THE EFFECTS OF THE EXPIRATION OF THE WORLD TRADE ORGANIZATION'S MULTIFIBRE AGREEMENT ON NIGERIA'S TEXTILE INDUSTRY: A STUDY OF NICHEMTEX LIMITED IKORODU, LAGOS; 2001-2010

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DECLARATION

I, Ahmed Aliyu Tanko, do humbly declare that to the best of my knowledge, this dissertation is the product of my original research efforts and it has not been submitted to any university for examination and all the sources consulted have been properly acknowledged.

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APPROVAL

This dissertation titled: The Effects of the Expiration of the World Trade Organization's Multi Fibre Agreement on Nigeria Textile Industry: A Study of NICHEMTEX Limited Ikorodu Lagos; 2001 – 2010 written by AHMED ALIYU TANKO meets the requirements and regulations governing the award of M.phil Degree in the Department of Political Science and International Studies, Faculty of Social Sciences, Ahmadu Bello University, Zaria and is hereby approved for its contribution to knowledge and literary presentation.

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DEDICATION

With special gratitude to the Almighty God, I dedicate this dissertation to my parents and teachers at all levels who sacrificed their human and material resources by impacting positively sound knowledge and inculcation of good character to confront the challenges of contemporary world and Nigeria in particular. May God reward and provide them with what is sufficient and best for mankind both here and hereafter (Ameen)

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LIST OF ABBREVIATIONS

AMS- Aggregate Measurement of Support (In Agreement on Agriculture)

BISD- Basic Instrument and Selected Documents (Published By GATT)

CCC- Custom Co-Operation council

CET- Common External Tariff

CMEA- Council for Mutual Economic Assistance

CTG- Cotton Textile Garment

DFTT- Double Functional Terms of Trade

DOTS- Direction of Trade Statistics

DSB- Dispute Settlement Body

EU- European Union

FAO- Food and Agriculture Organization of the United Nation

FDI- Foreign Direct Investment

FMTCN- Federal Ministry of Trade and Commerce and Nigeria.

GATT- General Agreement on Trade and Tariff

GATS 1994- General Agreement on Trade in Service 1994

GCL- General Cotton Limited

AGOA- African Growth and Opportunity Act

HCDCS- Harmonized Commodity Description and Coding System

IBTT- Income Barter Terms of Trade

ICSID International Centre for Settlement for Investment Dispute

IMF- International Monetary Fund

IPR- Intellectual Property Right

ISO- International Organization of Standardization

ISO/IEC- Iso/International Electrotechnical Commission

LTIL- Lazeh, Textile Industries Limited

MAN- Manufacturers Association of Nigeria

MFA- Arrangement Regarding International Trade in Textiles

MFA- Multi-fiber Agreement

MFN- Most Favored Nation

MO- Modus Operandi

NBTT-	Net Barter Terms of Trade
NDCC	Negotiable Duty Credit Certificate
NIRP-	Nigeria Industrial Revolution Plan
NSDC-	Nigeria Spinners and Dyers Limited
NTM-	Nigeria Textile Mills
PGE-	Permanent Group of Experts (In Agreement On Subsides and Countervailing Measures)
SAP-	Structural Adjustment Programme
SCM-	Subsides and Countervailing Measures
Secretariat-	Secretariat of the Customs Co-Operation Council
SFTT-	Single Functional Terms of Trade
SSG-	Special Safeguard (In Agreement on Agriculture
ST-	Special Treatment (In Annex 5, Agreement on Agriculture)
TMB-	Textiles Monitoring Body
TPRB-	Trade Policy Review Body
TPRM-	Trade Policy Review Mechanism
TRIMS-	Trade-Related Investment Measures
TRIPS TRADE	Related Aspects of Intellectual Property Rights
TSB-	Textiles Surveillance Body
UNTL-	United Nigeria Textile Limited
UTL-	United Textile Limited
UTT-	Utility Terms of Trade
WIPO-	World Intellectual Property Organization
WORLD BANK-	International Bank for Reconstruction and Development
WTO AGREEMENT-	Agreement Establishing the World Trade Organization
WTO-	World Trade Organization

ABSTRACT

This research work examines the effects of the expiration of WTO's Multi-Fibre Agreement (MFA) on Nigeria Textile Industries. The aim of this study was to examine the effects of the expiration of WTO's Multi-Fibre Agreement (MFA) on Nichemtex Limited Ikorodu, Lagos; 2001 to 2010. However, the specific objectives of the study are: To ascertain the nature of WTO's Multi-Fibre Agreement; to examine the extent to which the expiration of WTO's Multi-Fibre Agreement (MFA) has affected the Nichemtex Nigeria Limited between 2001-2010; to identify the extent to which the accession of China into World Trade Organization (WTO) arising from the expiration of the Multi-Fibre Agreement (MFA) has affected the Nichemtex Nigeria Limited between 2001-2010. The study reviewed relevant literature on the problem under investigation. The study relied on both primary and secondary data which was generated through In-depth interview, questionnaire for the primary sources and secondary sources which comprised of the use of books, journals, articles, internet materials, etc for the purpose of complementarity. From the analysis of the data, the study found out the followings: First, the expiration of Multi Fiber Agreements impacted negatively on Nigeria's textile industries; Second, contrary to the popular and general perception of the people, the study has shown that the collapse of textile industries in Nigeria was as a result of the trade liberalization policies of the WTO; in addition to both external and internal factors responsible for the collapse of these industries and internal factors played major roles. The study has also shown that the trade liberalization policies of the WTO favours Advanced Countries over the developing countries. Finally, trade liberalization policies of the WTO has reduced effects of textile industries' contributions to national development in terms of its Gross Domestic Product, employment generation and flow of Foreign Direct Investment (FDI).The study however made the following recommendations: There is the need for a rethink on the ideological and uncritical commitment to wholesale acceptance of trade liberalization policies without considering the peculiarities of our environment; Government should ensure that taxes payable by these industries should be fewer in number, broad based and high revenue yielding with positive impacts on industry's production; this can be done by improving infrastructure, skills and institutions required by modern production and distribution; Government can take advantage and invoke WTO safeguards on textiles which allows countries to temporarily protect industries that is considered a threat to foreign competitors; Government should support textile industries to combat smuggling and lower import taxes on mechanical equipment and other inputs; Nigeria must build the environment for conducive competitiveness by developing all the physical and human infrastructure for the fierce competition.

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CHAPTER ONE

INTRODUCTION

1.1. Background to the study

What is today known as Multi Fiber Agreement under World Trade Organization (WTO) had its root from General Agreement on Tariffs and Trade (GATT) as the only multilateral instrument governing international trade on textile and clothing. Multi Fiber Agreement was established in 1974 as a short term measure to allow developed countries to adjust to imports from developing world. It is an international agreement under which two countries may negotiate quota restrictions on textile and apparel imports from each other. The Multi Fiber Agreement was therefore set up as a set of formal quota agreements and restrictions governing textiles and clothing trade between developing countries and developed world. The expiration of Multi Fiber Agreement (MFA) in 2005 heralded tremendous opportunities and uncertainties for the textile industries in both developed and developing countries.

Naumann (2006) has argued, no other sector has seen such a rigid institutionalisation of quantitative restrictions, which in turn have had very wide reaching intended and unintended consequences on textile industries in Nigeria. In fact, quotas in this sector have been the common denominator that have shaped the development path of the textile industries and have been the single most important factor contributing to its worldwide diffusion in recent decades.

With the WTO Agreement on Textiles and Clothing providing a scheduled removal of MFA quotas over the decade 1995 – 2005, global changes relating to quota phase-out took place during the early stages of the Agreement. It is against this backdrop that this study examined the effects of the expiration of the MFA on Nichemtex Nigeria Limited, Ikorodu, Lagos.

However, it is important to note that from 1974 onwards, world trade in textiles and clothing has been governed by the Multi-Fibre Arrangement (MFA) under which many industrial

countries, through bilateral agreements or unilateral actions, established quotas on imports of textiles and clothing from more competitive developing countries. MFA was to initially operate for a limited period of four years and was primarily meant to provide breathing time to the textile industries of the developed countries to make structural readjustments.

On January 1, 2005, restrictions on the fourth and final set of textile and clothing products regulated by the Agreement on Textile and Clothing (ATC), the successor of the Multi- Fiber Arrangement (MFA), were removed. The gradual expiration of these quotas starting in 1995 ended decades of bilateral nontariff- barrier protection in this industry and set the stage for a substantial reallocation of production and exports across countries. This therefore has considerable effects on textile industries across the world especially in developing countries.

