The Uneven Playing Field in International Trade in Developing Countries: A Critical Interjection and Review

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Abstract - The thrust of this paper was to compose a discussion on the unevenness of the international trade platform from a developing country perspective. The working and mechanics of the World Trade Organization’s framework in relation to the agricultural products, trade related aspects in intellectual property rights and the use of environmental resources were also discussed in this paper from the context of developing countries. Literature reviewed in this paper showed a lot of discrepancies of what is happening in international trade under the tutelage of policies crafted and advanced by the World Trade Organisation. The policies by the World Trade Organisation have not been quite beneficial to a lot of developing countries including Zimbabwe as issues of market access and subsidies on exports remained unsolved 18 years after the formation of the World Trade Organisation. Despite the progress made in the Uruguay Round however, developing country exporters still remain at a disadvantage in accessing foreign markets. The playing field in international trade is more biased towards the advanced market economies.

Keywords - Uruguay Round, World Trade Organisation, Market Access, Intellectual Property, Developing Countries

1. Introduction

Trade liberalization is one of the key elements of economic structural adjustment packages sold to developing countries by the Bretton Woods Institutions, bilateral and multilateral donors. The issue of trade liberalization has long been championed by World Trade Organisation (WTO) as the panacea to slow economic growth experienced in least developing and developing countries alike. Achievements of export led growth and economic development has been witnessed in South East Asia (World Bank, 1997). In sharp contrast, particularly in Africa South of the Sahara, there has been no conclusive evidence regarding the role and impact of trade liberalization and globalisation on human development, livelihoods, social welfare and economic development. The World Bank (1995) noted that a few African nations have benefited from trade and liberalization and in a number of cases, trade liberalization in African states was followed by misery, destruction of poor people’s livelihoods, environment, marginalization of poor economies and their communities.

The thrust of this paper is to compose a critical interjection and review on the misgivings of free trade and trade liberalization as advanced by WTO to a number of developing countries. In this paper, efforts are made to study how WTO policies are affecting the economies of developing countries and its people’s livelihoods. This study also seeks to unearth the consequences of the misgivings of WTO and its trade liberality reforms on the economies of developing countries with particular reference to Zimbabwe as a case nation.

2. Background of Study

There are no World Trade Organisation (WTO) definitions of “developing and developed” countries. Members announce for themselves whether they are “developed” or “developing” countries. However other member states can challenge the decision of a member state to make use of provisions available for developing countries. That a WTO member announces itself as a developing country does not automatically mean that it will benefit from the unilateral preference schemes of some of the developed country members such as the Generalized System of Preferences (GSP). In practice, it is the preference giving country which decides the list of developing countries that will benefit from the preferences.

Trade is the most important issue that defined the start of the millennium. Since 1970s the global economy has been transformed by advances in Information and communication technology, making it possible for companies to shift production rapidly around the world in search for lower wages and novel markets. Transnational organisations have used financial and political muscle to usher in an intense period of trade liberalization, in search of the Holy Grail. Beginning
with the Uruguay Round of negotiations for the General Agreement on Trade and Tariffs (GATT), one trade agreement or treaty after another has come up. From the North America Free Trade Area (NAFTA) to the World Trade Organisation (WTO), the framework for free trade is being set in international law.

This paper discusses in detail the reasons why developing countries like Zimbabwe always complain about “the uneven playing field”. The objective of this paper was to provide the reasons why such uneven playfield is there despite the fact that developing countries alike are members of the WTO.

3. Agricultural Products

Completion of the Uruguay Round multilateral trade negotiations in 1993 radically changed the global environment for agriculture in terms of both the institutional setting and the rules that govern broad agricultural production policies and agriculture trade relations. Uruguay Round culminated in the birth of the WTO, a premier global organ on commerce monitoring and supervising the new world trading system. However, there are misconceptions that trade liberalization is a done deal (Ingco and Nash 2004). In fact, we are a long way from free world trade, particularly in areas of interest to developing countries.

The Doha negotiations mark the first time that developing countries’ interests have been placed at the centre of multilateral round on trade negotiations and those interests included agriculture. Overall, there has been some progress in global agriculture and trade policy reform, but this remains fragile and fails to provide the liberalization and technical support that developing countries had expected from the Uruguay Round agreement on agriculture. This generally indicates that domestic policy reforms and trade liberalization have been difficult to achieve both in the Organisation for Economic Cooperation and Development (OECD) and developing countries.

The creation of the WTO comes with the full embrace of agriculture as one of its mandate. The introduction of agriculture as one of the tenets of WTO brought about implications and one of them was the changes in market access conditions especially for developing nations in the African region (Oyejide and Lyakurwa, 2005). Thus, the policy makers in developing countries needs to explore how and to define the extent to which WTO frameworks constrains the agriculture sector. Reluctance on part of the developed countries to increase market access to developing countries obviously gives rise to an uneven playing field. There are also concerns that developing countries must confront and address with regards to the impact of poor market access in developed countries on the external policy environment. 

There are claims that Africa’s heavy dependence on agricultural exports is made more problematic by lack of diversification in commodities that constitute the region’s agricultural export basket. Despite the attempt by developed countries to reduce their export subsidies over the implementation period by 36% for monetary outlays, it has not benefited the developing countries (Oyejide and Lyakurwa’ 2005). Under the agreement on agriculture, provision was also made for possible technical assistance for developing countries but the developed world has not been meeting part of their bargain as well, thus giving rise to an uneven playing field within agricultural products trade.

World history has been marked by a global controversy over trade agreements and the so called “free trade”. Within this larger controversy, issues of agriculture trade and farm subsidies have played a central role. Subsidies have given high and unfair advantage to the farmers in major developed countries (Das 2003:15). Recent estimates have indicated that the total domestic support, of which the exempted categories constitute a major proportion, comes to nearly US$ 360 billion per year in the developed countries (Das 2003:15). Such high domestic support has the potential of causing major damage to the domestic production and exports prospects of developing countries in the area of agriculture (Das 2003:15). There is no reason whatsoever why these support measures should not be reduced.

