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Evaluating the Impact of World Trade Organization on Agricultural Development in Nigeria, 2010-2018

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Abstract

Agriculture plays a foundational role to both individuals and nations alike. As the demand for food continues to increase, so is the need for agricultural development among nations. At the international front, World Trade Organization is the body charged with responsibility of regulating global trade and it does this through several agreements between member states. This study will examine the link between World trade Organisation and Agricultural Development in Nigeria from 2010-2018, focusing on the WTO Agreement on Agriculture with the objective of finding out if the World Trade policies and rules increased agricultural production in Nigeria between 2010 and 2018. The study will utilize documentary method of data collection and the content analysis in carrying out this research. The research work will be anchored on Complex Interdependence Theory. Consequent on the findings, the researcher will recommend possible solutions and ways forward.

Keywords: Agriculture, Development, Nigeria, World Trade Organization,

Introduction

Prior to the discovery of oil in Nigeria in the year 1956, Nigeria's economy largely relied on agriculture. Agriculture served as the major source of revenue for the country as products like cocoa, maize, palm oil, groundnut etc were exported in large quantities to various countries of the world. Following the discovery of oil, there became a rapid decline in agricultural activities in Nigeria. Despite the decline, agriculture is considered a catalyst for the overall development of any nation and its' development is critical in ensuring food security, income and employment generation, and for stimulating industrialization and overall economic development of the country. As a signatory to World Trade Organization (WTO), Nigeria's agricultural sector has equally been influenced by WTOs agreements and policies in many ways.

The World Trade Organization (WTO) is an international institution that regulates and facilitates international trade between countries. The WTO is traced to the General Agreement on Trade and Tariffs (GATT) which was established by the US, UK and some other nations in 1947.

The World Trade Organization came into being on 1st January 1995, one of the youngest of the international organizations, it is the successor to the General Agreement on Tariffs and Trade (GATT) established in the wake of the second war. The system was developed through a series of trade negotiations, or rounds held under the GATT. The first rounds dealt mainly with tariff reductions but later negotiations included other areas such as anti-dumping and non-tariff measures. The 1986-94(the Uruguay) round led to the WTO's creation.

Agriculture has always been a paradox in GATT-WTO history. On average, protectionism has increased in the agricultural sector while it has been significantly reduced or completely eliminated in most other sectors that have been the subject of multilateral negotiations, especially industrial goods. While the agricultural sector is taxed, sometimes quite heavily in many developing countries, and forms an important source of government revenue, in the developed world it remains the coveted beneficiary of large amounts of government expenditure in the form of subsidies and other support programmes.

Developing countries do not have enough economic advantage to or power to really hurt another country with trade sanctions, more troubling is that the WTO Rules and their interpretation constitute a series of rules/agreements that subordinate all other values ranging from environmental sustainability, consumer and worker safety, public health freedom of labour and human rights to maximizing trade. The provision and interpretation articulating these rules impede nations especially developing countries from enforcing their own laws to protect the public good and enhance economic development. Nigeria and indeed other African

countries are signatories to most of these international trade agreements including the main agreement which is the AoA (Agreement on Agriculture) and are therefore bound by the terms and conditions contained in them. However, as a result of the imbalance in the nature of the terms of trade agreements, these poor countries are unable to benefit from international trade with the attendant consequences of growing poverty and underdevelopment occasioned by huge debt profiles and balance of payment problems.

In Nigeria context, apart from the oil and gas sectors of the economy, other sectors especially agriculture has performed very poorly. The study therefore sets out to ascertain if the World Trade Organisation's policies and rules on international trade increased agricultural production in Nigeria between 2010 and 2018.

Literature Review

World Trade Organization (WTO) Rules and Regulation: A Review

International Trade rules are legal instruments that regulate trade flows. This includes international agreements related to trade as well as certain domestic laws affecting trade flows. The international agreement begins with the WTO Agreement which established the WTO (Lester; Mercurio; Davies and Leitner, (2008).

Distinguishing international economic arrangements, Usoro (2015:2), argue that the international economic order consists of two sets of intergovernmental arrangements or commitments constituting policy regimes. One governs monetary relations among countries, its main concern being free convertibility of currencies. The other governs the trade relations among countries, its main objective being non-discrimination. International trade by its very nature requires careful planning and substantial investments, which can be recouped only over long periods of time. All long-term investments are highly sensitive to uncertainty, and foreign-

trade-related investments doubly so for their outcomes may be affected by policy changes in several countries. The trade part of the international economic order can thus be understood as a set of policy commitments exchanged between and among countries in order to minimize policy-generated uncertainty and so to maximize the gains from trade.