By implication, the Nigerian textile industry sub-sector might have also been affected. The plight of the sub-sector became more pronounced during the era of WTO. In the pre-WTO era, Nigerian textile industries for instance were gaining markets especially in West African states. Nigeria used to supply West African sub-regional markets with good quality wax-resist textiles, popularly called ***Ankara*** in Nigeria. However, in the early 2000s, cheap imitations of these products were produced and exported from China to West Africa. Hassan (2009) put it that, "some would even be slapped with made in Nigeria with corresponding" labels and then sold in Nigeria. The Nigerian textile industries, according to Hassan, (2009:7) are now characterized by a sharp decline in capacity utilization and output". The textile industrial fortune was further jeopardized by stiff competition with imported products from Europe and other Asian countries (Bello, 2011: 23). This has adversely affected textile industries in Nigeria especially in commercial cities like Kano, Lagos and other commercial cities of Nigeria. The extent to which these have affected textiles industries in Nigeria calls for empirical investigation.

1.2. Statement of Research Problem

The research examines the effects of the expiration of WTO's Multi Fibre Agreement (MFA) on Nigeria's industrial sector with particular reference to Nichemtex Limited Ikorodu, Lagos, from 2001 to 2010. The choice of this problem is predicated on the fact that recently, textile Industries in Nigeria are confronted with a number of problems such as low patronage, stiff competition from external markets, lack of viable policies to protect the industries from foreign competitors, arising from the liberalization that followed the expiration of the Multi-Fibre Agreement (MFA).

A major development of the Uruguay Round of Agreement was the signing of the Agreement on Textile and Clothing (ATC) in 1994. The ATC ended the MFA and began the process of integrating textile and clothing products into GATT/WTO rules by removing their quotas thereby creating room for liberalisation of trade.

More profoundly, the predicaments of textiles industry in Nigeria started with the accession of Nigeria into the WTO in 1995 (Eneji, et al, 2012: 6). Nigeria fully embraced liberalization policy framework advocated by World Trade Organization (WTO) in order to integrate Nigeria's trade into international economic system. This has brought about negative effects on textile industries especially with the expiration of the MFA.

1.3. Research Questions

In order to address this problem, the study attempted to provide answers to the following research questions:-

i. What is the nature of WTO's Multi-Fibre Agreement?
ii. To what extent has the expiration of WTO's Multi-Fibre Agreement (MFA) affected the Nichemtex Nigeria Limited; 2001-2010?
iii. To what extent has the accession of China into World Trade Organization (WTO) arising from the expiration of the Multi-Fibre Agreement (MFA) affected Nichemtex Nigeria Limited;2001-2010?

1.4. Research Aim and Objectives

The aim of this study is to examine the effects of the expiration of WTO's Multi Fibre Agreement(MFA) on Nigeria's industrial sector with particular focus on Nichemtex Limited Ikorodu, Lagos, from 2001 to 2010. However, the specific objectives of the study are:

i. To ascertain the nature of WTO's Multi-Fibre Agreement.
ii. To examine the extent to which the expiration of WTO's Multi-Fibre Agreement (MFA) has affected the Nichemtex Nigeria Limited; 2001-2010.
iii. To identify the extent to which the accession of China into World Trade Organization (WTO) arising from the expiration of the Multi-Fibre Agreement (MFA) has affected the Nichemtex Nigeria Limited; 2001-2010.

1.5. Research Assumptions

This study was guided by the following research assumptions:

i. That the liberalization of market by the WTO is having negative effects on Nichemtex Nigeria Limited.
ii. That the abolition of Multi Fibre Agreement (MFA) has affected Nichemtex Nigeria Limited negatively.
iii. The accession of China in WTO after the expiration of the Multi Fibre Agreement (MFA) has significantly affected Nichemtex Nigeria Limited negatively.

1.6. Justification of the study

The justification for the selection of this textile Industry was based on the fact that after conducting a pre-test survey on the intended textile industries in Lagos, the researcher found out that most of the industries have either collapsed or have been sold to new owners and presently used as Beverages Company. It was against this backdrop that Nichemtex, Ikorodu, was selected for the study in order to ascertain the effects of the expiration of the Multi-Fibre

Agreement and the accession of China into the World Trade Organization on Nigeria textile industries.

The choice of the study area took cognizance of time and financial constraints. Again, during Pre-test, the two industries Ikeja Textile Mill and Gaskiya Textile Mill, which were intended for the research, were discovered to have closed down along with all known major textile industries in Kano and Lagos. Also, during proposal defense, the scope was narrowed to Lagos on technical advice as result of time constraint. Hence, the choice of Nichemtex was arrived at. Most especially that all textile industries share common characteristics.

These all together informed the rationale behind selecting Lagos. This is in line with a considered fact that a university research project must take into account data gathering as well as weighing its relevance to its immediate environment.

The justification for this period was because, following the expiration of the MFA and the accession of China into the WTO, most textile industries were affected. China, being outside the WTO especially for the first –two phases was ineligible. But after joining the WTO in December 2001, its quotas on these goods, as well as its quotas on Phase III goods, were lifted simultaneously in January 2002 thereby posing considerable challenge to textile industries in developing countries.

1.7 Scope and Limitations of the Research

The scope of this study is restricted to the effects of the expiration of WTO's Multi Fibre Agreement (MFA) on Nichemtex Nigeria Limited, Ikorodu, Lagos; 2001-2010. The study focused on Nichemtex, textile industry located in Ikorodu, Lagos. The study covered the period of Ten years (2001-2010).

This research work also had its own limitations. The research heavily relied on primary source of data which included data generated from interviews and administration of

questionnaires. However, due to ever increasing insecurity situations in the country, the researcher found it difficult to go to all the commercial cities of Nigeria to gather data for the study. Hence, the study was restricted to Lagos. The study was also confronted with the problem of communication. The researcher intended to interview some of the Chinese citizens engaged in textile business particularly in Lagos; but it was realized that many of them do not speak English or any local languages spoken in Nigeria. They interact with people mostly by demonstrating and using signs language. To me, this constituted a major challenge of the study.

In order to overcome these challenges, the researcher employed an interpreter to overcome the language challenge so as to touch on all the critical issues that have occurred in Nigeria's Textile Industries as it relates to the problem under study.

1.8. Definition of Key Concepts

For the sake of clarity and understanding, some key concepts are hereby clarified as used in this work or adopted from scholars.

a. **Multi-Fibre Agreement (MFA)** refers to an International trade agreements under which two countries may negotiate quote restrictions on textile and apparel imports from each other. MFA restrictions are100 normally prohibited under WTO rules and must have been phased by 2005.

b. **Trade Liberalization:** This involves the removal or reduction of restrictions or barriers on the free exchange of goods between nations. This includes the removal or reduction of both tariff (duties and surcharges) and non-tariff and obstacles (like licensing rules, quotas, and other requirements). The easing or eradication of these restrictions is often referred to as promoting "free trade".

c. International Trade: This is the exchange of goods and services among which countries tend to specialize in the production and export of those goods and services that they

can produce relatively cheaper and to import things that are produced more efficiently elsewhere.

d. **Non-Tariff Barriers To Trade (NTBS):** These arc trade barriers that restrict imports, but are unlike the usual form of a tariff. The examples of NTB's are anti-dumping measures and countervailing duties, which although are called non-tariff barriers, have the effect of tariffs once they are enacted.

e. **Licenses**: The most common instrument of direct regulation of imports (and sometime exports) are licenses and quota. Almost all industrialized countries apply these non-tariff methods. The licenses system requires that a state (through specially authorized office) issues permits for foreign trade transactions of import and export commodities included in the lists of licensed merchandises.

f. **Quotas:** Refers to a limitation in value or in physical terms, imposed on import and export of certain period of time. This categories includes global quota, and so-called "voluntary" export restraints.

g. **Embargo:** Is a specific type of quotas prohibiting the trade. As well as goods, regardless of re-destination, in respect of certain goods supplied to specific countries, or in respect of all goods shipped lo certain countries.

h. **Trade:** The definition of trade as provided by Richardson (1986) and Walter(2007), would be used as our working definitions in this study. According to (Richardson, 1986), trade may be defined as a repeated sequence of exchanges of goods; markets, as the economic institution created by regular trade between a multiplicity of trades. Walter (2007) defines trade as the buying and selling of goods and services for money or money's worth. It involves transfer or exchange of goods and services for money or money's worth. The manufacturer or producer produces the goods, then moves on to the wholesaler, then to retailer and finally to the ultimate consumer

i. Wholesale Trade: It involves buying in large quantities from producers or manufacturers and selling in lots to retailers for resale to consumers. The wholesaler is a link between manufacturer and retailer. A wholesaler occupies prominent position since manufacturers as well as retailers both are dependent upon him. Wholesaler act as a intermediary between producers and retailers.

j. Retail Trade: The definition of retail trade as provided by Jhingan would be adopted as our working definition. Retail Trade involves buying in smaller lots from the wholesalers and selling in very small quantities to the consumers for personal use. The retailer is the last link in the chain of distribution. He establishes a link between wholesalers and consumers. There are different types of retailers small as well as large. Small scale retailers includes hawkers, peddlers, general shops, etc. (Jhingan, 1997).

