to lower their prices and pay more for their imports. Tariff barriers and import restrictions still remain in the developed countries particularly the US and EU. The developing countries will face relatively high tariffs even after the phase out has taken place.

The Final Act of the Uruguay Round that established the WTO proclaimed that the principle of "special and different treatment." Behind this principle was the idea that developing countries should be held to more lenient standards when it came to making difficult economic changes so that they could move to free trade more slowly and thereby minimize the costs involved. In practice, however, the developing countries (especially Africa), have not enjoyed "special and different treatment." In fact, in the areas of agriculture and the textile and clothing industries where Africa often had a comparative advantage, the developing countries were subjected to a higher rather than lower tariffs to protect domestic industries in the developed countries. For example, the 48 least-developed countries in the world faced tariffs on their agricultural exports that were on average 20 percent higher than those faced by the rest of the world on their agricultural exports to industrialized countries. This discrepancy increased to 30 percent higher on manufacturing exports from the developing countries.

2.4 The Doha Round of Negotiations

In Seattle, industrialized countries failed to introduce a new development round on agricultural liberalization, which would benefit developing countries more according to the WTO. They were followed by the Doha negotiations. This was launched in November 2001. In Doha, the Doha Development Agenda (DDA) was written. The EU and US used the DDA as their tool to marginalize Africa about the effects of trade and liberalization in their rural populations. The main issues in the Doha Development Agenda included agriculture. Other developing countries and Africa suggested various instruments to protect their agricultural sectors from increasing dumping. They included the following:

- Exclusion of a set of crops important for food security and livelihood concerns from further liberalization.
- A temporary safeguard measure from allowing countries to increase tariffs to put in place quantitative restrictions in the event of import increases or sudden price falls.
- A standard mechanism enables countries to increase tariffs on products, which have been subsidized, by the developed countries, the higher tariffs corresponding with the level of subsidies provided.
- An increase on the overall subsidies provided by developed countries. It is however difficult for developing countries to ensure that their proposals are watered down completely. During the Doha round developing countries had a stronger voice than the other rounds negotiations.

The Doha Round Free and Fair Trade in agriculture for developing countries is important since most of their citizens live in the rural areas and are dependent on agriculture as a livelihood. Land ownership is the main source of assured livelihoods. Women constitute the largest portion of the agriculture labour force whether for household livelihood security or as farm workers. This led to a new alliance being formed between developing countries known as G21 led by Brazil, India and China.

2.5 Agreement on Agriculture (AoA)

The AoA was the clause created under the Uruguay Round to protect the G8 countries interest in agriculture. The AoA provides special and differential treatment to developed countries rather than developing countries. Developing countries accepted the Uruguay Round agreements because they believed they would benefit from agricultural liberalization and subsidy reduction in the OECD countries under AoA. Unfortunately these promises were not fulfilled. There were still loopholes such as the “Green box” ‘permitting non-trade distorting subsidies’ created by the developed countries in the negotiations and were used in implementation. The amber box was created to focus on the policies that affect farmers’ choice of what they want to produce.

The development box was made up of rules and exemptions that would allow poor nations to protect their agricultural industries. The terms of the agreement were carefully designed to minimize the actual changes required. Dumping has become

a legal policy instrument that undermines agriculture. Dumping refers to the export of products at lower price than cost of production. The USA still dumps staple crops in developing countries in large amounts.

Farmers in Africa cannot compete and they quit the business. This destroys local agricultural production completely, as imports of cheap subsidized food replace local production. Small-scale farmers in Africa have suffered the consequences of this unfair trade as dumped and subsidized products have flooded their domestic markets. It is important to note that, 'agriculture is the most important sector for most sub-Saharan African countries. The agricultural sector accounts for about 40 percent of the non-service component of the GDP in sub-Saharan Africa, and it contributes to about 25 percent of export revenue to sub-Saharan Africa.'²³ For example cheap European powdered milk has displaced dairy farmers in India and Jamaica. This is threatening the livelihoods of Thai farmers. The same scenario has happened in Africa in crops that are vital to small-farmers livelihoods and food security.

US cotton farmers are subsidized to export to West Africa; this affects West African farmers' production of cotton. As a result of this most farmers have been squeezed out of farming or lost their land. The FAO conducted case studies across Asia, Latin America and Africa on the effects of liberalization. These were some of the findings:

²³ Richard E. Mshomba, *Africa in the Global Economy*. Lynne Rienner Publishers. Boulder London. 2000.

- General trend towards the consolidation of farms as competitive pressures began to build up following trade liberalization.
- Displacement and marginalization of farm labourers, creating hardship that involved typically small-scale farmers and food insecure population groups, this is in a situation where there are a few safety nets.
- While both cultivated areas and productivity increased many small farmers have been marginalized.
- Tariff reductions resulted in an increase of imports of products, which were previously locally produced.
- The flood of imports put pressure on some domestic sectors that undermine rural development
- Key sectors critical to food security and rural employment shrank due to competitive pressure. While the minority of bigger farmers in Africa may have benefited from the AoA it has worsened the plight of the majority of resource-poor small farmers.

The problems facing the small-scale farmers is that they are the first to be hit by WTO agreements that have a negative impact on developing countries. Some of the problems will be discussed below:

- Dumping of agricultural products: through dumping, cheap imports flood developing countries pushing farmers out of the market. These cheap imports are made possible through export subsidies and domestic support, which developed countries provide to their farmers. A related problem is the dumping of agricultural products in the name of food aid in developing

countries. This disrupts the competitive position of small-scale farmers and threatens food security.