Commenting on the need for treaties international economic relation Usoro (2015) posits that the world is not a single market but is composed of more than 160 sovereignties each of which can interfere with the flow of transactions across its borders and to that extent impair the international price system. This underscores the need for an international economic order in the sense of formal legal arrangements among governments. While the prerogative of governments (“sovereignties”) to do as they please is obvious, equally obvious is the fact that they cannot achieve all they might wish or hope. The international economic order, indeed, the international price system provides governments with a reasonable chance of attaining their objectives in an economically interdependent and potentially quite unstable world. Conversely, uncertainty which is brought about by lack of relevant information and cooperation would lead to chaos and breakdown of governments caused by failure to achieve the common good. This economic order expressed in form of policy is a system of expectations which governs the behaviour of the public and is sustained by the consistent behaviour of the policy-making authorities. It guarantees some degree of certainty and is thus indispensable not only to the prosperity of the individual economic actors or decision-makers but to the survival of the social and political systems.

World Trade Organization Agreement on Agriculture and Agricultural Development in Nigeria

The main aim of the WTO Agreement on Agriculture (AoA) was to encourage fair trade in agriculture by removing trade distortions resulting from differential levels of input subsidies,

price and market support, export subsidy and other kinds of trade distorting support. The agreement envisaged a phased reduction in various kinds of support being given to agriculture by the member countries. The WTO negotiators on AoA often refer to the three trade pillars within the AoA. It is on these three pillars that the majority of AoA negotiations are focused. The AoA is a part of the GATT and contains altogether 20 articles. The AoA was designed to eliminate all restrictions on the free trade of agriculture products in the international market. It gives directions on three aspects relating to free trade: (i) domestic support, (ii) export subsidy and (iii) market access (Barker, 2007) and World Society for Protection of Animal (WSPA).

Domestic support

The first trade pillar of the WTO AoA is domestic support, which means providing subsidies to a country's own farmers. The domestic support is further classified into five categories: (i) Aggregate Measure of Support (AMS), which includes product specific and non-product specific support (Amber box), (ii) Green box support, (iii) Blue box support, (iv) De minimus support and (v) Special and Differential (S&D) treatment box. Out of these, the WTO agreement requires reduction only in AMS and export subsidies, whereas, support under all other heads is exempted. The Doha Ministerial Declaration calls for 'substantial reductions in trade distorting domestic support' (Chand and Philip, 2001).

Export subsidy

The second pillar of trade is export subsidy, which refers to the money a country gives to its producers to encourage more export. Export subsidies lead to exports being at low prices, sometimes even below the cost of production. The export subsidies constitute only a small portion of the total subsidy support. The large share is accounted for by domestic support for the Organisation for Economic Cooperation and Development (OECD, about US \$400 billion, of which nearly 75 per cent goes to the producers). The Doha ministerial declaration calls for reduction of all forms of export subsidies, with a view to phasing them out. Accordingly, the developed nations must reduce export subsidy by 36 per cent of the total value of export and by 21 per cent of the total quantity of export. For developing nations the total value of export is 25 per cent and 14 per cent, respectively. At the Hong Kong ministerial conference, the modalities of the Doha declaration was accepted and, accordingly, the developed countries have agreed to eliminate export subsidies by 2013. However, a substantial portion of these will be withdrawn only towards the end of the transition (Odessey, 2005). Though we expected to compete freely in the world market, a number of complex regulations have barred the products of the developing nations leading to the collapse of the agriculture sector of these nations. If this has to be improved we have to press for changing such regulations.

The agreement covers agricultural production and products. Article 2 and Annex I define agricultural products as products classified in chapters 1 through 24 of the Harmonized System of Tariff classification (HS) (excluding fish and fish products), and under thirteen headings or sub-headings in other chapters of the HS, including cotton, wool, hides and fur skins (Dennin, McKenna & Cuneo, 2001).

The rights and obligations in the Agreement supplement those in GATT 1994. Other Uruguay Round Agreement also contained rights and obligations affecting trade in agricultural products.

They include the Agreement on the Application of sanitary and phytosanitary measures (S and P Agreement), the Agreement on Technical Barriers to Trade, the Agreement on Subsidies and countervailing Measures (subsidies Agreement), and the understanding on Rules and Procedures Governing the settlement of Disputes (DSU) (Ibid). The new rules and commitments apply to:

- i) Market access – various trade restrictions confronting imports.
- ii) Domestic support measures – Subsidies and other programmes, including those that raise or guarantee farm-gate prices and farmer's incomes; and
- iii) Export subsidies – Including other methods used to make exports artificially competitive.