1.9. Organization of Chapters

The first chapter of the work is Introduction which provides a general introduction to the study and embraces subject matters such as the general background to the study, statement of research problem, research questions, aim and objectives of the study, basic assumptions and significance of the study. This is followed by Chapter two which is Literature review and theoretical framework. This chapter focused on detailed review of related and relevant literature and the theory adopted for this work is also captured. The third chapter focused on Research Methodology. This chapter describes elaborately the procedural method adopted for the study. It encompasses the description of the area of study, sources of data used in gathering information on the subject matter, techniques of data collection and sampling procedures, techniques of data analysis and anticipated problems encountered in the course of study. Chapter four provides a discussion on historical background of evolution of textile industries in Nigeria and also examines the pre-colonial textile production in societies such as Nupe, Yoruba, Hausa, Igbo, and some other societies in river-rine areas. The chapter provides

intellectual excursion into the nature and evolution of textile industries during colonial period. The chapter also provides the key challenges confronting textile production during colonial period. The evolution of first textile industry in the colonial Nigeria and the subsequent efforts by the colonial administration to improve on textile production in the country was also aptly presented and discussed. A careful discussion on the emergence of post independent textile industries in Nigeria, the nature and prospects of these textile industries is also presented. The chapter finally examines some of the key challenges confronting post independent textile industries in Nigeria. Chapter five focused on data presentation and analysis of the effects of the expiration of Multi-fibre Agreement on Nichemtex Nigeria limited 2001 – 2010. It provides introduction, socio demographic characteristics of respondents, objectives of the study, discussion of major findings and relating research assumption to research findings. Chapter six, which is the last chapter presents the Summary of findings, conclusion and recommendations based on the findings above.

CHAPTER TWO

2.0. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1. Introduction

The chapter reviewed and analysed works in thematic, theoretical and some empirical studies focusing on the following themes and sub themes: Multi Fibre Agreement (MFA), WTO, historical background and institutional structures of World Trade Organization (WTO), functions, Modus Operandi and the dispute settlement mechanisms of the WTO.

2.2 Literature Review

2.2:1 The Concept and Operations of Multi-Fibre Agreement (MFA)

Conceptually, Multi-Fibre Agreement (MFA) refers to international trade agreements under which two countries may negotiate quota restrictions on textile and apparel imports from each other. MFA restrictions was essentially normally prohibited under WTO rules and must have been phased by 2005.

The Multi Fibre Arrangement (MFA) governed the world trade in textiles and garments from 1974 through 2004, imposing quotas on the amount developing countries could export to developed countries. It expired on 1 January 2005.

The MFA was introduced in 1974 as a short-term measure intended to allow developed countries to adjust to imports from the developing world. Developing countries have an absolute advantage in textile production because it is labor-intensive and they have low labor costs. According to a World Bank/International Monetary Fund (IMF) study, the global trading system has cost the developing world 27 million jobs and $40 billion a year in lost exports (World Bank, 2005; IMF, 2006).

However, the Arrangement was not negative for all developing countries. For example, the European Union (EU) imposed no restrictions or duties on imports from the emerging countries, such as Bangladesh leading to a massive expansion of the industry there

At the General Agreement on Tariffs and Trade (GATT) Uruguay Round, it was decided to bring the textile trade under the jurisdiction of the World Trade Organization. The Agreement on Textiles and Clothing provided for the gradual dismantling of the quotas that existed under the MFA. This process was completed on 1 January 2005. However, large tariffs remain in place on many textile products, going by Article 6 Marrakesh Protocol and GATT 1994.

Bangladesh was expected to suffer the most from the ending of the MFA, as it was expected to face more competition, particularly from China. However, this was not the case. It turns out that even in the face of other economic giants, Bangladesh's labor is "cheaper than anywhere else in the world." While some smaller factories were documented making pay cuts and layoffs, most downsizing was essentially speculative – the orders for goods kept coming even after the MFA expired. In fact, Bangladesh's exports increased in value by about $500 million in 2006.

However, poorer countries within the developed world, such as Greece and Portugal, are expected to lose out.

During early 2005, textile and clothing exports from China to the West grew by 100% or more in many items, leading the US and EU to cite China's WTO accession agreement allowing them to restrict the rate of growth to 7.5% per year until 2008. In June, China agreed with the EU to limit the rate to 10% for 3 years. No such agreement was reached with the US, which imposed its own import growth quotas of 7.5% instead.

When the EU announced their new quotas to replace the lapsed MFA, Chinese manufacturers accelerated their shipping of the goods intended for the European market. This used up a full

year's quota almost immediately. As a result, 75 million items of imported Chinese garments were held in European ports in August 2005. A diplomatic resolution was reached at the beginning of September 2005 during Tony Blair's visit to China, putting an end to a situation the UK press had dubbed "Bra Wars".

International textiles and clothing trade was going through fundamental change under the 10-year transitional programme beginning 1 January 1995 and set out in the WTO's Agreement on Textiles and Clothing (ATC). Before the agreement took effect, quotas controlled a large portion of trade in the sector. Under the agreement, WTO members committed themselves to remove the quotas and to integrate the sector fully into GATT rules by 1 January 2005. That would also mean observing the GATT principle of non-discrimination.

Textiles remained one of the hardest-fought issues in the GATT and WTO. For many developing countries, it was the prospect of ending the quota system that encouraged them to agree to negotiate the new issues of intellectual property, services and investment in the Uruguay Round. In the run-up to the 1996 Singapore Ministerial Conference, textiles again became a focus of attention for many members. Detailed and lengthy discussions were held in the WTO's Goods Council about the implementation of the textiles agreement and related issues.

Textiles and clothing account for about 9.1 per cent of world manufactured goods exports or 6.5 per cent of all merchandise exports. According to the World Bank and the IMF estimate in 1994 by what was then the GATT Secretariat, the removal of quotas and a reduction in tariffs could add 18 per cent to the value of trade in textiles (excluding clothing) by 2005. Liberalization under the WTO would increase the value of clothing trade by as much as 69 per cent. This growth is a major factor behind the estimated 14-37 per cent expansion in exports calculated to accrue to developing and transitional economy countries as a result of the Uruguay Round(World Bank, 2005; IMF, 2006)..

Up to the end of the Uruguay Round, textiles quotas were negotiated bilaterally and governed by the Multifibre Arrangement (MFA). This contained rules for the imposition of selective quantitative restraints when surges in imports caused, or threatened to cause, market disruption. The quotas incorporated annual growth rates, the standard rate being 6 per cent, although the actual rates varied considerably. The Multifibre Arrangement was a major departure from the basic GATT rules, and particularly the principle of non-discrimination. It has now been replaced by the WTO's Agreement on Textiles and Clothing and the 10-year liberalization programme. All quotas, as well as their growth rates, existing under the Multifibre Arrangement on 31 December 1994 were carried over into the WTO agreement, but their level was to automatically increase during the 10-year transition period.

2.2.2 The WTO Agreement on Textiles and Clothing 1995-2005

The WTO textiles agreement says that the sector would be integrated into GATT 1994 in four steps (marking the beginning and end of three periods). On 1 January 1995, members were required to integrate no less than 16 per cent of the total volume of 1990 imports; on 1 January 1998 a further 17 per cent to be integrated, followed by 18 per cent on 1 January 2002 and the remainder (maximum 49 per cent) when the Agreement on Textiles and Clothing itself was to disappear, on 1 January 2005 (WTO, 2005). Each member chose what products to integrate, provided they covered at least one product of each of the four groupings _ tops and yarns, fabrics, made-ups and clothing. As products was being integrated into GATT, any quotas imposed on them would be removed. Through the staged integration process, the textiles and clothing products covered by the provisions of the Agreement on Textiles and Clothing would progressively shrink, and the number of quotas would diminish, until the Agreement on Textiles and Clothing's own elimination on 1 January 2005.