- **Reduction on tariffs:** Many developing countries have had to reduce their tariffs without breaching their WTO obligations. Any further cuts to bound tariffs as result of the current negotiations could have a real impact on the livelihoods of small scale and subsistence farmers with regard to protection against dumping.
- **Difficulty of meeting TBT and SPS standards:** These are the minimum standards for trade in agricultural products. Many developed countries use stricter than the agreed terms. This results in developing countries having to comply with the standards of individual countries. For small-scale farmers meeting these standards is difficult and a barrier to trade.
- **Implementation of WTO agreements:** Many developing countries have problems in the timely implementation of WTO agreements. The implementation of new WTO legislation becomes a financial burden for countries with limited resources.
- **Role of local elites and national policy:** Member states governments in the trade negotiations represent the interest of farmers in their countries. The interests of rich farmers are different from those of small-scale farmers. The governments may negotiate in favour of rich farmers. The voices of small farmers are often not heard.
- **Multinationals:** These are not included in the WTO negotiations while they are the biggest traders and have a large impact on the food security of small-scale farmers. Activities of the multinational and agri-business

companies threaten the livelihoods of thousands of poor farmers and undermine their basic rights.

In South Africa, a new trade deal is likely to benefit the emerging farmers in the short term because they are underdeveloped and it takes time to establish large scale commercial operations. Similarly, in Mexico and China the push to establish large scale corporate agriculture has resulted in millions of peasants losing their rural livelihoods and being forced off the land. The volume of food trade has increased but most of the farmers in rich and poor countries see their income decline, with many losing their farms and livelihoods while consumer food prices have not fallen.

The WTO AoA has promoted large-scale industrial production at the expense of small scale sustainable farming. Farmers find themselves unable to compete with the prices of imported crops.

2.6 Women Farmers in the WTO

Women farmers play an essential role in supporting the family unit by providing food for their families and ensuring their well-being. But still they remain on the fringe of the agricultural sector especially in the decision-making processes. Their voice is still rarely heard.

2.6.1 Gender and International Trade: The WTO has paid minimal attention to the question of women because national and international policy makers often consider men and women to be equal in terms of international trade. The barriers encountered by women farmers upstream of decisions obviously imply inequality in international trade. Trade as a development tool: trade is one of the tools that can be used to ensure sustainable world development. Women farmers should be able to use this tool effectively. The participation of women farmers in negotiations and the implementation of regional and international trade agreement is indispensable if trade is to be used as an instrument for sustainable rural development. Women farmers have no voice in WTO.

2.6.2 Representation of Women Farmers in WTO: Farmers organizations always omit women representatives when organizing their consultations. Women farmers suffer; they have no say in the national position on trade but have to live with the consequences on the local market everyday.

The WTO seeks to control local agricultural systems through its agreement on TRIPs. The TRIPs agreement will radically alter the basis of life for most of the world's people. TRIPs refer to the international treaty that sets down minimum standards for most forms of intellectual property regulation within the member countries.

Throughout Africa, Asia and Latin America seeds are saved by generations of women maintaining food security by breeding locally adapting strains. The loses

are African women who will be displaced by companies like Monsanto who produce genetically modified seeds and are creating a food security crisis for the African world.

2.7 Challenges Facing the Small-scale Farmers

2.6.1 Dumping

2.6.2 Import liberalization

2.6.3 Lack of market access into developed countries

2.6.4 Organization and mobilization

It remains difficult for farmers in developing countries to export produce to developed countries. Most farmers involved in international commodity have received a steadily falling share of the final price of their crops over the past years. One of the reasons for this has been lack of state intervention and investment in the agricultural sector.

National government policies in Africa have not always been helpful. Many African countries have failed to introduce policies and regulations that would bring about a more equitable sharing of farming resources and better working conditions for rural labourers.

2.8 Conclusion

The World Trade Organization has the authority to administer and police new existing free trade agreements, to oversee world trade practices, and to settle trade disputes among member states. The WTO is also a formally structured organization whose rules are legally binding on its member states. The organization provides a framework for international trade law. Members can refer trade disputes to the WTO where a dispute panel composed of WTO officials serves as arbitrator. Members can appeal this panel's rulings to a WTO appellate body whose decisions are final. Disputes must be resolved within the time limits set by WTO rules.

CHAPTER THREE

3.0 Introduction

It is important at this juncture to scrutinize the issues pertaining to critics against the WTO. The same critics have been propagated mainly by member-states, especially from the less-developed countries. However, international non-governmental organizations and individuals have brought forth their criticisms against the WTO.

3.1 Critics against the WTO

The WTO has faced much criticism as well. This criticism is often directed at the rich countries in the WTO, which possess the greatest bargaining power. The other point to note is that, 'in a changing international economic environment characterized by the end of the cold war, globalization, the establishment of a new international trade regime managed by the WTO, and the gradual erosion of trade preferences, the African countries are becoming increasingly marginalized.'²⁴ Critics say the rich countries have negotiated trade agreements at the expense of the poor countries.

The agricultural subsidies granted by wealthy countries to their own farmers have earned the strongest and most sustained criticisms, especially from developing countries. Japan, for example, imposes a 490 percent tariff on foreign rice imports to protect its own rice farmers. The average cow in Switzerland earns the annual equivalent of more than \$1,500 in subsidies each year as the Swiss government seeks to protect its dairy industry from foreign competition.