The agreement does allow governments to support their rural economies, but preferably through policies that cause less distortion to trade. It also allows some flexibility in the way commitments are implemented. Developing countries do not have to cut their subsidies or lower their tariffs as much as developed countries. Tariffs average cut for all agricultural products is 36% for Developed Countries and 24% for developing countries. Besides, they are given extra time to complete their obligations. Least - developed countries don't have to do this at all – special provisions deal with the interests of countries that rely on imports for their food supplies, and the concerns of least developed countries (Part IX: Art. 15 and Part X, art. 16).

Theoretical Framework

The theory adopted in this study is the complex interdependence theory because it matches and explains the particular issue being studied.

The complex inter dependence theory is relevant to our study because it basically entails mutual dependence in the international society, governments and people are affected by what is happening elsewhere. In the context of this study we see how activities of developed states are

affecting the developing or underdeveloped states and vice versa especially in terms of trade. A perfect example here is the subsidization of goods by the developed countries and how it leads to increased production which now leads to dumping of goods in developing states or on the other hand for the developing states the subsidization of goods produced within the state which leads to increased production of goods and services reducing the dependence on developed countries and restricting the inflow of goods from developed states. We see here that in this example both governments are affected by what is happening elsewhere. We see that under this theory the WTO serves as an international organization which advocates for mutual cooperation between countries to achieve economic development through free trade.

The complex interdependence theory also focuses on the concept of international regimes and institutions that compensate traditional military capabilities and the new importance of welfare and trade in International society, in complex interdependence theory, regimes can be defined as sets of implicit or explicit principles, norms, rules and decision making procedures around which actors expectations converge in a given area of international relations. In the post war era international regimes have been extensive, in this context our given area is trade and the international trade regime is centered on the WTO. The WTO as a regime governs the activities on trade and limits the power of some states (especially the developing or under developed states) over certain actions because of the sanctions it could impose on states who defer or disobey its rules, this explains why states like Nigeria and other developing countries are bound to this organization even though it doesn't benefit them, it also explains how the powerful states have used the WTO as an instrument or tool to secure their national interests without using their military power and capabilities, basically the WTO is governed by this powerful countries. This in turn buttresses the third characteristic of complex interdependence which is minor role of military force. In studying this theory we now have a clearer understanding of the relationship between the WTO and agricultural development in Nigeria.

World Trade Organization's Policies and Agricultural Production in Nigeria Agreement on Agriculture and Decline in Food Production in Developing Countries

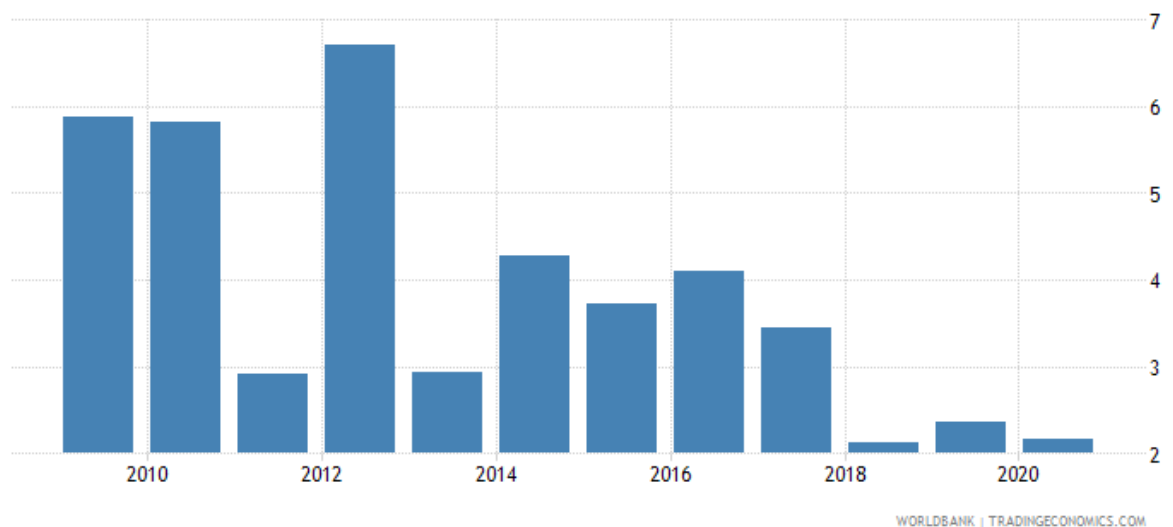
In order to join the WTO, there are several requirements, or mandates, that a country must fulfill. The Agreement on Agriculture (AoA) is one of the mandates that was established at the inception of the organization. At its core, the document sets “a series of ceiling and timetables that circumscribe[s] the extent to which signatory governments could provide protective assistance to agriculture.” First, there is an argument about the weakening of national sovereignty: in dictating the budgets to agriculture within each nation (as opposed to between nations), this began a series of “internationally-binding set of rules that would progressively eliminate nations’ capacities to subsidize their rural economies,” and also created a system in which when national governments join the WTO, they “relinquish their ability to set their own food and agricultural policies.” Critics also argue that in dictating limits on how much countries protect their agricultural sector, the organization leaves farmers—especially peasant farmers, who make up a significant portion of the population in many developing countries—vulnerable to food insecurity, and thus breaking international law about food as a human right.

