

WORLD TRADE ORGANIZATION AND THE DEVELOPING WORLDNIGERIAN ECONOMY: A CASE STUDY

Nwachukwu Sunny Nnabuihe

Nwachukwu Tobechukwu Odunze

Department of Political Science, Faculty of Social Science, Alvan Ikoku Federal College of Education, Owerri, Imo State, Nigeria

Nwosu Ezekwesiri Okebugwu

Department of History & International Studies, Faculty of Social Science, Alvan Ikoku Federal College of Education, Owerri, Imo State, Nigeria

Abstract

This research study seeks specifically to ascertain the implications and effects of W. T. O. trade policies on the development of Nigeria economies. It will seek to answer the following pertinent questions: How has Nigerian external trade fared since she became a signatory to the W. T. O. in 1995? How has the adherence to the provisions of the organization affected non-oil exports in Nigeria? How has trade liberalization affected imports into Nigeria? What are the sectoral effects of such imports? Which particular industries are most affected by this liberal import regime? What is the direction of such effects? This research study would be useful in various ways. It will further draw the attention of the government, managers of the economy as well as the general public to the problems associated with the full liberalization of trade. It will also assist policy makers in the choice of policy options as it relates to trade, as issues raised in this study will serve as guide. It will further enhance the available literatures on the trade dynamics between developed and developing countries or between centre states and peripheral states. Finally, it is our hope that the findings of the study will stimulate further researches in this field which will further expand the understanding of the position of third world economies in the global trade system.

Keywords:Economy, Government and Trade

Wto And The Developing World (A Case Study Of Nigeria)

Since, Nigeria registered the world trade organization treaty in December 1994, there has been occasional focus on the economic implication of this treaty for the Nigerian economy. Nigeria registered the WTO treaty in December 1994 and thus became a founding member of the organization in January 1995.

The WTO which is the only International body dealing with the rules of trade between nations went into trade agreement with various nations of the world. The legal documents emanating there from provided the legal ground rules for International commerce. They are essential contracts, binding governments of various countries of WTO agreement within agreed unit.

In recent years, the manufacturing sector particularly has raised alarm over the negative impact of globalization on the Nigerian economy. Olu Adeleye (2002;24) observed that it was noticed earlier that during the negotiation that represented. This according to him has necessitated the frequent calls by the manufacturers for further negotiations of the WTO

treaty in order to protect the local industry and the Nigerian economy from massive dumping of foreign goods.

In another development, the organized private sector (OPS) comprising the manufacturers Association of Nigeria (MAN), the Nigerian Association of Chamber of Commerce, Industry, Mines and Agriculture (NACCIMA), and the Nigerian Employers Consultative Association (NECA) in its recent pre-budget memorandum to the federal government raised on alarm that the full liberalization policy and full adoption of WTO treaty has made the Nigerian economy vulnerable to the pressures of imported goods that could otherwise be produced locally. The local economy is dependent, on virtually nothing but crude oil that is sold at the global market. That is why the local market has consequently been turned into a dumping ground for goods and services from countries which operate more efficient systems. He noted also that most Nigerian goods cannot compete in terms of rice and quality in the open international market; and the attributed the problems to the cost profile of the manufacturing processes, which has hardly been helped by the high cost of obtaining basic services that are taken for granted elsewhere. And today for any manufacturer to succeed, it must provide its own water works, electricity, telephone and so on. The result is that Nigeria has become a huge dumping ground for all types of sub-standard products coming into the country. (Adeyemi 1999:58)

In recent years, factories have been closed down in a number of sectors as a result of the obvious hostile environment of production. Hardest hit sectors include textile, toiletries, electronics, chemical engineering, oil milling etc these industries have been faced with the daunting challenges of dumping of goods which are more competitive than the locally produced ones.