The United States enjoys some of the greatest advantages. Because of government payments, US farmers can sell their products 20 percent below their cost of production in overseas markets. United States corn exports represent more than 70 percent of the world total exports of corn. The United States ships half of the world's total exports of soybeans and a quarter of all wheat exports. Farmers in

²⁴ Guy Martin, *Africa in World Politics: A Pan-African Perspective*. Africa World Press, Inc. Eritrea. 2002.

the United States can sell these grains at half of what it costs to produce them. The resulting artificially low world prices hurt producers in poorer countries where there are no government subsidies.

For example, in 2002 the president of the United States authorized \$5 billion in subsidies to America's 25,000 cotton farmers. This action lowered world cotton prices by one fourth. As a result West African countries lost hundreds of millions of dollars, and the region's 11 million cotton-producing households suffered increased poverty.

The European Union (EU) gives its farmers even higher subsidies. The EU is the world's largest exporter of skimmed milk powder, which it sells at about half the cost of production. The EU is the world's largest exporter of refined sugar, which sells at a quarter of the cost of producing it. Governments in the developed world pay more than \$300 billion a year in farm subsidies, seven times what they give in development aid. Such subsidies have a devastating impact on farmers in poorer countries. Mexican farmers are priced out of local markets for corn by subsidized US exports. Sugar growers in Swaziland and cotton producers in West Africa must compete with products that rich countries dump onto the world market at prices well below the cost of their production due to these subsidies.

Given the importance of foreign trade, one of the most important international agencies is the WTO's Dispute Settlement Board, which is empowered to settle trade disputes under WTO's rules. Winners of such settlement decisions by the

board are allowed to retaliate against countries found guilty of unfair trade practices. The smaller developing countries, however, fear cross-retaliation, if they confront the larger more powerful nations.

Critics of the WTO in developing countries charge that the rules do not help them and that they have been forced to bear the harsh adjustment costs to free trade while developed countries have not lived up to their liberalization commitments. According to these critics, the terms of trade have against the developing countries. The value of developing countries' exports has declined relative to the value of their imports. Not only have the prices of such commodities as coffee, copper, sugar and cotton fallen substantially for decades but also earnings from labour-intensive manufacturing, such as textiles and clothing, have declined as an ever greater number of developing countries compete for the limited amount they can export to the rich countries. At the same time the developing countries have faced increased prices on goods they import, ranging from computer software to airplanes to medicine.

A WTO meeting in November 2001 in Doha, the capital of Qatar, set in motion a multiyear negotiating process aimed at further liberalizing world trade but with a focus on the needs of developing countries. However, disputes over agricultural subsidies, the definition of intellectual property rights, whether poor countries were to be entitled to "special and different treatment" were not easy to resolve. The rich countries had the greater bargaining power, and their trade negotiators were under pressure not to make concessions that would hurt people back home.

In 2003 these issues came to a head as WTO talks in Cancun, Mexico, foundered. Representatives of a group of 21 developing countries withdrew from the talks after the EU and United States failed to meet their demands for lowering agricultural subsidies. The same countries also resented EU and US proposals that they accept new rules for foreign investment without first agreeing on the issue of subsidies. Some observers believed the failure of the talks in Cancun made it unlikely that global trade rules could be negotiated by a self-imposed deadline of January 2005.

Critics of the WTO have also charged that the developed countries have obtained a set of trade agreements benefiting their large corporations. 'Indeed the WTO itself has been widely criticized as a tool of multinational corporation, as an institution that assaults national sovereignty, and as an enemy of the environment. These criticisms were the reasons behind the demonstrations and the riots that greeted the WTO's 1999 Ministerial Conference in Seattle.'²⁵ The Agreement on Basic Telecommunications, for example, opened the world markets to large telecommunication companies based in the developed nations. These companies were previously excluded from these markets by governments owned monopolies. The Financial Services Agreement likewise opened opportunities for banks, insurance companies, and stockbrokers in the developed countries as they sought to expand into new markets.

²⁵ Denial S. Papp, *Contemporary International Relations: Frameworks for Understanding*. Sixth Edition. Longman. USA. 2002.

Instead of increasing economic stability, financial liberalization caused financial crises in most of the world's economies. An IMF study found that 133 of the fund's 181 member countries suffered at least one significant banking crisis from 1980 to 1995. The World Bank identified more than 100 major bank collapses in 90 developing or formerly Communist nations from the later 1970s to 1994. Many economists believe that these crises were caused by the IMF-imposed financial liberalization on countries that either lacked regulatory agencies or the experience necessary to oversee the financial sector.

On one side of this debate are those who stress the benefits of removing barriers to international trade and investment, allowing capital to be allocated more efficiently and giving consumers greater freedom of choice. With free-market globalization, investment funds can move unimpeded from where they are plentiful (the rich countries) to where they are most needed (the developing countries). Consumers can benefit from cheaper products because reduced tariffs make goods produced at low cost from faraway places cheaper to buy. Producers of goods gain by selling to a wider market. More competition keeps sellers on their toes and allows ideas and new technology to spread and benefit others.

On the other side of the debate are critics who see neo-liberal policies as producing greater poverty, inequality, social conflict, cultural destruction, and environmental damage. They say that the most developed nations – the United States, Germany and Japan – succeeded not because of free trade but because of protectionism and subsidies. They argue that the more recently successful economies of South Korea, Taiwan, and China all had strong state-led

development strategies that did not follow neo-liberalism. These critics think that government encouragement of “infant industries” – that is, industries that are just beginning to develop – enables a country to become internationally competitive. Furthermore, those who criticize the Washington Consensus suggest that the inflow and outflow of money from speculative investors must be limited to prevent bubbles. These bubbles are characterized by the rapid inflow of foreign funds that bid up domestic stock markets and property values. When the economy cannot sustain such expectations, the bubbles burst as investors panic and pull their money out of the country. These bubbles have happened repeatedly as liberalization has allowed speculation of this sort to get out of hand, such as in Indonesia, Malaysia, and Thailand in 1997 and since then in Argentina, Russia, and Turkey. According to critics, a strong active government is needed to assure stability and economic development.