The task of overseeing the details of the agreement's implementation was given to the Textiles Monitoring Body (TMB), consisting of a chairman and 10 members. WTO members agreed in January 1995 on a formula for appointing the 10 members _ four seats for the four major importers (Canada, Japan, the EU and the US), five seats for the major exporting countries, including members of the Association of Southeast Asian Nations (ASEAN), Pakistan, India, Hong Kong, Korea, Macau, Egypt, Morocco, Tunisia and Latin American and Caribbean countries, and one for Norway, Turkey, Czech Republic, Hungary, Poland, Romania, Slovak Republic, and Switzerland. Once appointed, TMB members were expected to serve in their personal capacities, not as representatives of their countries.

a. Critical Issues of MFA

In mid-1996, when Pakistan, the United States and other European Communities presented papers to the WTO Goods Council, Pakistan, acting also on behalf of the WTO members from the Association of Southeast Asian Nations (ASEAN), Hong Kong, India, and Korea, identified 10 issues the group wanted discussed. Overall, this Asian group said the developed importing members were not living up to the liberalizing spirit of the agreement and that the interests of developing countries were not being served. Industrialized members countered that they had fully met the commitments that they had made and argued that some exporting countries retained high import barriers. The most debated points were the following:

Quotas and integration: Developing countries claimed that the importing countries were using the four-step schedule to postpone until the last day the integration of the bulk of commercially meaningful items. According to the exporters, this meant that for most of the 10-year period they would gain marginally. They cited the fact that the integration programme of 1 January 1995 saw only one quota actually removed _ a quota imposed on work gloves imported into Canada. By leaving the bulk of commercially meaningful

integration until the end of the transition period, the importing countries were to run the risk that the last stage would be too difficult for them to implement on schedule, the developing countries added.

The importers argued that the emphasis on removal of quotas painted an incomplete picture because gradual liberalization was already taking place through the increased growth rates of the quota levels that remained in force. Some negotiators have argued that in some cases the accelerated growth could make the quotas so large as to be non-binding before the end of the transition period.

Market access: The United States, the European Communities and other importing members complained that existing high tariffs, newly raised applied tariffs, and non-tariff barriers prevented them from expanding their exports to many developing country markets. The developing countries argued their tariff schedules conform to commitments agreed in the Uruguay Round, and that no complaints were made in the relevant WTO bodies. They opposed what they considered to be an attempt to link market access in exporting countries to the importing countries' programmes for phasing out quotas. (The debate on this point partly hinged on interpretation of Article 7 of the agreement, which deals with WTO members' commitments to achieve improved market access and maintain fair and equitable trading, but without prejudice to their rights and obligations under GATT 1994.)

Safeguards: The agreement's special transitional safeguard provisions were intended for situations where surging imports of specific products cause serious damage (or pose a threat of damage) to the domestic industry of the importing country. In this sector, safeguard actions could be aimed at imports of specific products from specific countries, unlike the regular safeguards provisions of the WTO applied to other goods. In 1995, the first year of the agreement, the United States invoked the safeguard provisions 24 times against 14 exporting

developing countries. The developing countries maintained that this clause should be applied as sparingly as possible and that, it had been invoked on fragile grounds. The United States countered that the use of safeguards complied with the agreed rules and procedures. Since mid-1995 the US applied only one new measure.

Circumvention: Developed countries expressed the concern that effective implementation of the agreement depended on exporting members adopting effective measures to prevent circumvention of the agreement and that closer cooperation was needed in this area. Quota limits can be avoided ("circumvention") through a number of methods, ranging from simply altering the "made in." label to transshipment (making a product in one country, then shipping it to another and re-exporting it as a product of the second country) and falsification of documents. The developing countries argued that the agreement already provided sufficient procedures for dealing with circumvention and that they fully implemented these. They reaffirmed their commitment to full cooperation and argued that the main problem was the subjective manner in which the relevant rules were being implemented.

Rules of origin: In mid-1996, the United States changed the rules it used to identify where a textiles or clothing product came from. Some developing countries complained this affected their trade negatively, and that the United States had not been properly observing principles laid down in the textiles agreement as spelt out in the WTO's Rules of Origin Agreement pending harmonization of origin rules. The United States noted that it had held and still holding the necessary consultations in accordance with the textiles agreement, and argued that the changes conformed with WTO agreements, and that members countries were free to challenge the changes in the appropriate forum.

Textiles Monitoring Body: Concerns were expressed by some exporting members that, in order to retain the confidence of all members, there was a particular need to make the TMB's

work more transparent, notably in explaining the reasons behind its decisions, and to ensure its members really participate in their personal capacities rather than representatives of their countries so as to ensure impartiality. A number of delegations stressed that the overall responsibility for overseeing the functioning of the textiles agreement and the work of the Textiles Monitoring Body lies with the WTO Committee on Trade in Goods, which includes all WTO members. The other points discussed related to bilaterally agreed arrangements (under the transitional safeguard), the treatment of small suppliers and least-developed country members, the particular interests of cotton-producing exporting countries, use of trade measures for non-trade purposes, and the relationship between restrictions and regionalism.

There are a lot of reasons advanced by various scholars about the evolution of MFA in global trade. For instance, Beneria and Lind (2005) argued that multi-fibre agreement was set up in 1974 as a set of formal quota agreements and restrictions, governing textile and clothing trade between developing countries and developed world. However, in the work of cable (2006) advanced the reason behind the introduction of the multi-fibre agreement MFA hinging it on the facts that the developed world used it as a form of protectionism to secure their own textile industries against the threat posed by the low cost competition from the least developed countries (LDCS). According to Dargin (2010), the MFA was a high-profile exception to the principles of free trade and the operation of the GATT. He further argued that as such, the MFA was supposed to be a temporary measure.

2.2.3 MFA and Global Politics

There emerged different option and outlook on the termination of some of the MFA agreement in intellectual circles. Some scholars such as Hudson and Mutuk (2011) in their studies have argued that politics and economic were intertwined to undermine the MFA. This view was also supported by the work of Brambilla, Irene, Amit and Schott (2010). These

scholars have argued that, although the agreement was meant to serve as a tool for the regulation of global trade in textiles and apparel, the politics supporting the agreement as noted by the Harrigan and Geoffrey (2009) became pronounced.

As the MFA was an exception to the trade promotion rules of the GATT-the agreement that institutionalized trade restrictions-overtime, the MFA's position soon began to erode according to Deanjudith, (2004). However, an analysis provided by Rivoh (2005), he argued that, MFA operated outside the normal rules and served as a testament to the political power of textile interests, particularly those in the United States and European Economic Community when the agreement was first signed. He posited that, it was of great economic importance to the textile industry in both regions. "This, of course changed by the time MFA ended because the priorities of the United States and the European Union had changed. Trade in service and high technology industries became the new power houses in the developed world and supplanted textiles as the dominant clout, but that clout now emanated from Hong Kong, Taiwan, Korea, China and elsewhere in Asia, not from south Carolina or Germany as was previously the case" (Rivol, 2005). Moreover, this shift in political clout mirrored the shift in production between 1974 and 1995 from the developed world to the developing world as noted by (Dey, Palash and Sumon 2011).

Aggrawaio (2005) in his study examined the history of the MFA up until its first renewal in 1981. The analysis offered tracks on the development of the global textile industry since the 1950s, discusses precursor agreement to the MFA and outlines the broad economic forces that brought government together to identify a political solution as a means of regulating global trade. Aggrawaio placed particular emphasis on the political machinations necessary to establish the MFA in the first place and the decision that were made to extend an agreement that was supposed to be temporary. Aggrawaio (2005:28), asked "are the agreements of the MFA in textile and apparel trade, the wave of the future?" Similarly, cline (2005) wrote

about the share decision between free trade and protectionist philosophies of international trade and now those divisions came to affect the operations of the multifibre agreement. "Textile trade is replete with paradoxes", said cline. According to him, "Textile and apparel have received more comprehensive and persistent protection than any other industrial sector, even though the original notion was to provide temporary relief so that industries could adjust and become sufficiently competitive to face international competition on their own" (Cline, 2005:208).

This development however, sparked up a lot of arguments and counter arguments from various scholars in the field of international economic relations. In the work of Baden and Joekes (2006), they argued that although the phasing out of the multi-fibre brought to an end to any form of restrictions and protectionism in the textile industries but resulted to many problems for third world textile section to adjust. Similarly, Glaeser, Porta Desilane and Shleifer (2006) in their work supported the earlier view. They argued that the expiration of the multi-fibre agreement had led to the closure of several factories in Africa and with job losses. These arguments were further supported by the works of Balassa and Constaine (2005).

In 2004, Judith Dean published "The Effects of the U.S. MFA on Small Exporters," in the journal The Review of Economies and Statistics. This article tested two hypotheses regarding the impact of the MFA on developing countries: first, that MFA quotas actually restrict trade and, second, that the MFA encouraged growth of small suppliers at the expense of larger suppliers due to more lenient quota restrictions. Dean concludes that the MFA was, in fact, restrictive and favored smaller producing countries that were either not subject to quotas or restricted by quotas that were not binding. "Results show stronger support for the hypothesis that the MFA restraints were indeed binding on exporters," said Dean. In turn, this article supports the notion that the MFA scattered trade around the world as sourcing companies

continually looked to by-pass larger quota countries in favor of newer, smaller suppliers that did not suffer from tight quota restrictions.