Despite claims of generous concessions, like 60% cuts in domestic support, the only sure outcome of the United States government’s WTO proposals is trade rules that continue to benefit Transnational Companies grain and livestock corporations in cheap commodities (Rosset 2006). The USA continually circumvents member country criticisms and various WTO rulings to the effect that many USA subsidy payments violate WTO limits on domestic support (Rosset 2006). In the end, the agricultural market becomes extremely uneven and trade in this regard follows the same.

The goal of WTO in liberalizing trade is unworkable and threatens livelihoods of farmers, food security of the world’s population, and functioning of natural environments. Liberalizing trade in agriculture forces farmers to desperately increase production, and it also reduce prices of agricultural products downwards. Trade liberalization in agricultural products has opened the developing countries’ market to a flood of very cheaply priced food import from the developed world. Developing countries have liberalized more that the developed countries, hence market access is not well defined across the member states of WTO (Rosset 2006:26).

There is a technical disagreement over what constitutes dumping: however in general, it refers to the exports of products to third world countries at prices below the cost of production (Rosset 2006:29). When products from the developed countries enter local markets at prices below cost of production, local farmers in developing countries cannot compete and are driven off the land and cast into deepening poverty (Rosset 2006). The developed world countries especially the European Union and USA are more frequent victims of dumping, especially on food and agriculture. Hence, it goes without saying that the trading field in international trade is uneven and has a bias towards the EU.
and the U.S. than the developing countries.

4. Trade Related Aspects of Intellectual Property Rights

The Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) is an international agreement administered by the World Trade Organization (WTO) that sets down minimum standards for many forms of intellectual property (IP) regulation as applied to nationals of other WTO Members. It was negotiated at the end of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) in 1994 (Das 2003).

Specifically, TRIPS contains requirements that nations' laws must meet for copyright rights, including the rights of performers, producers of sound recordings and broadcasting organizations; geographical indications, including appellations of origin; industrial designs; integrated circuit layout-designs; patents; monopolies for the developers of new plant varieties; trademarks; trade dress; and undisclosed or confidential information. TRIPS also specify enforcement procedures, remedies, and dispute resolution procedures. Protection and enforcement of all intellectual property rights shall meet the objectives to contribute to the promotion of technological innovation and the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations (Rosset 2006).

The TRIPS agreement introduced intellectual property law into the international trading system for the first time and remains the most comprehensive international agreement on intellectual property to date. In 2001, developing countries, concerned that developed countries were insisting on an overly narrow reading of TRIPS, initiated a round of talks that resulted in the Doha Declaration (Watal and Kampf, 2007). The Doha declaration is a WTO statement that clarifies the scope of TRIPS, stating for example that TRIPS can and should be interpreted in light of the goal "to promote access to medicines for all (Das, 2003).

TRIPS was negotiated at the end of the Uruguay Round of the General Agreement on Tariffs and Trade in 1994. Its inclusion was the zenith of a program of intense lobbying by the United States, supported by the European Union, Japan and other developed nations. Campaigns of unilateral economic encouragement under the Generalized System of Preferences and bullying under Section 301 of the Trade Act played an important role in defeating competing policy positions that were favoured by developing countries, most notably Korea and Brazil, but also including Thailand, India and Caribbean Basin states. In turn, the United States stratagem of linking trade policy to intellectual property standards can be traced back to the entrepreneurship of senior management at Pfizer in the early 1980s, who mobilized corporations in the United States and made maximizing intellectual property privileges the number one priority of trade policy in the United States (Braithwaite and Drahos, 2000).

After the Uruguay round, GATT became the basis for the establishment of the World Trade Organization. Because ratification of TRIPS is a compulsory requirement of World Trade Organization membership, any country seeking to obtain easy entrée to the numerous international markets opened by the World Trade Organization must enact the strict intellectual property laws mandated by TRIPS. For this reason, TRIPS is the most important multilateral instrument for the globalization of intellectual property laws. States like Russia and China that were very unlikely to join the Berne Convention have found the prospect of WTO membership a powerful enticement (Musungu and Cecilia 2005).

Furthermore, unlike other agreements on intellectual property, TRIPS has a powerful enforcement mechanism. States can be disciplined through the WTO's dispute settlement mechanism. The Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) is one of the aspects of the world trading system on which the views of the industrialized and developing countries are sharply divided. While the industrialized countries celebrate the Agreement as a breakthrough in the global protection of intellectual property, the developing countries fear that rising prices of knowledge-intensive products and impeded access to know-how will delay their technological catching-up process (Finger and Nogués 2006). Intellectual property rights are an important means of promoting technological progress because they give inventors monopoly rights in their innovations for a limited period. This has the disadvantage of preventing the socially desirable earliest possible dissemination of knowledge (Musungu and Cecilia 2005).

The TRIPS Agreement is leading to the international approximation of legislation on the protection of intellectual property at a relatively high level and to a significant increase in protection in most developing countries. The less developed countries will suffer welfare losses while more advanced developed countries may also benefit from stronger intellectual property rights because of increasing technology transfer and domestic innovation (Watal 2007).

Neither the historical experience of today's industrialized countries nor economic theory endorse every aspect of the TRIPS Agreement. In patent law in particular there is room for development-friendly reforms. The flexibility allowed by the Agreement should be retained and, where appropriate, widened. At all events, the industrialized countries must refrain from using bilateral pressure to induce developing countries to afford even greater protection to intellectual property than that required by the TRIPS Agreement (Watal 2007; Finger 2009).

The TRIPS Agreement raises major problems in developing countries when little or no advantage is taken of existing flexibility. Many developing countries need help with the incorporation of the requirements of the Agreement into national legislation with appropriate account taken of their economic and social needs.
Apart from participating in the debates in the World Trade Organization, industrialized countries should increase their efforts to make relevant know-how and technology available to developing countries: targeted incentives may promote the transfer of technology to developing countries; public research in areas of relevance to developing countries should again be stepped up; public research institutions should be granted special authorization to use patented products and processes (Musungu and Cecilia 2005).