Protests by what is called the anti-globalization movement are seldom directed against globalization itself but rather abuses that harm the rights of workers and the environment. The question raised by nongovernmental organizations and protestors at WTO and IMF gatherings is whether globalization will result in a rise of living standards or a race to the bottom as competition takes the form of lowering living standards and undermining environmental regulation. One of the key problems of the 21st century will be determining to what extent markets should be regulated to promote fair competition, honest dealings and fair distribution of public goods on a global scale. *See also* Development Economics.

The best way to address these health issues often conflicts with the WTO's stand on intellectual property rights, in particular the patent laws that protect medicines made by pharmaceuticals companies. The issue is particularly prominent in relation to Acquired Immuno Deficiency Syndrome (AIDS). Of the 20 million people who have died of AIDS most lived in poorer countries. In some developing countries the infection rate is above 30 or even 40 percent of the adult population. Today the worst affected countries are in Africa. The disease is also spreading rapidly to countries such as India, China and Indonesia.

There are other killer diseases found mostly in poorer countries. Although tuberculosis (TB) affects a small percentage of the population in rich countries, more than one-third of the world's population was infected with tuberculosis in 2000. There are 8 million new cases of TB and 2 million deaths a year from this disease, and these numbers are climbing. More than 1.5 million die each year from malaria, another disease that mainly impacts developing nations. Diseases spread by unclean drinking water and tainted food kill nearly two million people a year, mostly infants and small children and mostly among the 1.5 billion in the world who do not have access to clean water. In the case of diseases that primarily affect poor people, little or no research is being done to provide new medicines because the people affected are too poor to buy them. A major struggle has emerged regarding AIDS treatment over whether patent laws will continue that people pay high prices for life-saving drugs or whether lower cost generic medicines can be provided. This issue has been intensively discussed as part of the debate over the WTO's Agreement on Trade Related Aspects of Intellectual

Property Rights (TRIPs). Western pharmaceutical companies that do the research and development wish to protect their investments and argue that without such protection less will be spent to develop new life-saving drugs. The developing countries argue that scientific breakthroughs should be shared as widely and as inexpensively as possible. They have resisted the extension of property rights.

Globalization raises other questions that will be central to the 21st century. What is the proper role for the IMF, WTO, and UN, and how should they be governed? What is the best way to finance development? How much autonomy should countries have when the economic, political, and environmental decisions they can make can have global repercussions? To what extent should global institutions be able to constrain what countries can and cannot do in an increasingly globalized world? What is the right way to balance social and cultural values with the need for economic efficiency? As the 21st century progresses, more and more decisions regarding these and other issues will need to be debated.

3.2 Conclusion

There has been a lot criticism in the manner in which the WTO carries out its business. The critic is from both the developed and the less developed countries. However, the same critic would be directed at the countries which happen to possess the greatest bargaining power. The burning issue is that of the agricultural subsidies which the wealthy countries offer their farmers despite the agreement establishing the WTO is for the removal of the same. The other point to note is

that the rules governing the WTO are such that if a member country contravenes certain trade rules against a member country, the latter should retaliate. This atmosphere has placed African countries on a negative side, since they should opt for trade retaliations on the more powerful countries of the North, it would be committing 'suicide'.

CHAPTER FOUR

4.0 Introduction

It is imperative that the realities about Africa's marginalization at the WTO a rules – based WTO and arm twisting WTO are brought out for security.

4.1 The Realities about Africa's Marginalization at the WTO

When African delegates return from WTO negotiation with not much on their plates they are often criticized for their "spinelessness". It is evident that the sheer bullying, arm-twisting and threats that are deployed by major powers against developing countries make it impossible for African delegates to do otherwise. It is a harrowing story.

Until 1999, relatively few people outside the ranks of economist, diplomats and political analyst and commentators had heard of the WTO, or even knew the initials stood for the world trade organization. That changed dramatically in 1999,

with third ministerial conference in Seattle (USA) – not because of the conference itself, but because of what went on outside it. While the ministerial failed completely to achieve its objective - agreement on a new round of multilateral trade negotiations - thousands of people took to the street to demonstrate against the conference, calling for a more democratic WTO favourable to the interest of the developing countries, or for the abolition of the organization altogether.

In theory, major WTO decisions are made at ministerial meetings, such as those in Seattle and Doha, (in Qatar, November 2001), and they are made by consensus. Nothing is agreed unless and until every one agrees on it. The reality, of course, is very different. The conflicting agendas and interests of the country's involved, the dynamics of negotiations among 146 ministers, and the limited time available at ministerial meetings, create a boiler room atmosphere at the conferences. Thus, if the WTO is ever to agree on anything, much of the discussion has to take place before the ministerial.

The WTO is supposed to operate on the principle of 'one country one vote'. The big players – the USA and EC – represent a small minority of the membership. But, as the story of the pre-Doha process shows, a central theme of the negotiation process is how the USA and the EC countries contrive to get what they want, despite their lack of votes. The process develops into a game for high stakes, between unequally matched teams, where much of the game is played with few rules and no referee.