Trela and Whalley (2005) stated that almost all developing countries suffered from the MFA. They showed that developed countries could increase their exports by up to several hundred percent if the MFA was lifted. This view was also supported by empirical studies of Beresford (2005) and Senapaty (2008). In these studies, it was analysed that virtually all developing countries could increase their exports at the expense of production in industrial countries. They estimated that developing countries were facing annual losses to the tune of U$$3 billion from the, even if the quota rent they obtain is taken into account.

Several studies such as the one conducted by Vlok (2006) estimated the extent of reductions in the exports of developing nations as a result of the multi-fibre agreement. Other empirical studies on the effects of the multi-fibre agreement on least developed countries (LDCs) suggest that the value of rent transfer is relatively small in comparison with reductions in export earnings. Ohlin (2011) and Merz (2008) estimate put the ratio of these two factors in the order of 1:10 for exports to the US and 1:8 for the EU. However, export earning and quota rents are not strictly comparable as the former represents foregone gross revenue where as the latter is net gains. The net effect of the MFA and developing countries depend on whether rent transfers can fully compensate for the welfare losses resulting from the reduction in export volumes. (Balassa and Suphachalasai (2005). Martin and Suphachalasai (2004) observed that developing economics lose US$2 billion annually from the MFA quota restrictions on clothing alone. On the other hand, cable (2006) claims that many developing countries benefit from the MFA because they could take advantage of higher prices in restricted importing countries while quotas were not really binding their exports. Hammond and Well (2002) have also argued in a similar way when they posited that multi-fibre existence did encourage the entrance of several developing countries into the export of

textiles and clothing that otherwise would not have been involved. Also in the empirical studies conducted by Adhikar and Yamamoto (2005) presented an analysis of sub-Saharan African (SSA) developing countries with key interests in the textile and especially clothing sector, that benefited from the quota imposed on other countries under the MFA. These countries as the study shows include Lesotho Kenya, Mauritius, Madagascar, Swaziland, South Africa and Namibia. The study concluded that with the exception of perhaps south Africa, the sector has provided these countries with an important opportunity to diversify their respective economies, since many of them have largely agro-based economies. Adhikar and Yamamoto (2005)

But ultimately this model discouraged low-wage countries from developing a competitive textile industry of their own, locking them into a situation where they would not go beyond offering a low-wage assembly line (OECD 2004; Naumann (2006). For example, Bangladesh showed success in clothing exports with the help of Korean companies, the developed countries negotiated bilateral restrictions with the poorer country. Thus MFA tends to maintain the present configuration of the T&C trade and therefore discouraged dynamic shifts in trade based on comparative advantage (Goto, 1988). Also in post-quota environment, the most vulnerable countries are those small and remote developing countries and least developed countries that until now have handled only assembly/cut, make and trim (CMI) (Gereffi and Frederick, 2010).

The MFA also has had impact on the economic development in the long run. On the positive side, it attempted to evade MFA quotas and stimulated foreign investment from restricted suppliers like Hong Kong, to non-restricted countries. Investments to less restricted regions helped economic development of countries in Asia (and perhaps to less extent in Latin America, the Caribbean and Sub Saharan Africa-SSA) (Goto, 1988). According to Adhikari and Yamamoto (2005), under the MFA and ATC, the existence of quotas made it necessary

for buyers (developed countries) to source from different locations. They were compelled to source from locations where quotas were available, instead of from locations with better competitiveness in textile and clothing production.

GHALI (1999) studied the export marketing of textiles & garments and argued that in view of the changes in the international scenario and the unprecedented increase in Competitiveness, there was a need for refocusing the strategies for textile and garment exports. The study provided an empirical analysis of India's textile export Performance in developed markets and also the export performance of other developing countries like Hong Kong and South Korea. An important feature of the study was the analysis of the impact of quantitative restrictions imposed by the developed countries on textile and clothing exports from developing countries. It was found that quantity restrictions in most of the developed countries were helpful to India in maintaining her share in textile & garment exports. Strategies were suggested to achieve optimum diversification of exports and to enhance the competitiveness in the world market so as to improve the export performance in the future, by improving the export marketing of garments through product development. Market diversification also needed attention by the export marketing firms.

Brenton and Ikezuki (2004) studied the extent of the restrictiveness and effectiveness of MFA with respect to the developing country suppliers of textile products for the period 1981-1987 and the extent to which these restrictions yielded trade gains for the unconstrained or less established developing country suppliers. The developments in the markets were reviewed in terms of trade share subject to bilateral restrictions, quota utilization rates and shipments which fell under binding quotas. The supply and market response of individual developing exporters were characterized on the basis of the proportion of their trade covered by these quotas and their average quota utilization rates. They studied the changes in the volume and unit value of shipments subject to highly or fully utilized quotas as evidence of

restrictiveness/effectiveness of Multi-fiber Arrangement (MFA). Trade diversion in a representative sample of apparel products was analyzed in a more rigorous framework using a system of simultaneous equations depicting the demand and alternative supply conditions. The study found that in all the four markets considered, the binding constraints faced by the established developing country suppliers, were associated with loss of market shares. Except in US, the scope of this seemed rather small. The observed changes in market shares were not necessarily or fully attributable to MFA, rather such changes could be due to shifts in comparative advantage.

Brenton and Ikezuki (2005) studied quota phase-out proposals. They investigated the main instruments and suggested parameters of the two leading approaches by exploring their implementation with actual data. They analyzed historical MFA quota growth in EC and the US and hence concluded that post quota growth is a key input for an agreement on any phase-out scenario based on transitionary quotas. It also depicted a phase-out within the framework of the MFA which relied on accelerated quota growth based on historical record. They also studied a phase-out based on global quotas along the lines of the US proposals. They investigated the immediate consequences of this shift by applying it to the US market. The study found that quota growth rates were closely and inversely related to quota levels and the performance of the exporters in filling them.

Cadot, carrere and Tumurchudur (2005) established a simple general equilibrium trade model to estimate the effects of the MFA on world trade in clothing especially on exports from developing countries. The model considered two markets and six groups of suppliers and analyzed various effects of MFA - the trade suppressing effect (how much the clothing exports from restricted less developed countries (LDCs) were suppressed due to MFA), the trade diversion effect among markets and the spill-over effect. The model was applied to clothing trade in 1986. By using the model, various scenarios of liberalization of clothing

trade had been analyzed -(1) simultaneous removal of MFA quotas (2) unilateral removal of MFA quotas by either the US or EC (3) simultaneous removal of MFA quotas and tariffs. It was found that the major beneficiary of the MFA was the domestic producers in the importing developing countries. Due to the MFA, the value of shipments of clothing by US producers was more than $ 3 billion higher ($ 400 million for EC producer) than otherwise. When MFA quotas and tariffs were taken together, the value of clothing shipments by the US producer was $ 8billion higher ($1.5 billion for the EC producer) than under no such restrictions. The spill-over to unrestricted developing countries (such as most Latin American countries) was much smaller than often alleged. It was observed that the results of the estimates depended very much upon the chosen values of the parameters such as supply elasticities and elasticity of substitution among differentiated products.

Carrere and DeMelo (2004) studied the extent to which MFA quotas had restricted East European exports of textile and clothing to the major industrial countries and whether the composition of East European textile exports to the industrial countries had any predictive value for further export patterns. The data utilized in this study covered the time period 1985-89 and related to “Eastern European Five”, Bulgaria, Czech and Slovak Federal Republic, (for brevity Czechoslovakia), Hungary, Poland and Romania and as markets, the EC and the US which accounted for about 80 percent of all OECD imports of textile and clothing from non-OECD (plus Turkey) sources. As competitors, they used the "East Asian Four", composed of China plus Hong Kong and Taiwan (China) and Republic of Korea and all MFA suppliers. It was observed that between 1985 and 1989, the textile coverage ratio averaged 59 percent for East European and above 57 percent for all MFA suppliers. The study concluded that the trade-restraining impact of MFA on the East European countries was not very different from that of other MFA suppliers. The average capital intensity of East European exports was relatively high as compared to other MFA suppliers and their degree of

specialization was relatively low. It was found that in the case of East European countries, the distinct pattern of their exports to the EC was not influenced significantly by the MFA.

Hoekman and Ozden (2005) attempted to identify the various distortions, sources of inefficiencies and the transfers among groups that were created by the bilateral quotas for the time period 1982-1990. The MFA caused inefficient allocation of production activities between exporters in restrained countries and producers in the protected import markets, between various constrained exporters and between constrained and unconstrained exporters. Evidence from data on market shares of developing and developed country exporters of fibers, textiles and apparels indicated that the MFA succeeded in arresting the growth in the less developed country's share of textile and apparel imports into the EC and US. The study also found that there appeared to be market segmentation within Europe in textile and clothing products.EC quotas tended to be binding and it was observed that coefficient of variation for prices and quota utilisation rates for China, Hong Kong and Korea were significantly and positively correlated, indicating that differences in prices were related to the "bindingness" of trade restraints.