All intellectual property policies must allow governments to limit patent protection in order to protect public health and safety. This is especially essential in relation to life-saving medicines and life forms. The patenting of life-forms and their parts, including microorganisms, must be prohibited in all national and international regimes. Current intellectual property rules in trade pacts, such as the WTO Trade Related Intellectual Property Rights (TRIPs) agreement, obstruct consumer access to essential medicines and other goods leading to private appropriation of life forms and traditional knowledge. Thus, it therefore undermines biodiversity, and keep impoverished countries from increasing their levels of social and economic welfare (Musungu and Cecilia 2005). There is no basis for inclusion of such intellectual property claims in a trade agreement.

At the Doha Ministerial Declaration, the WTO agreed to non-binding language stating that the TRIPS agreement should not prevent WTO members from taking measures to protect public health. Since the language was non-binding, the reality is unfortunately that the TRIPS agreement still makes it hard to make affordable medicines available to people. In addition, pharmaceutical companies are angling to weaken and destroy even this non-binding pro-public health interpretation at the Cancun Ministerial (Das 2003).

4.1. Controversy of TRIPS
Since TRIPS came into force it has received a budding echelon of disarrayment from developing countries, academics, and Non-governmental organizations. Some of this disarrayment is against the WTO as a whole, but many advocates of trade liberalization also regard TRIPS as an awful policy (see, for example, Jagdish Bhagwati's In Defense of Globalization for a discussion on the detrimental effect of TRIPS on access to medicines in developing countries). TRIPS' wealth redeployment effects (moving money from people in developing countries to copyright and patent owners in developed countries) and its imposition of artificial scarcity on the citizens of countries that would otherwise have had weaker intellectual property laws are a common basis for such criticisms (Finger 2009).

The most visible conflict has been over AIDS drugs in Africa. Despite the role that patents have played in maintaining higher drug costs for public health programs across Africa, this controversy has not led to a revision of TRIPs. Instead, an interpretive statement, the Doha Declaration, was issued in November 2001, which indicated that TRIPs should not prevent states from dealing with public health crises. After Doha, the United States and to a lesser extent other developed nations began working to minimize the effect of the declaration (Musungu and Cecilia 2005).

A 2003 agreement loosened the domestic market requirement, and allows developing countries to export to other countries where there is a national health problem as long as drugs exported are not part of a commercial or industrial policy. Drugs exported under such a regime may be packaged or colored differently to prevent them from prejudicing markets in the developed world (Braithwaite and Drahos 2000).

In 2003, the Bush administration also changed its position, concluding that generic treatments might in fact be a component of an effective strategy to combat HIV. Bush created the PEPFAR program, which received $15 billion from 2003-2007, and was reauthorized in 2007 for $30 billion over the next five years. Despite wavering on the issue of compulsory licensing, PEPFAR began to distribute generic drugs in 2004-5.

Another controversy has been over the TRIPS Article 27 requirements for patentability “in all fields of technology”, and whether or not this necessitates the granting of software and business method patents. In France, the Cour de Cassation and an Appeal Court have dismissed an EUR 520 million software piracy case, ruling that U.S. Copyright certificates were not providing any protection and that software sold by its author during a decade in more than 140 countries does not deserve the "originality" criteria because it was "banal", and prior art in the market segment being already available. Thus, it can be deduced from this literature that the playing field in world trade of TRIPS has not been evened (Das 2003).

The obligations under TRIPS apply equally to all member states, however developing countries were allowed extra time to implement the applicable changes to their national laws, in two tiers of transition according to their level of development. The transition period for developing countries expired in 2005. The transition period for least developed countries was extended to 2016, and could be extended beyond that.

Developed countries are massive net-exporters of copyright-, patent- and trademark-related royalties. It has therefore been argued that the TRIPS standard of requiring all countries to create strict intellectual property systems will be detrimental to poorer countries' development. Many argue that it is, prima facie, in the strategic interest of most if not all underdeveloped nations to use any flexibility available in TRIPS to legislate the weakest IP laws possible (Murinde 2001).

This has not happened in most cases. A 2005 report by the World Health Organisation found that many developing countries have not incorporated TRIPS flexibilities (compulsory licensing, parallel importation, limits on data protection, use of broad research and other exceptions to patentability, etc.) into their legislation to the extent authorized under the Doha declaration (Das 2003).

This must have been caused by the lack of legal and technical expertise needed to draft legislation that implements...
flexibilities, which has often led to developing countries directly copying developed country IP legislation, or relying on technical assistance from the World Intellectual Property Organization (WIPO), which, according to critics such as Cory Doctorow, encourages them to implement stronger intellectual property monopolies (Murinde 2001).

5. Exploitation of Flora and Fauna

Trade liberalization encourages richer countries to consume more and poorer countries to export more. The end result is an increasingly polluted environment (through spiraling waste and transport-related pollution levels, for example) and the alarmingly rapid loss of irreplaceable natural resources. Furthermore, the WTO and other free trade agreements, which drive this destructive process, also include rules that undermine hard-won national and international legislation designed to protect peoples' environment. The "environment" was a key negotiating topic for governments when they met in Cancun. It was placed on the agenda by the EU in a very limited way, but there is little prospect of any real change, since the WTO's raison d'être is to increase the pace of the overall liberalization process.

Transnational Companies (TNCs) from the developed world are making gorgeous proceeds out of exploitation of environmental resources from the developing countries and genetic materials, while local communities receive little or nothing to that effect (Madeley 1999:34). RAfI has compiled a list of instances where genetic resources and local flora resources in the South have made or are making a contribution to agriculture, food processing or pharmaceutical development in the North (Madeley 1999:35). The TNCs' activities have been equated with piracy that the developed has been so vocal about. Despite how much developing countries are contributing to the developed countries through the exploitation of their flora and fauna, the respective developing countries have not received anything.