The story on the build up to Doha bears striking parallels with the process leading up to the negotiations on the establishment of the IMF and World Bank at Bretton Woods, New Hampshire in July 1944. For all the political and economic change of the last 60 years – particularly the end of the colonialism and the development of international institutions – it appears that the process of international negotiations on economic issues has changed little. The summary of the pre-Bretton Woods negotiations below, based on Robert Skidelsky's eloquent account in John Maynard Keynes—Fighting for Britain, 1937 to 1946, may therefore provide a useful backdrop to the discussion of the pre-Doha process that follows. By April 1944, the USA and the UK had finalized the principles on which an International Monetary fund would be formed in a "Joint Statement by Experts". USA government was committed to it, the British government not quite, although the hurdles were quite minor. The International Bank for Reconstruction and Development (the World Bank), on the other hand, remained more of a US treasury proposal at this stage. For the funds to be established, however, other countries would need to accept the proposal.

During the pre-Doha process in 2001, the same game of high stakes was played out. The EC agenda, according to the European Union (EU) press release, was to "sharpen" and "refocus" its trade policy, "making it more effective at opening foreign markets which European companies consider most vital to their exports". This strategy involved identification of "the most stubborn obstacles in specific countries that are hindering trade and investment", and employing "the most

effective trade instrument" to ensure "swifter, more coordinated action to remove those barriers".

While the EC continued to assert this agenda aggressively after Seattle (1999), it couched it in such a way as to make it appear beneficial for developing countries and Africa. The EC has always been keen on the launch of a comprehensive new round that includes negotiations on all the "new issues" (competition, investment, trade facilitation and transparency in government procurement). The scrapping of government subsidies in agriculture was never a favorite subject; but due to a strong lobby, the EC wanted greater ambition on the links between trade and environment. The EC also supported lowering of industrial tariffs by developing countries and strengthening labour standards within the global trading arena.

The USA, on the other hand, favoured a round that focused mainly on further liberalization in the established areas of agriculture, services and industrial tariffs. The scrapping of subsidies in agriculture was also a key US aim. Among the new issues, the US was an especially keen advocate of transparency in government procurement and trade facilitation, as US-based multinationals were very eager to ensure the existence of rules in these two areas, but they could do without competition and investment policy.

Most developing countries rejected the idea of launching a new round of negotiations, particularly on the "new issues", instead wanting a greater focus on implementation issues stemming from the Uruguay Round. Developing countries

generally emphasized the need for greater market access for agricultural products in the North, and in particular phasing out by developed countries of tariff peaks, tariff escalation and export subsidies, particularly on agricultural produce. They also wanted to limit the major powers' abuse of anti-dumping procedures to keep out developing country exports.

As at Bretton Woods, much of the WTO's pre-ministerial negotiation takes place bilaterally between the two leading players (at Bretton Woods the USA and the UK, now the USA and the EC), to resolve major differences before others have a say. It is worth noting that the US trade representative in 2001, Robert Zoellick, spent much time in face to face meetings and telephone calls with the then EC trade commissioner, Pascal Lamy, in preparation for the mini-ministerial meetings. According to Zoellick: "this has been a vital part of our strategy related to WTO round, because if the EC and the US are at loggerheads, they are not likely to be successful."

The differences in positions that do emerge between the USA and the EC are usually slight, and generally resolved behind the scenes. The dynamics of these discussions are no doubt helped by the fact that Zoellick and Lamy are long-standing personal friends, (and fellow long distance runners).

The private meetings between the USA and the EC are followed by meetings with Canada and Japan, often with the full involvement of the WTO Secretariat, to establish common positions. Together, the USA, EC, Canada and Japan make up

the Quad (or Quadrilateral Group)—a formidable bloc, which often shares similar positions publicly, and dominates the WTO process. Some mini-ministerial meetings are clearly weightier than others, and the level of involvement of the WTO Secretariat staff varies accordingly. The mini-ministerials in Mexico (Aug 2001) and Singapore (Oct 2001) were clearly the important one to attend. The Mexico meeting was attended by 31 of the 146 WTO members.

When asked why so many developing countries (including Africa), were left out of the Mexico and Singapore mini-ministerials, a middle income country delegate whose trade minister was present at both meetings replied: “Frankly, there are only a handful of countries doing business at the WTO. Some West African countries don’t even know what they have signed up to. Even the Nigerians don’t have much of a clue about the technicalities and complexities of negotiations. The mini-ministerial meetings are really ‘limited edition’ meetings for ministers who are considered influential”.

This point of view exposes two things: first, that there are still remnants of the old GATT approach, where the strong trading countries—developed and developing—got together, made deals and tried to impose them on the other Nations; and second, the different levels of development that exist among developing country members.

It also raises the question of why so many developing countries are still members of the WTO if they are indeed so clueless about its rules and obligations.

4.2 A Rules-based WTO?

Never have the wishes of so many been ignored by so few, over key areas of contention, in a supposedly rules-based and consensus-driven organization. The WTO proclaims itself as a transparent, democratic and rules-based organization with a one-country-one vote system, which makes decisions by consensus among all its members. The reality is starkly different. Meetings are held between small groups of members, hand picked by the most powerful. Developing country members may be consulted over major documents, but their views are ignored when they differ from those of major powers. Developing countries object vociferously, using all the means open to them, but their objections are overridden—apparently in blatant contravention of the rule of the organization. As one developing country delegate put it: “despite the fact that the membership and structures are changing in the WTO, the way in which decisions are made is largely unchanged. The countries with the biggest trade in weight will run the show.”