Inama (2004) examined India's competitiveness vis-a-vis its competitors particularly China and Hong Kong and suggested strategies for India in the MFA phase-out period and post-MFA phase-out period. The author studied India's competitiveness in the different markets for the different textile and garment items at the sub-sector level by taking into account the market shares and unit value of exports of India and its competitors in different garment categories in the different markets. Based on the commodity trade matrix, the revealed comparative advantage indices (RCA) of items of two garment categories falling under SITC codes 843 and 844 were calculated. The study found that India's RCA in U.K., U.S. and German markets for both these categories had been three to four times higher than India's aggregate RCA for these two categories in all the markets taken together. India had a higher

RCA in quota markets as compared to non-quota markets. It was concluded that strategic alliances with the developed countries (DCs), wherein the joint ventures helped India to meet the market needs of DCs, could possibly help India.

Yang and Zhong (1998) examined the prospects for China's textile and clothing exports after phasing out of MFA in January, 2005 and its implications for other textile and clothing exporters. The data utilized in this study covered the time period1970-1994. The study considered both supply side factors (i.e. continued economic reforms and shift in comparative advantage in the world textile and clothing sector) and demand side factors (i.e. phasing out of MFA). China's textile and clothing exports were placed in global perspective and changing international comparative advantage had been analyzed. The study also examined the demand factors associated with the Uruguay Round reform and China's WTO membership negotiated and analyzed the economic and demographic factors which determined China's supply potential in textile and clothing. Simulations were carried out to project the future path of the textile and clothing sector for China and major textile and clothing exporting economies. The Global Trade Analysis Project (GTAP) was used to project the growth path of the world economy, with particular attention to the textile and clothing sector. The study found that MFA did not stop China from utilizing its comparative advantage. China's diversification and upgrading would give South Asia and low-cost ASEAN economies greater opportunities for export promotion.

Yazdani (1998) investigated the impact of the US MFA restrictions on Pakistan's exports of textile and clothing to the US. The author quantified the costs and benefits of trade restrictions on Pakistan's textile and clothing industry and its export performance during the period 1975 to 1994, the entire life-span of MFA. The results of the empirical model showed strong support for the hypothesis that the MFA restraints were binding on Pakistan's textiles and clothing exports i.e. the lesser the quantity constraints and smaller the scope of the quota

restrictions, the higher would be Pakistan's share of the US import market for textile and clothing. Cost competitiveness remained an important determinant of market share with respect to non-restricted and/or MFA-free trade.

Khanna (2000) examined the impact of MFA phase-out on Indian garment export sector. The study analyzed the impact of first two phases of quota removal on world in general, and India in particular, likely impact of next two phases of quota removal and policy implications of standstill/roll back of the MFA phase-out on India and quota rents. The study also dealt with cross competitor analysis of India under major export categories by quantity, value and unit value along with comparative quota utilizations for major markets. The study found that India was the 8th largest supplier of textile & clothing to USA in 1998. Indian quotas in USA were fully utilized. A category-by-category analysis showed that India had strength in cotton and viscose and it competed mainly with Asian competitors and is a low-to-medium priced competitor. There was a downward pressure on prices over a wide range of imports, particularly apparel. As a result, Indian prices for a number of products declined between 1994 and 1998.

Fukase (2000) conducted a comparative analysis of the impact of China's accession to the WTO on the country's economy using a traditional global trade analysis model (GTAP) and the new modeling framework (GTAP-DE).For this purpose, a baseline scenario was implanted in which China did not enter the WTO and a second one, in which both China and Taiwan entered the WTO, first with the GTAP model and then with the new model. The analysis showed that China's share of world exports rose dramatically and its composition was shifted strongly away from primary commodities towards manufactured products.

Diao and Somwaru (2001) focused on the possible impact of the MFA phase-out on the world textile and apparel (T & A) trade using an inter temporal, global general equilibrium

model using trade data from GTAP database for 91 countries over 37years. The analysis indicated a strong positive relationship between trade in textile and apparel and the standard of living. Starting from analyzing trends in world textile and apparel trade, the study found that the developing countries were a growing factor in world T & A trade in recent decades. The study also reported that the MFA phase-out would enlarge world trade of T & A and developing countries would further gain market share in the world total exports. Using GDP and population data, a time-series and cross-sectional estimation was conducted to analyse the relationship between T & A trade and income growth. The regression results indicated a strong positive linkage between trade in T & A and income per person, which contrasted with the negative linkage between agricultural trade and income estimated by the study.

Martin and Bhardwaj (2001) provided a simple introduction of the MFA and used available empirical evidence to examine its impact on exports of garments and textile, focusing on India. They also examined the domestic policy distortions affecting the textile industry in India. They reviewed some of the evidence on the likely impact of MFA abolition on South Asia and on the implications of domestic reforms in India before and after the abolition of the multi-fibre arrangement. It was brought out that while exporting countries could gain from quota rents much of this gain was likely to be offset by losses in exports to unrestricted markets. The results suggested that South Asia as a whole would gain from quota abolition, although different countries might experience different results. India had the potential to benefit from quota elimination in terms of increased market access, employment, output growth and productivity gains. The study suggested a number of domestic reforms including eliminating taxes and concessions that favored decentralized production arrangements, ending the bias against man-made fibres, restricting certain products to handloom production and eliminating delays in shipping and customs clearance.

Appelbaum (2004) made an effort to understand the dynamics of global sourcing in the textile and apparel industries. The study was based primarily on a review of existing research both macro-level research that simulated world trade patterns, and case studies of individual countries. The impact of MFA phase-out was discussed with special emphasis on several Sub-Sahara African countries, for which information was available concerning the role of foreign suppliers. The study showed that large retailers played an increasingly important role in determining the nature of apparel production, including a preference for "lean retailing" that favored Hong Kong, Taiwanese, Korean and Chinese suppliers. It was concluded that FDI would continue to play a key role in textile and apparel industries of developing countries. Enhancement of working productivity through skill training and technological upgrading would diversify production into higher value-added garments such as the more fashion-sensitive women's wear categories.

Elbehri (2004) examined the global trade implications of MFA quota removal on cotton and textile industry by developing new adaptations to the GTAP framework. The analysis was based on a new set of MFA-trade restrictiveness estimates based on 2002 product 43 level quota trade and price data using a multi-regional general equilibrium. The analysis provided comparative static assessment of changes in global trade patterns in post-MFA world. It also took into account the MFA-induced implicit tax on cotton and allowed for inter-fiber substitution. The GTAP database was modified to include the estimates of export tax equivalents (ETE) facing exports to the United States. The study found that the United States showed significant increases in apparel imports substituting for domestic products, raising overall consumption and producing substantial welfare gains. The implications for fiber markets on the U.S. showed lower demand for cotton for domestic use, but expanding U.S. cotton exports due to higher world demand, particularly when both quotas and tariffs were removed. Global welfare gains resulting from MFA quota removal were about US$10.2

billion. All MFA-importing economies showed welfare gains and U.S. showed the largest welfare gains, given the sizeable share of its initial textile and apparel trade under MFA quotas.

Hate, Khanal, Larsen, Smart, Soria and Zanni (2005) analyzed the consequences of elimination of MFA for the South Asian countries including Nepal, India, Pakistan, Bangladesh and Sri Lanka as well as U.S. retailers by using quota model. It was brought out that India and Pakistan would likely be the winners with the expiration of MFA. Nepal is expected to suffer losses in the garment and textile industry without the protection of quotas. The effects of the MFA expiration on the Bangladeshi and Sri Lankan garment and textile industry were ambiguous. US producers of garment &textiles would suffer losses whereas US consumers would benefit.

Kamau (2005) assessed the impact of MFA phase-out on small garment producing economy such as Kenya. The Global Value Chain (GVC) analysis was used to examine how integration of garment trade into the WTO would affect production system in Kenya. The methodology of this study was based on primary and secondary data sets obtained first in 2003 and 2004. The firm-level data was drawn from a survey conducted in 2003 among 45 garment producing firms of diverse features in terms of size, age, ownership and type of garment made in five different towns in Kenya. The study found that gains from elimination of quotas in garment trade would accrue mainly to large Asian producers that were better positioned in the value chain. Kenyan garment firms operated at lower end of the value chain as they mainly undertook 'assembly' work. The study suggested that they should upgrade production from basic products at the lower level of GVC to higher level products such as original brand name manufacturing (OBM) and original equipment manufacturing(OEM) by increasing productivity and establishing stronger links with giant international buyers.