Biopiracy by the developed world has taken form of companies sometimes via academic research departments whom they sponsor taking plant species from developing countries without much permission and without offering compensation (Madeley 1999:38). In 1995, RAfI documented 55 instances in which the developing countries were victims of the mighty developed countries of such exploitation. Recent examples from Gabon, Thailand, Ecuador, and Peru illustrate bio piracy on a grand scale. In one of these cases, the University of Wisconsin USA, has received two US patents for a protein derived from the berry of a plant that growsers in Gabon called pentadiplandrabrazeauna. The berries were collected by the University of Wisconsin researcher working in Gabon who found out that a sweet protein could be derived from the berries. The university called the protein “brazzein” and estimated that it is 2000 times sweeter than sugar. The university has exclusive rights to brazzein, which it intends to license to corporations. The Wisconsin University believes it can make inroads into a USD$100 billion a year worldwide market for sweeteners. However, the Gabonese are not benefitting from the exploitation of the flora in their backyard despite their contribution to the development of the most powerful sweetener the world has ever produced. What is being exploited, pirated is not an individual flora resources but the collective creativity and inventiness of millions of people over a millennia, a creativity that is unnecessary for meeting the needs of the poor people of Gabon (Madeley 1999:39).

The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) is an international agreement among national governments. It aims to ensure that the international trade in plants and animals does not threaten their survival. The United States, a signatory to CITES, is the largest importer and exporter of wildlife products in the estimated $5 billion world wildlife trade industry (Akyuz 2004). The United States’ share of the world wildlife trade is between $1 billion and $2 billion per year.

The implementation and enforcement of CITES is of interest to Congress because of the prominence of the United States in the international wildlife trade. Congress provides oversight on U.S. activities related to CITES by holding hearings on U.S. recommendations for CITES, as well as, providing appropriations for conservation programs that aim to improve the populations and habitats of some species listed on CITES. Several issues were discussed at the Conference of Parties in 2004 in Bangkok, including sport hunting of rhinos, African elephant ivory and trade, and harvesting and trade of Indonesian ramin timber species. This report provides background information on the structure of CITES, the enforcement of CITES in the United States, and implementing issues related to CITES (Akyuz 2004).

Although CITES has recorded some success, several problems with implementation remain and mostly the developing countries are affected with its implementation. Some of these problems include insufficient enforcement in foreign countries, complex and controversial species and specimens to monitor, low penalties for violations, and the use of reservations. Although Parties to the treaty are obligated to implement legislation upholding CITES and to establish Management and Scientific Authorities, some have failed to do so and consequently have not effectively enforced the treaty. For example, as of 2002, nearly 50% of the Parties had not implemented legislation that would sufficiently cover the main responsibilities of CITES, including: 1) establishment of Management and Scientific Authorities; 2) prohibition of trade in violation of CITES; 3) penalties for violations; and 4) protocols for confiscating illegally traded Specimens (Kasere 2000).

Some also argue that many countries lack the resources to police and monitor international wildlife trade through their country and consider violations of wildlife trade a low priority. In many countries, specialized wildlife law enforcement officials do not exist, and enforcement of wildlife crimes is not a high priority. Barriers toward effective enforcement in range states include: 1) corruption in government, which
contributes to the inability of range states to monitor and control wildlife crime; 2) collusion between wildlife poachers and law enforcement officials; and 3) a low priority for conservation in their federal or national governments.

Some believe that penalties for CITES violations in Party nations are not adequate to prevent illegal wildlife trade. CITES does not provide guidance on the level or types of penalties to impose, and how the Parties penalize violators varies widely. Several countries, for example, do not have penalties for illicit wildlife trade. CITES does, however, state that violations should at least result in the confiscation of the wildlife and products, which itself can be a costly penalty.

The use of reservations by countries to exempt themselves from the regulations associated with species that the Party objects to having listed is considered by many to be a significant threat to the implementation of CITES. Once a reservation is taken, the Party is treated as a non-Party with respect to that particular species, and can engage in unrestricted trade with other non-Party nations or Party nations that have the same reservations. A reservation can only be made when a country becomes a Party or when an amendment is adopted, yet can be dropped at any time.

Supporters of reservations argue that it provides a country with the opportunity to object to the listing of one species without having to withdraw from the entire Convention. Critics, however, argue that reservations are a loophole that can result in the depletion of endangered species if trade is not controlled. Furthermore, some have argued that reservations decrease the ability of CITES to protect endangered species from excessive trade.

Several of these implementation problems are being addressed by the Secretariat. For example, in the “Strategic Vision of CITES through 2005,” the Secretariat’s aim was to increase the capacity of Party nations to implement domestic legislation and policies to support CITES, as well as increase the cooperation and communication among other international stakeholders regarding CITES enforcement. The Secretariat is also striving to increase cooperation with organizations of other multilateral conventions such as the Convention on Biological Diversity and the World Conservation Union.

The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) is an international treaty that is steadily gaining acceptance in the world and growing in terms of its application. While most believe that the treaty has been effective in curbing the international trade of endangered and threatened species, some argue that there are still many issues and problems with the implementation of the treaty. The biggest problem, according to some, is the lack of implementing legislation and partial application when it comes to developing countries like Zimbabwe whose elephant population is fast going beyond a 100 000 herd which is far beyond the carrying capacity, and hence enforcement mechanisms, in several Party nations. This compromises the effectiveness of the treaty and lowers the value of enforcement and monitoring activities in complying Party nations.

CITES bans trade in ivory of the African elephant on the basis that it is an endangered species in wildlife. However, there are nations like Zimbabwe who are holding a herd of elephants that is thrice bigger the supposed carrying capacity of 35 000 countrywide. Whilst CITES which is largely American driven suggests that, it is actually making livelihoods of Zimbabweans to be at risk because of the ballooning number of elephant herds. In addition, it also goes without saying that Zimbabwe is losing much revenue in terms of its ivory sales solely because the developed nations have used up their ecological capital through infrastructure development and would want to maintain the divide by making sure the developing countries like Zimbabwe are denied the chance to trade ivory because it’s a byproduct of an endangered species (Kasere 2000).

6. Child Labour

Developing countries as a group have experienced spectacular growth performance since the late 1980s which is mainly brought about by rapid export expansion. Unfortunately, export expansion in developing countries has triggered a protectionist response in developed countries (DCs). Protectionist groups in DCs argue that due to poor labour standards in developing countries (including the use of child labour), they are unable to compete with these countries in labour-intensive products. The view that countries with poor labour standards obtain inherent comparative in international trade and investment has been widely propagated in international forums.