The Structure Of The Wto

The Uruguay Round of talks which was negotiated over a period of seven years (and ended towards the end of 1993) apart from the nomenclatural change may have just transformed GATT'47 to another GATT given the, fact that in addition to the introduction of such new issues as; the General Agreement on Trade in Services (GATS), Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs), Agreement on trade Related Aspects of Investment Measure (TRIMS) and an agreement on Implementation of Article VI (Antidumping and Countervailing Duties) of GATT'47 the Uruguay Round largely, either amended, extended or even retained the core agreements in GATT'47. (Seattle 1996:1)

But it will however, be misleading to think of the WTO as an extension of the GATT. Rather, it replaced it because, whereas, the GATT was a forum where “Contracting Parties” met from time to time to discuss and solve world trade problems, the WTO is an established permanent world trade body with legal status, enjoying such privileges and immunities as those of the IMF and the World Bank though not an agency of the United Nations (Jhingan, 1998:540). The WTO has the core agreements of the GATT subsumed within its. The legal status of the WTO gives it the capacity to enforce compliance of member states to its rules with sanctions for defaulters. Under the GATT, compliance could be selective. Whereas, the GATT had just a small secretariat managed by a Director-General the WTO has a large secretariat and a huge organizational set up (Jhingan, 1998:532). Structurally, the WTO has a Ministerial Conference – its core decision making organ made up of representatives of all members and meets at least once in two years. The General Council, comprising representatives of member nations oversees the operation of the WTO Agreement and ministerial decision. It also acts as a Dispute Settlement Body (DSB), Trade Policy Review Body (TPRB) and encompasses other sub-committees such as the Council for trade in Goods, The Council for Trade in Services, the council for Trade-Related Aspects of Intellectual

Property Right (TRIPs) etc, there is also the secretariat of the WTO headed by the Director-General. (Cocklin 1996:381)

The general objective of the WTO include raising standards of living and incomes, ensuring full employment, expanding world production and trade in goods and services and ensuring the optimal use of the world's resources taking cognizance of the preservation of the environment in a manner consistent with respective needs and concerns at different levels of economic development (Jhingan, 1998:534). When fully operational, the WTO will boost the world's GDP by an estimated \$6 trillion or 8 percent (McConnell & Brue, 1996:112). The WTO apart from continuing the process of trade liberalization also finally completes the objectives of the Bretton Woods system devised by the World War II Allies in 1944 for facilitating economic relations in post war world (Mings, 1995:390-391).

WTO And Developing Countries: A Theoretical Framework Of Analysis

WTO in the developing countries can best be evaluated by examining the problems faced by the third world. The prospect and contribution of WTO to third world economics and finally to examine the hypothetical research questions and find its relevance with the available variables. In studying and analyzing this paper liberal and underdeveloped theories are applied.

PROSPECTS: the liberal theoretical framework is a Smithsonian study, which encourages bilateral trade relationship among nations. The theory is of the opinion that the best way to maximize profit is when various nations engage in an International trade and each nation specializing in the production and exportation of goods in which it has a comparative advantage. The liberalist assumes that the price mechanism should determine the exchange of goods in the International system. The implication of this is that countries should open their borders and let goods come in freely that is free flow of goods and services must be the norm in the International system. If the International economic relation is allowed to operate as such there will be equilibrium and stability established amongst states. The equilibrium will optimize the movement of investments. In other words, it will help to streamline the rate of investment produces will be able to maximize profits worldwide while the consumers will be able to get the optimum price. The theorists are optimistic about the prospects for the third world countries development within the existing International market structure. Therefore the liberal school believes that contact with developed market economics is a means of development.

Considering the liberal theories of economic development, African Countries will remain on the fringe of the global economy if they fail to compliment tariff reductions on trade associated with the WTO. Also they must do this through enhancing productive capacities in their economics.