4.3 Arm-Twisting Trade

During the pre-Doha mini-ministerials, a number of delegates remained silent on the “new issues” because they were threatened by the USA. This is a regular occurrence, but beyond the control of the General Council chair. A Latin American delegate confirmed that in some cases, personal threats were made. In the end, negotiators had little choice but to toe the line. One African delegate said,

"I have observed a few problems that Africans have in the multilateral system. First, we have never known how to apply our available human resources – the confidence to play the game is lacking; and second, we have difficulty defining our positions and always allow disinformation [often spread by Northern countries] to undercut our positions." A second delegate added: "I felt so much pain in my heart. They sold out, our ministers. We burn our days and nights working to protect the interests of our countries, and it is all a waste of effort. Our ministers went in and gave everything away, on a silver platter, especially to the EC, on the new issues and on environment. We fight so hard in Geneva and all this goes to waste."

At the end of the day, the complexity of the game and the desire to protect your country's interests can lead to all sorts of situations. While both developed and developing countries participate in the sophisticated political games played by different blocs to try divide-and-rule style, the deployment of middle-income countries to change their positions.

Threats against ambassadors were rife before, during and after Doha. Faced with a determined ambassador, the major players would go over his head to his home government and apply direct political pressure for his or her removal, often on the basis of misinformation. The USA, in particular, is known to have a blacklist of ambassadors it would like to see removed. As a developing delegate observed: "If you go against the major powers, they go to your capital and twist things around, saying things like you are anti this and that. There is always a good deal of

disinformation deliberately being spread at the capitals. This is why it is essential to have a good rapport with the capital, and it is also important that you refrain from reacting too quickly when you feel or suspect that you might be under threat.”

One Geneva-based ambassador was sacked soon after Doha, following complaints from the USA that the delegation (though following instructions from the capital) had not toed the precise line of US positions, and had complicated matters for the US by holding firm to positions contrary to US interests. At least, four other ambassadors unpopular with the US were also removed from their Geneva missions following the Doha conference and promoted to less controversial posts elsewhere. At least two more Geneva-based representatives remained in on the US blacklist at the time of writing.

One deposed ambassador once said: “I was not the only one removed due to pressure by the USA on my capital authorities. Immediately after Doha, Ambassador [A] did not even have time to empty his luggage ... Ambassador [B] did not even make it to Doha, and about a month afterwards was left without a job ... Ambassador [C] had to travel to Doha with the company of his substitute Ambassador [D] was removed and sent back to his native continent ... Ambassador [E] was almost fired in Doha itself ... By a sheer miracle, he was able to survive a few more months in Geneva.”

He continued: "I survived just till [date] ... My head was presented on a tray to the US authorities during an official visit by my president to the USA. Until this was done, my authorities were not able to put any bilateral issue on the table ... After that, the modest contributions made by my country's diplomats in Geneva and in [negotiations with the USA] were put in the dustbin. "Within three months, a ministerial delegation had aligned my country with the USA on agriculture, government procurement, intellectual property and distribution service. Worst of all has been the explicit policy decision taken: to be silent, even complacent with the US delegations in all fora, in order to consolidate a 'change of perception'".

"All this, without getting anything in return, while the USA gets our support in key areas of their interest where we had been putting pressure, with the expectation of eventually increasing our leverage in the areas of our interests."

The developing countries (including Africa), thus, find themselves locked in a viscous cycle political impotence, unfair trading rules and weakening trade performance. This left many critics of the WTO skeptical that the organization can ever be reformed to be of any real benefit to developing nations.

4.4 Conclusion

It is evident that at the WTO meetings, African representatives face bullying, arm-twisting and even threats from representatives and/or colleagues from the major powers. They end up being helpless since they have no powers to do otherwise.

Even the principle of 'one country one vote' is a fiasco for Africans. The implication of there-of presuppose that the big-players of the US and EC countries, contrive to get what they want, despite their lack of votes in all the WTO processes.

CHAPTER FIVE

5.0 Conclusion, Summary and Recommendations

5.1 Summary

5.2 Conclusions

The WTO has 146 member countries, 80% of which come from the developing world. A successor to the General Agreement on Tariffs and Trade (GATT), it was formally established on 1 January 1995 as a result of the Marrakesh Agreement signed in the Moroccan city on 15 April 1994. The agreement embodied the results of the Uruguay Round of multilateral trade negotiations which took place under the auspices of the GATT between 1986 and 1994. A further 28 countries have WTO observer status. Apart from the Holy See (Vatican), the rules demand that all observers must start negotiations to become full members within five years of becoming observers. The WTO is often viewed as an esoteric institution negotiating trade rules incomprehensible to the ordinary

person on the street. The general state of ignorance about the WTO, and the GATT before it, however, belies its importance.

The WTO establishes the rules governing the international trading system, which have a major effect on people's livelihoods. These rules often require that member countries change their intellectual property legislation, industrial and agricultural policies, basic service provision and sometimes even their constitutions. They affect employment, incomes and the prices people pay for imports and locally produced goods that compete with imports. This mercantilist ethic ensures that WTO agreements are forced through by political and economic pressure from the major developed countries. In the process, it institutionalizes corporate access to the markets and resources of the developing world, whilst the interests of the developing countries are routinely ignored.

Interestingly, of all the international organizations, the WTO is unique in the sense that it has mechanisms to enforce its agreements with sanctions. In theory, these sanctions are applied across the board – to all defaulting members – but in practice they are used as a weapon by the powerful nations against the weaker, and never the other way round. For example many African countries which under IMF and World Bank structural adjustment programme, had already lowered their trade barriers further than required by the WTO before the Uruguay Round agreements came into being in 1995, were still affected by the agreements, in the sense that they limited their ability to raise the trade barriers again if their circumstances required it.