Heron (2006) assessed the impact of the ending of the MFA- the protectionist trade regime that shielded developed country from developing country's textile exports between 1974 and 2004. The study examined more closely the distributional effects of the ending of the MFA by focusing on the distribution of the trade gains. The author argued that while the ending of the MFA might eventually lead to significant welfare gains for the South as a whole, these were likely to be highly skewed in favor of a relatively small number of very competitive textile producers. At the same time, a larger number of (generally smaller) developing countries were likely to find themselves significantly worse-off in the post-quota trade environment.

Harrigan and Barrows (2006) focused on simple and robust theory predictions about the effects of binding quotas and also computed non-parametric estimates of the cost of MFA. The study used a natural experiment in US trade policy to get around these thorny inference problems by taking data from Census Bureau at 10-digit HS level. It was tested whether binding quotas raised prices and led to "quality upgrading" i.e. a shift in the mix of products under a given quota towards more expensive goods. For all U.S. imports of apparel and textiles and for every exporting country and quota group, price, quality and real import indices over time were constructed. It was observed that prices and quality fell by 38 percent from China. The price effects were also substantial for non-Chinese exporters, with little evidence of quality downgrading. It was also found that many other big exporters (especially India, Pakistan, Bangladesh and Indonesia) were able to increase their sales to the US market when their quotas were removed.

Pigato and Ghoneim (2006) evaluated the initial impact of the phase-out of the Multi-Fiber Agreement (MFA) on the textile and clothing sectors (T & C) in Egypt, Jordan, Morocco and Tunisia (MENA-4), with a focus on Egypt. The study depended on comparative data analysis for the countries complemented by interviews with exporters and producers of textiles and

ready-made garments in Egypt. The study suggested a number of public and private sector strategic policy options to enhance the competitiveness of Egypt's exports. Based on the assessment, a number of recommendations were offered to maximize the benefits from liberalization of international trade in T & C. In particular, it was found that the phasing-out of MFA had a mixed impact on the T & C sectors of the MENA-4. In order to capture the full benefits from the phase-out, the study stressed the importance of improving export competitiveness and growth through diversifying export markets, reducing the cost of T & C inputs, easing restrictive rules of origin, improving trade logistics, and pursuing deeper integration both regionally and internationally. For Egypt, the study specifically highlighted the need to restructure the T & C industry, improve the export subsidies program, enhance training and education in the T & C industry, encourage the production of other types of cotton and upgrade port facilities.

Ahmad (2007) highlighted how origin rules have been instrumental in shifting the demand for textile materials towards preference-granting economies. It gave a brief background to the making and evolution of present-day origin rules relating to textiles and clothing in some major economies, both in the context of normal most favored-nation (MFN) trade and preferential trading arrangements which now accounted for a large portion of trade in the sector. The study found that restrictive origin rules constituted a source of continuing distortions in textile and clothing trade. It was observed that rules of origin were closely tied to the sustainability of many preference-receiving countries apparel exports to sourcing of textile materials from preference-granting countries with all the added costs that such sourcing entailed byway of the rigidity of production processes and additional administrative costs. The study highlighted the fact that on the back of origin rules, the preference granting countries gain access for their yarn and fabric producers to capture markets in preference-

receiving countries. The study concluded that the rigidity of origin rules constituted a serious bottleneck for the viability of apparel exports of many preference-receiving countries.

The MFA grew out of a series of voluntary export restraints imposed, initially, by the United States on Japanese textile exports in 1955. By the end of the 1950s, the United Kingdom also began to limit imports from Hong Kong, India, and Pakistan (Spinanger 1999). Quotas on cotton textiles and apparel products were first institutionalized with the Short- Term arrangement in 1961, which was extended to two subsequent Long- Term arrangements throughout the 1960s and early 1970s. As the Asian economies' textile and apparel production continued to grow, developed countries sought a more systematic mechanism to deal with "market disruptions" in other fiber markets. This search led to the signing of the MFA, in 1974, which, although "temporary" at first, ultimately led to an additional thirty years of protection. As a result of the MFA, T&C products were kept out of multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization (WTO).

In tracking developments leading up to the Multifibre Agreement (MFA), and later the WTO Agreement on Textiles and Clothing (ATC), Naumann (2006), has noted that quantitative restrictions on textiles and clothing violated the original word and spirit of some of the basic principles contained in the General Agreement on Tariffs and Trade (GATT). Having entered into force at the start of 1948, this Agreement contained provisions that directly or indirectly relate to quantitative restrictions. It is against this backdrop that MFA came in to being.

The MFA came into force at the start of 1974, and expanded the product coverage of the LTA. The Agreement was welcomed by many countries for setting targets for increased trade through slightly higher agreed minimum growth rates (6% per annum against 5% per annum under the LTA) and more progressive liberalisation of textile trade. The Agreement also provided for the conclusion of bilateral treaties, which in effect permitted countries to tailor

quantitative restrictions differentially according to their own particular requirements. This demonstrated the MFA's most significant departure from GATT rules, particularly that of nondiscrimination.

The MFA's first years of existence saw the conclusion of a significant number of 'bilaterals', mainly between the US and Europe, the chief quota imposing countries. But many of these agreements went even beyond what the MFA envisaged, with restrictions that differed from the word and certainly spirit of the MFA. 'Reasonable departures' from the original text became common cause in these bilateral agreements, eventually spurring quota-restricted (developing) countries into providing a more coordinated response. This eventually led to the removal of the 'reasonable departures' facility, although little real progress was made beyond nonbinding commitments on the part of quota-imposing countries (Naumann,2006:6).

In Europe, quantitative restrictions on certain imports went even further, covering most of the textiles and clothing sector. Relief was in the form of GATT Article XII (*Restrictions to Safeguard the Balance of Payments*), which, however, failed to define the degree of balance of payments disruptions sufficient to trigger a response, thus leaving the door open for countries to address their concerns through this facility.

Under pressure from various countries, most notably the US, a formal forum was established within GATT during 1961 to deal with the increasing market disruptions (and threat thereof) in major importing countries. This forum resulted in the conclusion, first of a 'Short-term Arrangement Regarding International Trade in Cotton Textiles' (STA) – note the explicit reference to cotton textiles – and pursuant to this, a 'Long-term Arrangement Regarding International Trade in Textiles' (LTA) (Naumann,2006).

The STA, which was adopted by almost 20 countries, provided for the unilateral imposition of quotas on cotton-based textiles and clothing in cases where the exporting country did not itself voluntarily and satisfactorily restrict its exports. The LTA, initially covering a five-year

period but subsequently renewed in 1967 and 1970, provided the basis for further, yet more targeted, restrictions. But since both the STA and LTA covered only cotton-based textiles, the growing trade in man-made fibres remained largely unaffected by these trade measures.

Voluntary agreements were nonetheless concluded mainly between the US and various key suppliers of man-made fibre products, as well as of wool products. These agreements sought to restrict key suppliers' exports to the US and thus limit domestic market disruptions brought about by this surge in foreign competition. While this approach initially provided a fair measure of relief, its fragmented nature made it an onerous policy tool in the long run. At the same time, many European countries – which until then had benefited from the more limited LTA – experienced an increasing inflow of non-cotton textile imports. The uncertainty associated with the bilateral approach under the LTA likewise appeared to find little favour with developing countries, some of which had become substantial players in the global textile and clothing industry (Naumann,2006:6).

Naumann (2006) has observed that over the ensuing years, the time-bound MFA was renewed on various occasions, notably in 1977, 1981 and 1986. In the most recent guise, the MFA's product coverage was extended (to include, among others, vegetable fibre products), although it also removed provisions that could have provided the basis for a tightening of existing quotas. However, positions around quotas became increasingly polarised, with major importing countries (such as the US and EU) pressing for a broadening of the MFA, and developing and exporting countries opposing it. While the latter continued to call for a liberalisation of textile and clothing trade, it was only in 1991 that versions of what was to become known as the Agreement on Textiles and Clothing (ATC) – negotiated as part of GATT's Uruguay Round trade negotiations – were presented. A final version of the ATC, which set out a definitive plan for the structured removal of quantitative restrictions, was finally implemented on 1 January,1995. This provided the basis for the liberalization of trade

that saw China and other countries dominating developing countries' economies with textile materials.

For African countries, successive Lomé Conventions and later the Cotonou Agreement, as well as general GSP and 'Everything-But-Arms' programs, provided preferential access to the European market which further increased the relative benefit accruing to quota unconstrained countries. However, the conclusion of preferential trade agreements and arrangements between developed and developing countries have nevertheless contributed indirectly yet significantly to the impact that the ATC quota regime has had on many developing countries including Nigeria especially in the textile industries.