The United Nations Industrialization Development Organization (UNIDO) representative in Nigeria Dr. Sarbu Auton Sid "Industrialization is one of the most crucial issues for the fortune of the continent and its effective integration into the emerging global economy. He also said that fore seeing the global market environment as poised to be more competitive in the years ahead. He explained that African Countries can only push themselves to the central state of competition by transforming from raw materials export dependent to manufacture driven ones. And this is easier to achieve in the new world order because Uruguay Round Table of Agreement and WTO have lowered tariffs and eliminated non-tariffs barriers to trade. Therefore, the liberal theorists are of the opinion that independence would elevate Africa's economies system from an exporter of raw materials to an exporter of manufactured goods.

Underdevelopment theorists see North-South trade relationship as horizontal and parallel trade transaction. A system where a practical economic developed world only export

raw materials, the underdeveloped theorists believed that the continue stay with WTO shall continue to stunt their industrial growth as sub-standard goods will force their manufacturing industries to remain perpetual stickler who may not be able to run the industrial race for the benefit of their children thereby perpetuating their permanence in poverty and the slave market. (Santos T. Dos 1973:16)

WTO has never promoted free trade as shown in the treaty. This has heritably sparked disagreement among developing Countries on one hand and disagreement between the developed and developing Countries on the other hand. For instance Countries such as China has refused to join the body.

In Nigeria the organized private sector has criticize the entire agreement, which member say have been lopsided in favour of the developed countries. They hold the view that if the Nigeria economy is to remain relevant in the globalized economic system, the world trading must be reversed.

It is the view of the underdeveloped theorist that the massive influx of foreign finished goods into the country has bent to near collapse of local industries.

The nations landscape is lettered with the debris of dead industries killed by unbridled importation. Efforts to employ WTO rules have often been frustrated because of the problem of dumping. The underdevelopment theorist condemned the principles of WTO, which include principle of trade without discrimination on rights and obligations in goods, services and intellectual property. Taken into consideration that WTO remains a permanent negotiating forum, the developing theorists have hence called for overhaul of the entire agreement to ensure that the Nigeria economy is protected. According to them, the interest of the developing countries was not taken into account when the WTO agreement was signed. The negative effect of this is they argued in a situation whereby the developed nations dictate the prices of their manufactured goods and prices of their primary commodities produced by the developing nations.

The concluding part of this paper is devoted to the examination of the propositions earlier put forward in this research work. The propositions put forward are:

- i. What are these inequalities in the World Trade Organization?
- ii. What are the strategic efforts to alleviate the problem of the developing countries?
- iii. Can third world membership in WTO improve their economies?
- iv. Does WTO perpetuate backwardness and dependence in the third world?

In the first proposition, we can begin from the promise that joining WTO must have been resulted by bad advice to the developing nations or error of judgment as they have no business being, as they have very little or nothing to offer by way of finished goods to support active exports rather they have succeeded in making developing countries dumping ground for sub-standard goods.

The developing nations have no comparative advantage to rub shoulder with WTO expert practitioners' therefore their countries stay with WTO shall continue to stunt their industrial growth as sub-standard goods will force their manufacturing industries to remain perpetual stutters. Other traces of inequalities in the WTO is the position of the developing world which is characterized with high birth rates, heavy reliance on primary product weak industrial and technological bases and balance of payment problems.

In the second proposition to be examined are the strategic efforts to alleviate the problem of the developing countries. The developing nations shall take a position and prepare draft reflecting their position paper for debate at the next round. It is better that the debate is based on their position that to wait for the advance countries to prepare a draft position paper for debate. Also from the experience from the industrialized nations, developing countries should focus on fair inter-linked strategies and plans.

- A strategy for Industrialization through international competitive exports
- A strategy for global contract through inter-connectivity with the rest of the world by building the necessary infrastructure in communication, power and transport.
- A strategy of human development through effective policies and programmers in education training and health care development.
- A strategy to initiate debate at the next WTO meeting from the position of developing countries.