While poor labour standards in developing countries are well known for decades, in recent years it has brought developed countries’ attention, despite a falling child participation rate. According to the International Labour Organisation (ILO), between 1950 to 1995, child participation rate aged 10-14 years fell from 27% to 13% and was expected to fall to 8% by 2010 (ILO 2000). Although the welfare of working children is a real issue in developing countries, protectionist groups in developed countries are trying to take advantage of this to protect their labour-intensive industries by putting pressure for trade sanctions against imports from developing countries with poor labour standards.

As protectionist pressure increases governments are under intense pressure to demand for the inclusion of international labour standards and a social clause in the WTO Charter. Such a clause would require WTO members to enforce certain core labour standards, including prevention of child labour. Failure to comply with the WTO rules would result in international trade sanctions (Wilkinson 2004). The proponents of trade sanctions believe that such actions are essential to ensure that the playing field is fair and labour standards are improved in developing countries. When developing countries are forced to improve their labour standards it therefore means that the demand for child labour falls which will encourage children to
go to schools. However, there are three problems with this line of argument. First, the incidence of child labour is severe in non-tradeable and household sectors than in tradeable sector. Hence, trade sanctions will not address the welfare of working children in non-tradeable sector. Second, as the income from child workers ease, this puts pressure on their families’ demand for loans. Since perfect credit markets do not exist in developing countries the ability to borrow is severely limited. Even if credit markets do exist the poor will not have collateral security to obtain loans. Third, since the access to schools is limited for the poor, trade sanctions will not increase school attendance rate for the children from poor households. Hence, trade sanctions will fail to achieve the purpose for which they are implemented (Drezner 2000).

In developing countries children are deployed in a wide range of economic activities including manufacturing of carpets and garments, restaurants, farming and selling goods on streets. They are also engaged in household activities including looking after small siblings and collecting water and firewood. It is deep poverty that forces parents to employ their children in a wide range of activities rather than to send them to school. It is estimated that about one third of household incomes in developing countries are derived by the working children (Drezner 2000).

There is growing concern that competition between countries with different levels of labour standards might trigger ‘a race to the bottom’, especially in sectors where high standards countries compete with low standard countries. This gives a special comparative advantage to countries with poor labour standards thereby stimulating exports and attracting investment including FDI away from developed countries (OECD, 1996). While ‘race to the bottom' argument sounds reasonable there is no evidence to suggest that lower standard countries enjoy gains in export market and attract FDI (OECD, 1996). In fact contradictory to this belief is the fact that, countries with higher rather than lower labour standards attract more FDI (Drezner, 2000; Stern, 2008). Hence, the use of international sanctions to address the problem of child labour is counterproductive because it does not address the root cause of the problem. Since the prevalence of child labour is the result of underdevelopment and poverty it is important to address this rather than to use trade restriction which are indirect and blunt (Markus, 2007 and Srinivasan, 2006). Compensation programs from wealthy countries, focused on poverty reduction and better access to education are more effective and less costly than trade restrictions. Srinivasan (2006:10) correctly observes:

‘Citizens of developed countries concerned with the welfare of working children among the poor in developing countries could influence the choices of parents away from putting their children to work altogether or at least reduce the amount of work done by their children through income transfers to parents. Such transfers relax their resource constraints.’

Since only about 5% of child labour is found in tradeable sector, trade sanctions will not tackle the exploitation of children if it is a major concern. Policies like trade sanctions in fact reduce household’s income and do not encourage schooling unless they are compensated for sending their children to school. In this context, development assistance can be very useful tool which can be used to compensate households for sending their children to schools and developing new schools in remote areas. Despite importance of development assistance in alleviating poverty and eliminating child labour, there has been a sharp decline in such assistance. For instance, in real per capita terms, net official development assistance to least developed countries has dropped by 46% during 1990 to 2000 period (UNCTAD, 2002:32).

In fact, use of trade sanctions will aggravate social problems (such as, poverty, vandalism and prostitution) and result in the lower level of welfare. If people in DCs are concerned with the welfare of children in developing countries, the best way to address this is through transfer payments. In addition to this, opening up developed countries markets for labour intensive products and channeling development assistance towards schooling and food for education type programs will help reduce the incidence of child labour in developing economies. Quality and quantity of schooling is extremely important to encourage parents to send their children to school rather than to work. Development assistance can be very useful in achieving these objectives (Sharma 2003).

Development assistance can be useful not only for compensating families but also improving the quality and quantity of schooling which are crucial for reducing the incidence of child labour in developing countries. Improving school quality encourages parents to send their children to school rather than to send them to work with the hope of increasing future income of their children upon completion of school. On the other hand poor school quality might discourage parent from sending their children to schools if they perceive the future income is less than or similar to present income even after completing schooling (Krueger, 2006a). Trade sanctions are restrictions on imports and when applied benefits the firms and workers that compete with imports. Once labour standards come under the WTO rules no matter how much standards are raised it is likely that protectionist groups seek to exploit the situation by demanding more. When developing countries are forced to raise their labour standards they will lose their comparative advantage in cheap labour intensive goods. This might force firms to cut the employment or use the capital intensive technology and both will reduce welfare.

The evidence that is available seems to suggest that labour standards improve as income increases. There is a very strong correlation between the involvement of child labour and per capita GDP. Krueger (2006b) finds that child labour is not completely withdrawn from the labour force until GDP reaches $5,000 per capita. As economic growth takes place the demand for labour increases which allows labour to move between the firms -- from low to high standards firms. This
forces the low standards firms to improve their standards in order to retain workers. In a study of East Asian economies Wilkinson (2004) observed this phenomenon.

There is no need to harmonize labour standards between countries because of the differences in the level of development. It should be left to the individual countries for several reasons. First, while developed countries are concerned with poor labour standards in developing countries, developing countries feel it is an intervention to their domestic issue. Second, people in developing countries feel that linking labour standards with the rules of the WTO is motivated by protectionist sentiments by the West. It is being increasingly observed that support for labour standards comes from labour union and labour ministries in developed countries (OECD, 2005). Third, since labour standards vary between the sectors, international standards designed with one problem in mind may not suit all countries. This is an area where one size fits all policy is less relevant.