Though the WTO was only established in 1995, the trading system over which presides is nearly 50 years older, in the shape of GATT, which came into being in 1947 after the original idea of creating an international trade organization alongside the Bretton Woods institutions in 1944 had been jettisoned by the powerful countries. Of critical significance, though not part of the WTO's formal structure are the informal or green room meetings at which a select group of WTO members meet in unofficial atmosphere to discuss trade negotiations and possible agreements in areas of contention. The name green room was coined because such meetings originally were held in the office of the director-general of GATT, which green in colour. No minutes are taken at these meetings. Yet they have remained a key part of the WTO landscape – 500 of such meetings were held in 2001 alone. Green room meetings are extremely problematic as they are totally non-transparent. Attendance is 'by invitation only', invitations being issued either by the WTO director-general or by the chair of the negotiating group. Most members who invited are left in ignorance about what consultations are taking place, between which members, and on which issues.

Most of the real deals at the WTO, especially the all important bilateral trade deals, are discussed at still more informal meetings (sometimes within the WTO) and at cocktail parties (outside the WTO). Selected delegates, led by powerful countries, meet at the Japanese mission, for instance, and discuss important trade negotiations and deals informally over sushi.

A major obstacle faced by developing countries (mostly Africa), in the WTO, is the discrepancy between the resources available to them and those available to the rich countries. For example, among the members of Quadrilateral Group (or Quad, which is made of the USA, Canada, European Community, Japan, Luxembourg and Sweden), the US mission in Geneva alone has 14 professional staff devoted exclusively to the WTO, while the European Communities have 18 (in WTO parlance, the EU is officially referred to as European Communities). This is in addition to 15 staff working on WTO matters for EU member countries. Japan has 23 representatives and Canada 12. This compares with Africa where DR Congo has two representatives in Geneva, Kenya seven, Ghana three, Zimbabwe five, Nigeria 10, Tunisia three, South Africa five, Gabon three, Botswana two, Namibia 0, Burkina Faso 0, Malawi 0, Mali 0, Mozambique 0, Lesotho two, Mauritania four, Senegal five, Tanzania five, Uganda four, Zambia six. Even the majority of these African representatives have to represent their countries in more than 20 other international agencies based in Geneva, addition to WTO. In fact, 20 developing members of the WTO, as well as 11 observer countries, have no permanent mission at all.

The WTO has 67 bodies, including 34 standing bodies open to all members, 28 accession working parties, and five plurilateral bodies in which agreements are not signed by all WTO members. In addition, there is the Trade Negotiations Committee, and two new negotiating groups. All this places enormous pressure on the few African (and other developing countries) representatives in Geneva and

negatively impacts on their effectiveness, even more so when the WTO holds over 1,000 meetings a year, many of which run parallel to each other.

The difference in positions that do emerge between the USA and the EC are usually slight, and generally resolved behind the scenes. The dynamics of these discussions are no doubt helped by the fact that Zoellick and Lamy are long standing personal friends. The private meetings between the USA and the EC are followed by meetings between the USA and EC are followed by meetings with Canada and Japan, often with the full involvement of the WTO Secretariat, to establish common position. Together the USA, EC, Canada and Japan make up the Quad – a formidable bloc, which often shares similar positions publicly, and dominates the WTO process.

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5.3 Recommendations

5.3.1 Hong Kong Ministerial Conference – 2005

The recommendations are based on the outcomes of the Ministerial conference which was held in Hong Kong in December 2005. African countries had an

agenda in this conference. This was the mandate carried by the African countries.

To the African countries successful negotiations should include:-

- Removal of structured distortions in agricultural goods market as a result of industrialized countries policies.
- Non-reciprocal market access and trade liberalization given the unevenness between African and industrial countries in the world trading system.
- The right to protect their agricultural sector and use policy tools to enhance the welfare of their citizens, in particular the right to food sovereignty.
- Set a firm deadline and a timetable for the elimination of agricultural subsidies with transparent and verifiable monitoring mechanisms.
- Set up compensatory mechanisms for the trade losses due to those subsidies.
- Inclusiveness and transparency in the negotiation process.

5.3.2 Hong Kong Resolutions on Agriculture

- Agricultural export subsidies will be ended by 2013. Loopholes must be addressed to avoid hidden export subsidies.
- The end of 2006 must eliminate Cotton subsidies.
- Cotton exported from LDCs will be allowed duty and quota free access into developed countries from the start of the period that the new agricultural agreement is implemented.

- Members must develop food aid; export programmes and practices of exporting local based products by 30 April 2006.
- Developing countries must self designate an appropriate number of tariff lines as Special Products guided by the indicators based on the criteria of food security, livelihood security and rural development. This would enable them have a recourse on SSM in order to-
- Protect farmers from possible increases in imports or a collapse in import prices.

5.3.3 The Struggle for a New World Trade Order

African trade ministers have to stick with their demands and resist the pressures put on them. In South Africa the members of trade unions, religious organizations, women's, youth, civil servants and non-governmental organizations agree to unite in a popular campaign to:-

- Raise public awareness of the nature, role and damaging effects of the policies of the WTO.
- Demand that our government make transparent its position in relation to the forthcoming WTO Ministerial Meeting and other important multilateral and bilateral trade agreements.
- Oppose our government's positions on the WTO where these lead to commercialization of public goods and services.
- Small-scale farmers must initiate and take part in the campaigns against the WTO.