The third proposition argued if third world membership in WTO can improve their economics. WTO is rooted in the decreasing cost of communication decreasing trade barriers and the competitive presumption new competitors as a result of increased inventive and innovative activities. The question now is, how are developing nations involved and participating? We have noted that WTO is anchored on sound economy, sound technology base, improved communication and some basic infrastructure etc. None of the developing nations with exception of South Africa have put up these prerequisite. They are still grouping with low rudimentary technology no comparative advantage to trade and weak communication infrastructure. (Layi Adaloyi 2002:23)

The Effect Of Wto On Small And Middle Enterprises

It has been observed by many scholars that there is an intrinsic link enterprises development. Hence, Dr. Nkenma Jombo Ofo urged the federal government to undertake a dispassionate examination of this issue with a view to assessing their frightening implications for the weak developing Nigerian Economy. He also notified that current structure and rules of WTO have impeded the growth of SME in underdeveloped nations especially Nigeria. The chamber boss emphasized that only a dispassionate stance from the government will enhance the country's competitiveness in the global market as small and medium enterprises are allowed to develop and grow. Jomo – Ofo testified that the current operative mode of the WTO has engendered “unequal technological strength among nations with the result that technologically weak nations cannot compete on equal terms with the advanced ones”. He also argued that the 28th agreement (of the 28 tenet Uruguay Round Table Agreement) that established WTO has as its essence “a design to encourage free market access”. He however regretted that “the structure and rules of the WTO have frightening implication for the weak, underdeveloped nations including Nigeria when dispassionately examined”. Situating the problems of underdeveloped economies, Jombo – ofo identified “The weak small and medium enterprises (SME) development in the countries. This situation that underscores the need to take practical steps towards their development as “SMEs represent the critical pillars that are important in the nation's construction”. Along this line he argued;

“We as a nation must make certain strategic decisions to equip ourselves technologically to enhance our competitiveness in the global market if were to seize the window of opportunity offered by the Uruguay Round Table Agreement.

Conclusion

The textile workers in Nigeria emphasized on the need to re-address the policies affecting textile industries at Seattle, United States of America. The workers under aegis of textile, garment and Tailoring Senior Staff Association of Nigeria (TaTSSAN) are essentially asking the government to set up a multi-disciplinary and multi-sectoral body that would draw up documents on the position and policy of the nation with a view to effectively articulating pains of the country and its desired change in the current content of the treaties at the meeting. According to TaTSSAN

“There is need for a multi-disciplinary / sectorial body to be set by government. To draw up far-reaching documents on the position and policy of those sectors that would be

identified in the course of deliberations. It is urgent and a must if we must take change of or promote our interest.

The need for the government to go Seattle with a mission, according to the workers has become the more compelling because of the all-pervasive destructive effect of the WTO treaties on all sectors of the developing economics, especially in Nigeria.

Touting the textile industry as the most devastated of all sectors at the receiving end, TaTSSAN said, nevertheless, that many more industries and trade are covered in this predicament. “In order words, our organization is suggesting the setting up of the body to do something quickly before it is too late”.

Essentially, the textile workers are tasking the government at the Seattle meeting to demand:

1. The re-negotiation of our membership with WTO.
2. Review the implementation of WTO rules in our external trade as in America, China and Germany, among others. Dissatisfied with the government’s apparent lack of pre-active and determined commitment to the Seattle meeting the textile workers called for concerted collective effort to address the dilemma of the WTO agreement on Nigeria to save textile industry.

As quoted by the TaTSSAN chairman, “We see that our government is looking at the WTO agreement as fait accomplished in which it is hopeless in all its totality. We disagree with this position, not because we claim to be wiser or more patriotic than those there, but because we are victims of this policy. It has devastated and it is devastating our industries in the country”.