International community should make every attempt to increase income levels in developing countries if they are concerned with the welfare of working children rather than focusing too much on labour standards. The removal of agriculture subsidies in Developing Countries, and opening up of textile and clothing markets in Europe and America are crucial for accelerating growth and increasing income in developing countries and improving welfare of working children.

There is no doubt that elimination of child labour is in the best interest of developing countries as use of child labour today means a shortage of skilled labour tomorrow. Also, due to growing international pressure for trade sanctions against countries with poor labour standards, it is very likely that if labour standards are not improved they might be considering as dumping under GATT 1994 Article VI or be interpreted as a subsidy under GATT 1994 Article XX (Brown et. al, 2001: 24). Improved labour standards are also crucial to attract more foreign investment which is essential to accelerate growth in developing countries and improving welfare of working children.

At country level, it is important that actions against child labour must be anchored in the National Plan. Defining and implementing such a plan is the primary responsibility of government. However, government alone cannot eliminate child labour without support from community leaders, employers, labour unions and teachers. Since poverty and underdevelopment are the root causes for child labour practices, any program to eliminate child labour should address underdevelopment and poverty.

7. **Zimbabwe as a Case Nation**

The discussion of the unevenness of international trade in this paper was done within the context of Zimbabwe as a case nation. Notwithstanding the controversy regarding the role of WTO and trade liberalization on economic development and social welfare, the momentum of trade liberalization continues in Zimbabwe. Since 1991 Zimbabwe as a nation undertook unilateral measures to liberalise its trade regime within the context of Economic Structural Adjustment Programme (ESAP) with assistance from the Bretton Woods institutions which was further followed by a further liberalization within the multilateral context (WTO), regional framework (SADC, COMESA). Zimbabwe went through its second phase of trade liberalization within ZIMPREST under the new WTO trade negotiations round, Lome Convention. Currently, Zimbabwe is pursuing trade liberalization under the National Trade Policy which is being advanced by the Ministry of Industry and Commerce.

WTO and other Bretton Woods institutions justifies trade liberalization on the resonance that it creates opportunities for firms to grow through better access to new production technologies, inputs, managerial and administrative skills and market information to local producers. Competition from imports leads to specialization, efficient allocation of resources and cleanse the economy of inefficient producers.
which removes the burden on the society of sustaining such entities. With greater openness, small economies tend to have higher shares of trade in their Gross National Product (GNP) when compared to larger countries and their gains from trade are most likely to be higher than those economies that restrict trade.

8. Trade Liberalisation and Performance of the Zimbabwean Economy

Economic performance depends on a number of socio-economic, political internal and external variables and within these trade policies although not a sufficient condition plays a very important role. In this paper, the researcher reviewed the performance of the Zimbabwean economy.

Export performance is critical to the Zimbabwean economy and trade has been a substantial share of the country’s Gross Domestic Product (GDP) with exports being the main source of foreign currency revenue in the economy. In particular, agricultural exports, which have declined dramatically since the dawn of a new millennia, have traditionally being an important driver of growth in the economy of Zimbabwe, as suggested by the sector’s extensive backward and forward linkages.

Figure below shows the trend in total agricultural exports since 1985 up to the year 2000. Total agriculture exports grew by an average of 6 percent between 1985 and 1988. The 1992 drought led to a 20 percent fall in exports, but these quickly recovered owing to a favourable rainfall pattern and increased productivity. From 1996, however, the trend in export growth has been declining.

Hence, the need for fair policies from WTO in an attempt to foster competitiveness cannot be overemphasized for Zimbabwe’s long-term growth and external viability. The growth rate of Zimbabwe’s total exports was high in the second half of 1990s, but then fell since the early 2000s. The export performance of Zimbabwe was above average of most African countries in the early 1990s due to its comparative advantage in agriculture which was dominated by large commercial farms, and manufacturing. However, following controversial land redistribution scheme by government which attracted negative perception by countries which made up the biggest market for Zimbabwe’s agricultural products and controls the lever of powers for the Bretton Woods Institutions. Table 1 below shows that the agriculture export performance dropped off significantly in 2001 – 2004, including relative to the average developing countries and neighbouring countries.

<table>
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<td>World</td>
<td>8.7</td>
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<td>Developing countries</td>
<td>12.2</td>
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<td>Africa</td>
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Source: IMF, Direction of Trade Statistics
8.1. Interests and concerns in the current negotiations round

12 years after the implementation of the WTO agreement on agriculture, trade barriers in agricultural goods still exist in many developed economies. International literature on this domain revealed that many developing countries in Asia and Africa still face the challenges of market access in advanced and developed economies because the increased access to developed countries’ markets has remained unfulfilled 12 years after signing the agreement on agriculture. There are many key issues that Zimbabwe, together with other developing countries, considers to be important in negotiating for future effective agreement on agriculture in the wake of commitments undertaken at the 4th WTO ministerial meeting held in Doha in 2001.

8.2. Market access

The main expectation of developing countries for the Uruguay Round was that developed countries could open their markets, at least in agriculture field which has been highly protected before. However, it is well documented that this expectation was all in vain as it failed to materialize and live to its billing. It must be noted that under tariffs commitments, WTO members were supposed to convert most non tariff barriers to tariff on agricultural imports and declare upper bound tariffs. Thus, developed countries took advantage of such conversions to collect high tariff, which was even higher than non tariff barriers in equivalent effectiveness.

Tariff reduction has not necessarily made developed markets accessible as shown in Table 2 below. Average agricultural tariffs remain higher than industrial tariffs because tariffication resulted in higher tariff protection in most developed countries (OECD, 2001). Tariff reductions have also led to increased tariff dispersion. The structure of agricultural tariffs has become complex with the frequent use of specific and other non-\textit{ad valorem} rates. Tariff structures in developed countries should be made more unified, simplified, transparent and less complex, and all tariffs should be converted to \textit{ad valorem} tariffs.

