

WTO: TRADING AWAY AFRICA



EcoNews Africa



August 2003

WTO - A POWERFUL PLAYER IN THE GLOBAL ECONOMY

The World Trade Organisation (WTO) is intended to be a rules-based organization with the aim of progressively liberalising trade for the mutual benefit of all its members. In reality it is dominated by the agenda of a few rich countries and their corporations and African countries have failed to benefit.

Far more than just trade

With the establishment of the World Trade Organisation (WTO) in 1995 the world saw a new era regarding the global trade rules. The WTO covers areas which go far beyond what we normally understand as 'trade'. It does not only regulate trade in goods, but also areas such as trade in services, intellectual property and investment measures. Sectors such as agriculture, which were earlier exempted from multilateral trade rules, are included in WTO. The WTO reaches deeper into many more areas of government policy-making than its predecessor GATT. The WTO is also much more powerful since it has a strong enforcement mechanism, the Dispute Settlement Body with the remedy of trade sanctions - "WTO has teeth". National legislation must be subordinated to WTO rules.

From GATT to WTO

Towards the end of the Second World War an initiative to liberalise trade began under the General Agreement on Tariffs and Trade (GATT). The main aim with GATT was to reduce tariffs on goods in world trade. Several rounds of international negotiations took place under GATT. It was in the eighth round, the Uruguay Round (1986-1994), that the WTO was created embodying the new trade disciplines adopted during those negotiations.

Africa has not benefited

The opening of African country markets that has taken place under Structural Adjustment Programmes dictated by the Bretton Woods institutions and the WTO rules has not been accompanied by an increase in welfare. Africa's share of global trade has steadily fallen from 5.9% in 1980 to less than 2% today. Despite what the developed countries may say, this cannot be attributed to a failure of African countries to liberalise. The paradox is that many African countries are more integrated in the world market than developed countries, when considering their export ratio of GDP.

Most African countries have not been able to reap any benefits from the WTO. The WTO has not solved the imminent problems for African countries, such as the continuous decline in commodity prices, or the difficulties of many African countries to diversify or upgrade their exports. Instead, African countries are facing a range of problems from the implementation of the WTO obligations. In order to comply with the WTO's rules many countries have to introduce new legislation, for example in the area of patents and intellectual property. African countries are increasingly concerned about the imbalances in the WTO rules, which are against the interests of developing countries.

Important Agreements of the WTO

Multilateral agreements on Trade in Goods, among them:

- GATT 1994
- Agreement on Agriculture
- Agreement on Application of Sanitary and Phytosanitary Measures (SPS)
- Agreement on Trade-Related Investment Measures (TRIMS)
- Agreement on Technical Barriers to Trade (TBT)
- Agreement on Textiles and Clothing
- Agreement on Subsidies and Countervailing Measures

General Agreement on Trade in Services (GATS)

Trade-Related Aspects of Intellectual Property Rights (TRIPS)

Dispute Settlement Body

Rich countries dominate

146 countries are currently members of the WTO. Decisions are normally taken by consensus. This means in theory that even one country can break the consensus by not agreeing. But in reality this is politically almost impossible for small and vulnerable developing countries. The process in the WTO is dominated by the major economic powers in the world i.e. the US, the European Union, Japan and Canada (known as The Quad). The WTO Secretariat is based in Geneva.

A major departure from the predecessor GATT is the principle of Single undertaking in the WTO. In GATT countries could choose which agreements they wanted to subscribe to. The WTO agreements constitute a package – members have to subscribe to all or nothing. As the WTO web site describes it: “Nothing is agreed until everything is agreed.”

Ministerial conferences

The Ministerial Conference, which normally takes place every second year, is the highest decision making body.

The Third Ministerial Conference in Seattle, USA in December 1999 collapsed due to several factors, among them, the fact that developing countries rejected the expansion of the WTO into new issues. The popular protests around the conference helped focus world attention on the controversies around the WTO.

At the **Fourth Ministerial Conference in Doha, Qatar in November 2001** the so called ‘Doha Development Agenda’ was launched. But the word *development* appears to have been simple rhetoric since we have not seen any progress in the areas of interest for developing countries and all the deadlines on issues of importance to developing countries have been missed.

The Fifth Ministerial Conference in Cancun, Mexico in September 2003 will be crucial for the future of WTO and the multilateral trading system. New issues, such as agreements on Investment, Competition policy, Transparency in Government Procurement and Trade Facilitation, are being proposed by developed countries, while developing country concerns are ignored at best or taken off the agenda.

Power politics in the WTO

African countries are deeply concerned over the non-transparent and undemocratic decision making process in WTO. The flaws in the WTO’s methods of work and procedures have led to the fact that many African countries are excluded from the decision making. Yet the decisions and actions of the WTO are binding on African countries and have far reaching implications for the lives of the people of Africa.

We are concerned about the lack of transparency and inclusiveness in the WTO negotiations and decision making processes. We call for measures to ensure the effective participation of our countries in the processes leading to the Fifth WTO Ministerial Conference at Cancun and beyond.
From the Declaration of the African Union Trade Ministers Ministerial meeting in Mauritius, June 2003

The corporate driven agenda in the WTO is an area of major concern for African countries. The enormous influence of transnational corporations (most of them based in developed countries) in the decision making means that WTO rules tend to ignore the interests of Africa and other developing countries.

The WTO’s overloaded agenda makes it very difficult for many African countries to participate effectively in the negotiations. Many African countries do not have the human or financial resources to engage in all simultaneous negotiations going on.

Main principles in WTO

- Non-discrimination means that the same rules have to apply to everybody.
- Most Favoured Nation means that a country has to treat all WTO members equally.
- National Treatment means that a country must treat foreign companies or foreign products at least as good as they treat local ones. Hence countries are not allowed to give more favourable conditions to local industries, small scale enterprises or firms from disadvantaged regions in order to promote the local economy.

These principles were derived in the context of trade in goods. There is a genuine fear that the application of these principles on non-trade areas would seriously distort national development policies.

Contact Persons: -

Karin Gregow
EcoNews Africa
P.O. Box 10332-00100 G.P.O, Nairobi, KENYA
Tel: +254 20 2721076/99, 2721655
E-mail: kgregow@econewsafrika.org
Website: www.econewsafrika.org

Matildah Musumba
Heinrich Böll Foundation
Regional Office, East and Horn of Africa
P. O. Box 10799-00100 GPO, Nairobi, KENYA
Tel: +254 20 3750329 / 3744227
Fax: +254 20 3749132
E-mail: matildah@hbfa.com
Website: www.hbfa.com

Sophie Powell
Oxfam GB
P.O. Box 40680-00100 GPO, Nairobi, KENYA
Tel: +254 20 2715003
Fax: +254 20 2715095
E-mail: SoPowell@oxfam.org.uk
Website: www.oxfam.org.uk