WTO treaties have been described as another means of slavery and colonialism. TaTSSAN saw the continual operation without effective negotiation or outright repudiation of same (treaties) as a modern day vehicle for the subjugation of the weak i.e. developing counties by the strong (the developed countries). According to aqua the experience of the “Asian tigers” which crashed mainly because their investment main stay was dependent on the developed countries is enough lesson for all. “Nigeria he said “Should be alive to the politics of WTO and go out to the meeting to demand its equitable right to prosperity”. He stated also that “It is not difficult to visualize the state of confusion that has engulfed WTO organization because opening up the borders of all nations for trade among unequal nations without rules for checks and balances and without institutions to implement or monitor, cannot create a viable working arrangement at that level that is what WTO is doing today”.

As a fallout of the lopsided operation of the WTO among nations, TaTSSAN cited the Nigerian textile industry’s woes as enough evidence of the treaties disservice. Reaching out statistics TaTSSAN stated that “within the last three years, not less than 24 textile mills have closed down”. Presently not less than eleven textile mills are distressed and four situations persist; they are close down if nothing positive is done by government. More than ten mills are requesting for redundancy exercises”. TaTSSAN also said that over 100,000 workers have lost their jobs. But if those people in general supply, retailers of finished textile products sellers of dye stuff and chemicals and associated organizations are added, with their dependants to this number, it would be almost one million Nigerians who have lost their jobs in the textile industry. TaTSSAN also concluded that more jobs are still on the line with over 150,000 Nigerians about to lose their jobs expect the government do something now to change the trend (Isagua 1999:57)

References:

Adeyemi A. Larry: “How Nigeria can push for fair Trade at into summit”. The Guardian Newspaper- November 22nd, 1999. PP. 5859.

Adeleye Olu: WTO and the Nigerian Economy. Business Guardian, Wednesday August 2002. P. 44

Adeloye Laye: Government plans review of WTO membership Guardian 2002. P. 23

Cocklin G. John: op. cit. P. 385

Gilpin R: The political Economy of International Relations New Jersey. Princeton University press. 1987. P. 10

Hart M: WTO and the political Economy of Globalization Journal of World Trade Law, Economics, Public Policy. Vol. 31. No. 5 October 1997. Pp 79 – 82

Ibid: 58, **Ibid:** 60

Isagua P. A: Cited by Adeloye Laye: WTO textile workers urge government to prepare for Seattle Conference. The Guardian Wednesday November 24th 1999. P. 57.

Ibid: 60 , **Ibid:** 782, **Ibid:** P. 10, **Ibid:** P. 59, **Ibid:** P. 24, **Ibid:** 58, **Ibid:** 60

Isagua P. A: Cited by Adeloye Laye in WTO textiles workers urges government to prepare for Seattle Conference; the Guardian Wednesday November 24, 1999. P. 57

Ibid: 60

R. Gilpin:The Political Economy of International Relations

New Jersey, Princeton University Press. 1987. P. 16

Olu Adeleyo: “WTO and the Nigeria Economy” Business Guardian

Wednesday August 7th 2002. P. 24

Layi Adeloye:“Government Plans Review of WTO Membership

Guardian 2002 P. 23

Laye Adeloye: WTO Textile workers urge Government to prepare

For Seattle Conference, The Guardian. Wednesday

November 24th 1999. P. 57.

S. E. Spero: The politics of International Economic Relations (New York) St. Martins Press 1985. 3rd Edition Page 4.

Solu Akeredolu: Complement WTO agreement with tariff Cuts. Sarbu Advises: Business Guardian Monday November 29th 1999. P 32.

Santos T. Dos: The crisis of development theory and that of dependence in Latin American in underdevelopment (ed) by Harry Berustan pengium Books Ltd. 1073. P 16.

Weldon Bello: Focus on Trade: The Iron cage: the WTO; the Bretton woods institution and the South. No. 41. November 1999. P. 1

WTO, Ministerial: Growth, Development and better international Relations: How trade and the multi-lateral trading help. Seattle 13th December 1996. P. 1.