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|c|c|}
\hline
Product group & \multicolumn{3}{c|}{Number of tariff lines within a tariff range} & Number of share in total \\
\cline{2-5}
 & Total & 20-29 \% & 30-99 \% & >100 \% & percent \\
\hline
Meat, live animal (1-2) & 351 & 68 & 79 & 14 & 161 & 46 \\
Dairy products (4) & 197 & 21 & 77 & 9 & 107 & 54 \\
Fruit and vegetables (7-8) & 407 & 10 & 5 & 1 & 16 & 4 \\
Cereals, flours, etc. (10-11) & 174 & 29 & 75 & 0 & 104 & 60 \\
Prepared fruit, vegetables (20) & 310 & 70 & 39 & 1 & 110 & 35 \\
Other food industry products (19, 21) & 90 & 27 & 8 & 0 & 35 & 39 \\
Beverages and tobacco (22, 24) & 202 & 9 & 15 & 2 & 26 & 13 \\
Other agricultural products (5-6, 13-14, 23) & 231 & 4 & 14 & 4 & 22 & 10 \\
\hline
\end{tabular}
\caption{Tariff peaks by agricultural product groups facing Zimbabwe’s exports to the EU}
\end{table}

Notes: Tariff peaks are defined as tariff rates that are 20 percent or more. All are MFN tariffs. The numbers in parentheses in the product are Standard International Trade Classification numbers.

Source: UNCTAD, (1997)
Until recently, Zimbabwe has been largely self-sufficient in the provision of agricultural goods as shown by the Figure above. From 1985, imports have been growing because of the increased shortages of cereals caused by drought, population growth, increased urbanization and the shift of production from cereals to cash crops. Before the reform programme, emphasis was on food security through self-reliance in cereal production rather than through trade. As such, food imports were minimal. The implementation of the structural adjustment programme in 1990 saw a shift from self-reliance towards trade. This caused a steady increase in import value, and the peak in terms food imports was in 1992 because of the drought. Figure 2 below shows the trends in agricultural imports between 1985 and 2000.

Zimbabwe is classified as a net food-importing developing country within the WTO. As a developing country, Zimbabwe enjoyed some concessions regarding compliance, longer implementation periods, and exemption from some commitments, grace periods and technical support towards meeting its obligations. 18 years after the WTO came into being; however, there is no clear understanding of the implications of its disciplines on the Zimbabwean economy. What is more disturbing is that, before Zimbabwe has been able to come to terms with the commitments undertaken under Uruguay Round, it is now faced with the challenges of negotiating new commitments in the WTO Doha Round. It also goes without saying that Zimbabwe faced a decade of negative perception by other members of the WTO and hence, it lost some concessions regarding compliance and ultimately became a net food-importing country from being the breadbasket of Africa before the birth of WTO. This has been made worse by the current diplomatic row between Harare and the European Union which has culminated in the imposition of “smart sanctions” and the smart sanctions have failed to translate into preference erosion for the Zimbabwe’s goods in the EU market. Since the EU is Zimbabwe’s main market especially for flora, fauna and agricultural products, the sanctions (smart or otherwise) has contributed in a serious deterioration in the export market access for the country.

The level of tariff-rate quotas (TRQ) for some of Zimbabwe’s exports are restrictive (UNCTAD, 1997). It must be noted that the TRQ of 12 million kilogrammes of tobacco which the USA has granted to Zimbabwe goes against the spirit and letter of WTO’s agreement on agriculture in that it over protects the USA tobacco market, hence an uneven playing field. To further compound this, the TRQ is conditional and non-transparent. Thus, there is need for concerted efforts on part of developing countries in future round of negotiations to phase out issues of conditional TRQs and incorporate all market access opportunities on a most favoured nation basis.

High levels of protection in developed countries are grossly unfair as they defeat the whole purpose of the Uruguay Round and the agreement on agriculture. In the next round of negotiations, Zimbabwe should press for a revision of tariff reduction targets that have to be met within certain periods. The aim should be for tariffs of all developed countries initially and developing countries later to converge at specific points within a certain period to ensure the achievement of a level playing field for all farmers of member countries.

Provision of special safeguards presents a number of problems for developing countries. The duration of special safeguards, criteria for invocation of the same and trigger mechanism are invoked unfairly thus making the trade playfield uneven. There is an urgent need to reconfigure and modify the special safeguards such that they become more responsive to the needs and conditions of the developing countries. In view of the need to enable farmers to adjust to increased competition and also to diversify their production in the face of a surge in imports or a decline in prices, developing countries should be allowed to levy special safeguards duties for a longer duration. They should also press for a revision of the trigger mechanisms that unfairly constrain their exports. The right to use the safeguards should be extended to developing countries, including Zimbabwe that did not “tariffy” or previously reserve the right.

8.3. Export subsidies
High subsidies in OECD apart from being trade-distorting destroy local producers and destabilize and depress agricultural prices. Subsidized EU and US grain has undermined food security in developing countries. For example, USA sales of wheat to Zimbabwe in 1998 kept local wheat prices low and greatly affected the viability of local wheat production (UNCTAD, 1999). In addition, the importation of cheap EU subsidized grain by grain-deficit countries in SADC undermines Zimbabwe’s competitive advantage in maize and wheat production in the region. In 1997, in the 24 OECD countries, producer support to rice and meat was, respectively, 4.11 and 6.18 times the value of world exports of these products (UNCTAD, 1999).

It must be noted that at the end of the year 2000, developed countries were supposed to have reduced export subsidies by 36 percentage points. However, eight years after, the European Union, still holds 90% of the export subsidies in the world (Li, 2008). The measures which are being taken by the advanced market economies have similar effects as export subsidies, such as export credit, export credit guarantee and export insurance (Li, 2008). It is well documented that the USA offers more support to exports through exports credit than any other country in the world (Li, 2008). Thus, the incessant use of export subsidies by developed countries is a clear violation of WTO regulations that promotes dumping to developing nations and this resultantlly makes the playing field uneven. Dumping disrupts local production and the most vulnerable producers in developing countries are small-scale farmers. These high subsidies are a major obstacle for developing countries in several ways. They result in high OECD food surpluses, which are often exported to developing countries, hence taking away third country markets from exporting developing countries.
Zimbabwe’s attempts to expand its regional and international market opportunities have been greatly undermined by these export subsidies. Removal of domestic support and export subsidies by developed countries will benefit Zimbabwe’s cotton, horticulture, tobacco, sugar, beef and maize industries. Prohibitive transportation costs limit Zimbabwe’s ability to enter the world market competitively. However, because of her location in the region, she is able to exploit regional markets competitively. This is only possible when the dumping of food from developed nations is checked within the region. Reduction in export subsidies and domestic support will help to boost the growth of the horticulture industry. Nevertheless, there is a threat from subsidized products from overseas finding their way into regional markets where Zimbabwe has a competitive advantage.