In Korea, the Korean farmers led a massive strike against the WTO during the Hong Kong meeting. About 200 Korean farmers jumped into the Hong Kong dam in an effort to get into the Convention centre. They are threatening to continue doing that until their voices are heard. The Hong Kong locals joined the Korean in a hunger strike against the WTO. The hunger strike had three demands:-

- The barricades of the convention centre be removed.
- The WTO allows people outside the convention centre, inside.
- Agriculture and fisheries be removed from the WTO negotiations.

Developing countries are urged to open their markets so that free trade can take place; in contrast rich countries dump heavily subsidized agricultural products. The promise by the declaration to eliminate cotton exports subsidies in 2006 has been touted as an example that rich countries are willing to lose something in these negotiations.

5.3.4 Small-scale Farmers in Africa: A Concern?

5.3.4.1 Livelihoods

Millions of small farmers are struggling to earn livelihoods and produce agricultural goods for the developing world. At the G8 Summit countries have agreed that agriculture needs to be embraced as the driving engine for prosperity. Agriculture is in effect an answer to the poor countries. Small-scale agriculture needs to be upgraded and used as a force for development. Small-scale farming

should be used as a mechanism reduction of poverty. Developing countries are struggling with increasing competition from developed countries e.g. small cotton farmers in Burkina Faso face rivals in the US.

5.3.4.2 Building Organisations

Mercy Karanja, agricultural advisor in Central Kenya complains, "it is even difficult to organize small farmers into associations so as to negotiate with the supermarkets. We are trying to get farmers organized, but it will take a huge amount of resource and time. I'm not sure how long will the supermarkets wait for us to get organized". The supermarkets are willing to buy from them as the suppliers but they cannot get organized.

5.3.4.3 Access to Markets

There seems to be a huge demand to the African produced products, but the supply is small. For example in Kenya farmers produce high milk yielding Toggenburg goats. With the availability of resources the supply will be increased and production exported. Christie Peacock of Farm-Africa further explains that people are coming from all over Africa to buy goats in Uganda. For small farmers to survive and prosper they need assistance. The WTO is not giving them the required and necessary assistance. Even so a lot of small farmers are coming self-reliant; they try hard to eradicate poverty. African farmers have the potential to withstand the international market.

5.3.5 South African Approach – Trade and Facilitation

A Preparatory meeting was held before the conference in Hong Kong. These were some of the factors that were included:-

- Facilitation of exchange of information between custom administrations.
- WTO has to play a facilitation role to avoid duplication of resources and to ensure a capacity building approach.
- WTO member countries to identify the needs for capacity building.
- Negotiation of a binding trade facilitation agreement.
- Trade facilitation is broader than customs administration.
- Emphasizing the link between compliance and facilitation.
- Introduction of the special and differential treatment provision.

The small-scale farmers of South Africa have no representatives at the WTO. The commercial farmers represent them. Their needs and frustrations are not expressed. The WTO operates on what is called democratic deficiency. It sets up policies and makes decisions affecting everyone in the economic world. People who are affected by the decisions have no right to vote.

5.3.6 A United Small-scale Farmers Association

Small-scale farmers should unite in negotiations against the WTO. They should organise themselves into organizations and lead the struggle against the unfairness of this structure. They need to join social movements who are vocal about the

WTO. The WTO is a concern for almost all the developing countries worldwide. It enriches the already equipped or developed countries at the cost of developing countries. Small-scale farmers should join with organizations like La Via Campesina. This is an international movement that coordinates organizations of peasants, small and medium-sized farmers, farm workers, rural women, and indigenous communities of Asia, Africa, America, and Europe. They are vocal about the WTO and its shortfalls.

5.3.7 Africa to Bench-mark from other Regions

Africa should take a route that was taken by India. It is worth mentioning that, in India, small-scale farmers led a march to the government. They drafted a memorandum, demanding that the governments must keep agriculture and food out of the WTO because it does not benefit them. They protested against the import of wheat and urging the government not to compromise agriculture for other gains at the WTO negotiations. The farmers alleged that the decisions are taken without consulting the farmers. The demonstration lashed at the government for bringing down the import duty on wheat from 50% earlier to 0% to facilitate large-scale import.

The Cuban and Venezuelan small-scale farmers criticized the decision making process of the WTO. They say the WTO does not represent the majority of the member states. The few rich states are forcing agreements despite the opposition

from many developing countries. Women farmers should also organize and make representation in the World Trade Organization.

Today agreements involve services, investments, and the protection intellectual property rights, such as patents and copyrights. The United States receives over half of its international income from patents and royalties for use of copyrighted material.

Many economists believed that lifting trade barriers and increasing the free movement of capital across borders would narrow the sharp income differences between rich and poor countries. This has generally not happened. Poverty rates have decreased in the two most heavily populated countries in the world, India and China. However, excluding these two countries, poverty and inequality have increased in less-developed and so-called transitional (formerly Communist) countries. For low and middle-income countries the rate of growth in the decades of globalization from 1980-2000 amounted to less than half what it was during the previous decades from 1960 to 1980. Although this association of slow economic development and the global implementation of neoliberal economic policies is not necessarily strict evidence of cause and effect, it contributes to the dissatisfaction of those who had hoped globalization would deliver more growth. A slowdown in progress on indicators of social well-being, such as life expectancy, infant and child mortality, and literacy, also has lowered expectations about the benefits of globalization.

5.4 Area for Future/Further Research

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