John G. Cocklin: From GATT to the WTO: Prospect for a rule integrity Regime. International Trade Relation. Pp. 381 – 382

Laye Adeloye: WTO Textile workers urge Government to prepare Seattle Conference. The Guardian Wednesday 24 1999. P. 57

Sola Akeruolu: Complement WTO agreement with tariff cuts Sarbu advises. Business Guardian Monday November 29, 1999. P. 32

Santos T. Dos: The crisis of development theory and that of the dependence in latin America in underdevelopment (ed) by Henry Berstan. Pengium Books Ltd. 1973. P. 16

Layi Adeloye:“Government Plans Review of WTO Membership

Guardian 2002 P. 23

Laye Adeloye: WTO Textile workers urge Government to prepare

For Seattle Conference, The Guardian. Wednesday

November 24th 1999. P. 57.

Ibid: 58, **Ibid:** 60

Isagua P. A: Cited by Adeloye Laye: WTO textile workers urge

government to prepare for Seattle Conference. The Guardian Wednesday November 24th 1999. P. 57.

Ibid: 60

S. E. Spero: The politics of International Economic Relations (New York) St. Martins Press 1985. 3rd Edition Page 4.

Solu Akeredolu: Complement WTO agreement with tariff Cuts. Sarbu Advises: Business Guardian Monday November 29th 1999. P 32.

Santos T. Dos: The crisis of development theory and that of dependence in Latin American in underdevelopment (ed) by Harry Berustan pengium Books Ltd. 1073. P 16.

Klans Dodds: The Geopolitics of Regionalism. The Valdivia group and Southern hemisphere environmental cupertic in their world quarterly, Vol. 19 No. 4. 1998. P. 727

Timothy Doyie: Sustainable Development Agenda 21. Secular bible of Global free market and plural democracy in 3rd world Vol. 19. 1998. P. 780

Ibid: 782

Weldon Bello: Focus on Trade: The Iron cage: the WTO; the Bretton woods institution and the South. No. 41. November 1999. P. 1

WTO, Ministerial: Growth, Development and better international Relations: How trade and the multi-lateral trading help. Seattle 13th December 1996. P. 1.

John G. Cocklin: From GATT to the WTO: Prospect for a rule integrity Regime. International Trade Relation. Pp. 381 – 382

Gilpin R. “Three models of the future” in Cf Bergstain and L. B Krause (eds) International Organization Vol. 1. No.1 (Winter)

Hart M: WTO and the political Economy of Globalization Journal of World Trade Law, Economics, Public Policy. Vol. 31. No. 5 October 1997. Pp 79 – 82

Richards N. Garduner: Sterling – Dollar – Diplomacy in current perspective. The origin and prospect of our international Economic order. (New York) Columbia University Press. 1980. P. 9.

Ibid: P. 10

Cocklin G. John: op. cit. P. 385

Adeyemi A. Larry: “How Nigeria can push for fair Trade at into summit”. The Guardian Newspaper- November 22nd, 1999. PP. 5859.

Ibid: P. 59

Gilpin R: The political Economy of International Relations New Jersey. Princeton University press. 1987. P. 10

Ibid: P. 24

Adeleye Olu: WTO and the Nigerian Economy. Business Guardian, Wednesday August 2002. P. 44

Adeloye Laye: Government plans review of WTO membership Guardian 2002. P. 23

Laye Adeloye: WTO Textile workers urge Government to prepare Seattle Conference. The Guardian Wednesday 24 1999. P. 57

Ibid: 58, **Ibid:** 60

Isagua P. A: Cited by Adeloye Laye in WTO textiles workers urges government to prepare for Seattle Conference; the Guardian Wednesday November 24, 1999. P. 57

Ibid: 60

J. E. Spero: The politics of International Economic Relations (New York) St. Martins press. 1985 3rd Edition. P. 4

Sola Akeruolu: Complement WTO agreement with tariff cuts Sarbu advises. Business Guardian Monday November 29, 1999. P. 32

Santos T. Dos: The crisis of development theory and that of the dependence in latin America in underdevelopment (ed) by Henry Berstan. Pengium Books Ltd. 1973. P. 16