8.4. TRIPS
Under TRIPS, Zimbabwe is concerned with issues related to health, particularly access to medicine, food security, biodiversity conservation, sustainable use, patenting of life forms, market access and rural development. Since independence, Zimbabwe has applied international patent and trademark conventions. It is a member of the World Intellectual Property Organization. Generally, the Government of Zimbabwe seeks to honour intellectual property ownership and rights, although there are serious doubts about its ability to enforce these obligations. New legislation on protection of biodiversity, patents, copyrights and traditional knowledge is in place. Remittances for royalties, technical services and management fees must be approved by the Reserve Bank. Such remittances have been suspended by many companies with overseas ties, owing to the severe hard currency shortage experienced in Zimbabwe since 1999.

To protect traditional knowledge and farmers’ rights, Zimbabwe is pursuing possible sui generis policy options under TRIPS. The strict restrictions imposed by pharmaceutical companies through the TRIPS agreement on the right of countries to provide health care to its people and to acquire drugs at affordable prices are of major concern. In this regard, Zimbabwe advocates the right of developing countries to provide healthcare, develop pharmaceutical industries and secure drugs at affordable prices for the majority of people.

8.5. Implications of this Paper on Trade policy in Zimbabwe
Zimbabwe is a member of this WTO and other regional trade arrangements (SADC, and COMESA) as well as bilateral trade agreements with neighbouring countries, i.e. the Trade Agreement Group, which includes Botswana, Namibia, Malawi, Zambia and South Africa. All the arrangements provide frameworks for further liberalization of trade, and Zimbabwe has made commitments within each of these arrangements towards that objective. However, prior to the 1991 reforms, Zimbabwe imposed stringent controls on trade, foreign currency flows and the exchange rate. The objective behind the economic reforms was the abolition of quantitative controls, reduction and harmonization of tariffs and ultimately the removal of export incentives.

The birth of WTO in 1995 coincided with the end of Zimbabwe’s economic reform period which was generally known as ESAP, during which the government of Zimbabwe carried out autonomous and unilateral trade liberalization policies. It must be noted that by the time commitments made under WTO came into effect, Zimbabwe already had a much more liberal trade policy. Controls on imports and foreign exchange had been removed, tariffs reduced, the domestic market de-controlled and the environment for foreign direct investment improved. Given this background, Zimbabwe viewed trade liberalization within WTO as a complementary and supportive international instrument to buttress national efforts. It was expected that Zimbabwe’s trade and investment liberalization would not only succeed but also, more importantly, result in economic growth, employment creation, increased exports and integration of the country into the world economy. Thus, the approach taken by Zimbabwe in the WTO was to “lock in” trade liberalization measures initiated within ESAP through the WTO agreements.

Developing countries were supposed to see a rising share of global agricultural exports as a result of market access provisions. The global share for Zimbabwe and the rest of Africa has remained small and that of the Asia Pacific has also remain fairly small at around 36% since the agreement (Ataman, 2004: 220). However, it must be noted with deep concern that the share of global agricultural trade by developing countries did not increase as expected as most developing countries witnessed import surges and Zimbabwe is currently recognised by WTO as a net food – importing nation. This has flooded the domestic markets of many developing economies with cheap, subsidized imported products from developed economies (FAO, 2006).

Although the policies by WTO required all members to liberalize agricultural trade, many developing countries such as Zimbabwe and other poorest ones, had already liberalized their various agricultural sectors under structural adjustment programmes in the late 1980s and the early 1990s. Developing countries made cuts under the agreement on agriculture on average greater than the cuts made by advanced market economies (Kym and Martin, 2008). This meant that even though the rich developed countries were required to make steeper tariff cuts than developing countries, they started from a much higher level and it was therefore not enough in eliminating the inequality that existed before the agreement. Instead of leveling the already uneven playing field, the WTO through the agreement on agriculture for instance, made it more badly and steeply stacked against developing countries. The effect of the uneven playing field in international trade in developing countries has seriously undermined the small peasant farmers whose livelihoods have been threatened by competition from cheap and subsidized imports.
9. Conclusions

It can be noted from the above explanations that trade liberalisation is a deal that is clouded with much misconceptions. It seems we are a long way from free trade and developing countries have every reason to think that they are unfairly treated on the international trade market in terms of its agricultural products, exploitation of flora and fauna being abused in the name of endangered species and environmental protectionism and child labour issues among others. The playing field in international commerce is characterised with non transparent and undemocratic nature of the WTO, the blatant manipulation of the international trade organisation by major powers.

WTO is mandated to create a fair playing field with principles like “Trade without discrimination” among others. It is the responsibility of WTO to prevent unfair behaviour like dumping. If the WTO does explicitly favour any group it should only be the poor and developing countries that are being assisted. However, there are several examples where the WTO (through design of policy or implementation both) signally fails to even be “negatively” fair and in fact favours a particular group (often the better of, developed countries).

For instance agriculture; this is probably the most blatant violation of WTO principles. WTO Agreement on Agriculture commits governments to “improve market access and reduce trade distorting subsidies on agriculture”.

However, a combination of pressure when the agreement was written and manipulation means that the world market in agricultural products is not far at all but is actually heavily slanted in favour of the rich northern countries. In particular, while many of the poorer countries like Zimbabwe have liberalized and removed subsidies the USA and the EU have not. Hence, it is in this view that it can be argued that the playing field in international commerce is uneven and this must be acknowledged by advanced market economies.

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