Nigeria, a population of about 180 million people, with about 70% of the populations having agriculture as its major occupation is struggling to feeds its population, the country has a budget allocation to agriculture which is less than 10% of the budget as prescribed by the UN FAO. This is contrary to the commitments which each government administration proclaims. They view agriculture as the veritable sector for economic diversification but has shown more policy statement than policy implementation and action. According to Ajayi in (The Guardian News, 28 February 2016) the National Association of Nigerian Traders (NANTS) has described as ridiculous the N76, 753,672,273 proposed budgetary allocations for the agriculture sector. X-raying the budget of the Ministry of Agriculture and Rural Development, Former President of the Association, Ken Ukaoha, said the percentage for agriculture is a meager 1.26 per cent, a

far cry from the 2003 AU-Maputo Declaration, which requires countries to allocate at least 10 per cent of an annual budget to agriculture.

Nigeria is bestowed with fertile soil and supposed to be able to produce sufficient food to cater for the uprising population, but the situation is not so. Due to insufficient production of food, the prices of available ones have skyrocketed. The situation of food problem in Nigeria seems to have taken an unexpected dimension, taking into account the challenges presented by high prices of food

Nigeria - Agriculture, Value Added (annual % Growth) 2010 -2020



The general decline in agricultural productivity has translated into gross incapacitation of the sector in meeting the rising food demand and by extension led to perennial for instance food shortages, soaring food prices and massive importation (Imodu 2005, Onyenweaku&Nwaru, 2005). Tanko et al. (2006) averred that Nigeria's food deficient situation has been worsened by declining farm productivity owing to inefficient production techniques, poor resource base and declining soil productivity and international trade policies among others. Although several reports FAO, (2004); Dayo et al., (2008) Fakayode et al., (2008), Ebong et al., (2009) have attributed the low rates of agricultural production to low rates of technologies adoption and

dependence on indigenous knowledge, such knowledge is considered inadequate given the increasing demand from agriculture. For most key crops, Nigeria's share of global production has remained low over the past four decades. Specifically, the country's share of global production for oil palm, cocoa and groundnuts, has declined as a result of the slow adoption of efficient production processes. Nigeria's yield remains low. In 2014, yields for cassava, cocoa beans, oil palm (fruit) and groundnuts were lower than the global average yield of all producing countries. This is possibly a reflection that unlike Nigeria, other countries utilize improved inputs and technology to increase their yield and production levels.

WTO National Treatment Principle and Increased Rate of Food Importation in Nigeria

The National Treatment Principle states that imported and locally produced goods should be treated equally, at least after the foreign goods have entered the market. The same should apply to foreign and domestic services, and to foreign and local trademarks, copyrights and patents. This principle of “national treatment” (giving others the same treatment as one’s own nationals) is also found in all the three main WTO agreements (Article 3 of GATT, Article 17 of GATS and Article 3 of TRIPS), although once again the principle is handled slightly differently in each of these. National treatment only applies once a product, service or item of intellectual property has entered the market. Therefore, charging customs duty on an import is not a violation of national treatment even if locally-produced products are not charged an equivalent tax (WTO, 2015:11).

The National Treatment requirement has always been and remains one of the core principles of the GATT/WTO, along with the rules on tariff with concessions and MFN. These three areas make up the first three Articles of the GATT; Article 1 is MFN, Article II is tariff concessions and Article III is National Treatment (Lester et al, 2008:323).

National Treatment and MFN are the two main non-discrimination requirements in WTO rules. Whereas the MFN requirement prohibits discrimination among trading parties, the National Treatment requirement prohibits discrimination against foreign products. As will be seen, many aspects of the national treatment non-discrimination principle are very similar to those discussed in the context of MFN.

Although closely related conceptually, the origins of National Treatment as a principle of International Trade Agreement differ from those of MFN. Most Favoured Nation principle arose as a way to ensure that tariff and other concession were provided to all trading partners equally. In essence, this approach to trade negotiation was a way to promote broader trade liberalization and to ensure harmonious trade relations. By contrast, Lester; Mercurio; Davies and Leitner (2008:278) argue that the idea of National treatment originated in part, as a rule against circumvention of tariff concessions by means of discriminatory internal measures. There was a concern that for example, a country might lower its tariff on a product, but then adopt an internal tax or regulatory measure that treated the foreign product worse than the equivalent domestic one. In doing so, the country might even try to disguise its intention by adopting a measure with an ostensibly legitimate non-trade related purpose, which on its face treated foreign and domestic products equally, but nonetheless had an adverse impact on foreign products. The National treatment rule addressed this concern by prohibiting discriminatory internal measures.

In addition to the concern with undermining the concessions, there was also a problem with discrimination against foreign goods and generally as internal measures could be used for protectionist purposes outside the context of tariff concessions. After much debate the drafters of the GATT decided that the National Treatment rule would be applied even where no concessions had been made, thereby creating a broader obligation against discrimination that

applied regardless of whether or not circumvention of concession had occurred (Jackson, 2009: 277-8).

Lester et al., (2010) averred that National Treatment is much more prominent than MFN in GATT/WTO jurisprudence. This is likely because the main reason countries breach the MFN principle is due to free trade agreement and customs unions, which are permitted under GATT Article XXIV, provided certain conditions are met. Aside from this circumstance however, MFN violation are fairly infrequent as countries rarely attempt to favour some trading partners over others. By contrast, National Treatment violation are much more common and are very likely to cause friction with trading partners where National Treatment issues arise, it is usually due to perceived attempt to discriminate against foreign products, thereby triggering concerns among competing foreign producers and often leading to formal trade disputes.

It is pertinent at this juncture to make some general observation on the importance of this rule in GATT/WTO jurisprudence. Because of its effect on the scope of permissible domestic policy-making, the National Treatment rule is one of the most sensitive of all GATT/WTO rules. The precise scope given to it will have a substantive impact on the ability of the WTO members to regulate in non-trade policy areas. Because all domestic tax and regulatory measures coming within the broad scope of the rule must comply, any domestic policy area, from labour rights to environmental protection to income taxes, can be scrutinized under the National treatment requirement. Generally, it must be stated that the scope of member's discretion under this rule has shifted considerably over the years.

After analyzing this principle we can clearly see that the Nigerian agricultural and food sector is seriously affected and this in turn leads Nigeria to the importation of food and some other agricultural products to tackle hunger in the country despite the fact that the country is blessed with abundant natural resources to facilitate high production. The Nigerian local production

sector is poor and underdeveloped but due to the National treatment principle the government cannot help by subsidizing for this sector to facilitate production because it is bound by the principle to reciprocate whatever actions it makes towards local sectors to foreign sectors, take for instance if a government grants subsidy on a particular set of locally produced goods to increase production it must also grant import subsidies on the same set of foreign produced goods, this cancels out whatever actions made to improve the local sector as import subsidies will lead to massive and more increased importation which will in turn kill the local sector because it will not be able to compete with the foreign market and also most Nigerians would prefer a foreign good over a locally produced one.

Conclusion and Recommendation

The World Trade Organization (WTO) trade policies and rules did not increase agricultural production in Nigeria between 2010 and 2018. On the basis of findings it is observed that the WTO rules hinder agricultural productivity in Nigeria and increases Nigeria's reliance on importation to feed its citizens. It was observed that the National Treatment Principle and the Agreement on Agriculture are the major rules affecting Nigeria's production. It was also noted that these rules that were formed in the WTO favour these developed countries in the long run and increase the gap and inequality between developed and under developed or developing states

The study recommends that the federal government of Nigeria should reduce its dependence on oil and gas and channel resources and increase its budget to the agricultural sector so as to increase the Agricultural production in the country. The government should then publicize the agricultural sector and empower rural farmers.

In addition while still obeying the WTO and allowing unarmful goods to be imported from other countries, the government can sensitize its citizens on the importance of valuing their own products over foreign ones as the citizens are the market itself.

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