For example, in 2001, the United States' African Growth and Opportunity Act (AGOA) substantially improved market access for items such as clothing when shipped from eligible African countries. Although preferential clothing exports are subject to special provisions and origin rules, as well as a quota, this applied only to the duty-free preferences offered rather than overall market access for clothing exports.

As part of its entry into the WTO, China agreed to special safeguard provisions, subject to "consultations," that would limit its exports to countries experiencing market disruptions after the ATC was phased out under the guidelines governing China's accession into the WTO, Although, the European Union is shown as the leading exporter of textiles and clothing, Naumann(2006:16) has noted that much of this trade takes place within Europe. This establishes China as the leading exporter globally, even without taking into account the contribution of Hong Kong. When aggregating China and Hong Kong's exports (not including Hong Kong're-exports'), China's dominance as a leading clothing exporter was already obvious in 2003.

Although the previously described literature discussed the political implication of the MFA, the mechanics of the agreement often took a back seat to the interplay of the various forces at

work in shaping the agreement. In studies conducted by Kala Marathe Krishna and Ling Hui-Tan titled "Rags and Riches: Implementing Apparel Quotas under the Multi-Fibre Arrangement" in 1998 focusing on the mechanics of the MFA, Krishna and Hui-Tan's (1998) analysis endeavors to fill in gaps in the historical literature. Much of the analysis was centered on the rules of the MFA and how countries implemented those rules. Krishna and Hui-Tan claimed that they wrote their book to address a "largely neglected area concerning the actual implementation of MFA quotas." Econometric modeling was included in the analysis to help support the authors' case. The book vividly outlines many of the loopholes in the MFA that helped to distort trade and, in turn, altered the nature of the global textile and apparel industry. Often, the political debate over the MFA focused on the impact of quotas on small developing suppliers.

2.2:4 Issues and Perspectives of WTO Policies on Developing Countries

The Uruguay Round of Multilateral Trade Negotiations was completed in 1994 with the signing of the Uruguay Round Agreements at Marrakech. The Round produced a number of important achievements, including replacing the General Agreement on Tariffs and Trade (GATT) as an institutional framework for overseeing trade negotiations and adjudicating trade disputes, with the World Trade Organization, and extending GATT/WTO rules of trade to new areas such as intellectual property and services. Among the most significant accomplishments of the Uruguay Round were its focus on the treatment of agricultural trade under the GATT and the resulting new disciplines on agricultural trade policy (Yeats, 1987; Bhagwati, et al., 1998; Rena, 2006a).

Until the Uruguay Round, agriculture received special treatment under GATT trade rules through loopholes, exceptions, and exemptions from most of the disciplines applying to manufactured goods. As a result, the GATT allowed countries to use measures

disallowed for other sectors (e.g., export subsidies), and enabled countries to maintain a multitude of non-tariff barriers that restricted trade in agricultural products. Participants in the Uruguay Round continued the GATT's special treatment of agricultural trade by agreeing to separate disciplines on agriculture in the Agreement on Agriculture (URAA), but initiated a process aimed at reducing or limiting the exemptions and bringing agriculture more fully under GATT disciplines (Finger, et al., 1996; Bhagwati, et al., 1998; Merlinda, et al., 2004).

Under the Agreement, countries agreed to substantially reduce agricultural support and protection by establishing disciplines in the areas of market access, domestic support, and export subsidies. Under market access, countries agreed to open markets by prohibiting non-tariff barriers (including quantitative import restrictions, variable import levies, discretionary import licensing, and voluntary export restraints), converting existing non-tariff barriers to tariffs, and reducing tariffs. URAA signatory countries also agreed to reduce expenditures on export subsidies and the quantity of agricultural products exported with subsidies, and prohibits the introduction of new export subsidies for agricultural products. Domestic support reductions were realized through commitments to reduce an aggregate measure of support (AMS), a numerical measure of the value of most trade distorting domestic policies. The agreement is implemented over a 6-year period, 1995-2000 (Rena, 2006a). This is a major challenge and opportunity as positive results would rectify some of the development shortfalls of the Uruguay Round, mainstream development into the WTO as a central principle, and provide development-enhancing rights and obligations that would enable the entire membership to use multilateral trade liberalization (MTL) and rules as a facilitating engine of trade as well as of development and poverty reduction.

2.2:5 Historical Background and Institutional Characteristics of the WTO

The Bretton Woods Conference of 1946 gave birth to the World Bank, the International Monetary Fund (IMF) and the International Trade Organization (ITO). The roles of these three institutions were to promote investment for development and to regulate balances of payments and international trade, respectively. The creation of the WTO was negotiated by the United Nations and culminated in the Havana Charter of 1948. Tariff relief, meanwhile, was regulated by the 1947 General Agreement on Tariffs and Trade, better known as GATT, whose application and supervision were assigned to the ITO. The United States Congress, however, did not adopt the ITO, so that GATT came into force without this institutional backing. Its implementation was only ever provisional, moreover, since it never secured the number of ratifications required by its charter 4. The gap was filled by a temporary secretariat created by the United Nations, which eventually became permanent, and by article XXV, which established a mechanism enabling the parties (known as the Contracting Parties when acting collectively) to meet and execute the Agreement. (Barfield, 2004).

Besides these institutional shortcomings, GATT was born with two major limitations. The first was the underrepresentation of developing countries, since there were only seven of these among the 23 founder members of GATT. In Latin America, the original signatories of the Agreement were Brazil, Chile and Cuba. The second limitation was that its work was confined exclusively to regulating customs tariffs on goods traded between industrialized countries on the basis of the national treatment and most-favoured- nation principles. Despite these limitations, GATT managed to survive and endure for almost 50 years. In its eight negotiating rounds, furthermore, it was able to adopt decisions, resolutions and protocols that allowed it to develop and expand its sphere of action, its representativeness and, very gradually, its responsibilities towards developing countries (Jamie, 2007).

Disputes under GATT during the 1948-1994 period of the Agreement were governed by its articles XXII and XXIII which, as will be explained later, remain in force. These articles established the right of Members to bring forward consultations or complaints concerning the application of the Agreement, on the terms set forth therein. They did not establish a procedure for handling disputes, however, but gave the Contracting Parties (and not independent bodies) the authority to resolve them, nor was there any appeals procedure. (GAO, 2000).

In the initial stages, disputes were submitted directly to the Contracting Parties; subsequently, resolutions were passed on to working groups of up to 20 delegates or representatives of governments (which could include those of the parties in dispute), whose recommendations were submitted to the Contracting Parties for a final decision. In 1952, panels were created to resolve complaints under article XXIII and agreement was reached on the principle that any measure infringing the agreements adopted would be presumed to constitute a case of nullification or impairment of the benefits conferred by GATT rules. Under these new provisions, panel members could no longer be from the parties in dispute, but their recommendations continued to be submitted to the Contracting Parties for a final ruling. Subsequent resolutions adopted from 1952 onward made good the lack of a set procedure, culminating in 1989 with the approval of a new set of rules that were more elaborate and objective, and that applied until the end of the Uruguay Round (Horlick, 1998). However, the fact that final ruling required consensus among all Contracting Parties, including the parties in dispute, mean that disputes were ultimately resolved through diplomatic or political channels. During the period from 1948 to 1994, 196 disputes were resolved but in only one case was authorization given to suspend concessions owing to non-compliance with its obligations under the Agreement.

2.2:6. The Emergence of WTO

The WTO was founded on 1st January, 1995. However, its trading system is about half a century older. The General Agreement on Tariffs and Trade (GATT) which is WTO's predecessor was established after World War II, precisely in 1948 in the wake of other new multilateral institutions dedicated to international economic cooperation; such as the World Bank and International Monetary Fund (IMF) (Jackson, 2002). Since 1948 the GATT had provided the rules for the system. Over the years, GATT evolved through several rounds of negotiations. The last and most notable GATT round was the Uruguay Round which lasted from 1986 to 1994 which eventually led to the creation of WTO in 1995. Whereas GATT mainly focused on trade in goods, the WTO and its agreements now cover trade in services, and traded inventions, creations and designs i.e. intellectual property (Ismail, F. 2009). The WTO currently has 159 members and 27 observers as at 24th August, 2012 out of which 117 are developing nations. In addition to states, the European Union is a member (Ahmed, 2013).

The Organization's secretariat is located in Geneva, Switzerland. Its annual budget is approximately $180 Million (about £130 Million) and its activities are supported by about 700 staff. English, French, and Spanish are the organization's official languages (Lamy, 2009).

It is important to however note that the push to create a world trade body gathered force in the aftermath of the many restrictive trade rules adopted worldwide during the Great Depression. After the Depression began in 1929, many nations placed large tariffs on imports to protect domestic industries and jobs. Most economists now agree that these tariffs aggravated the economic downturn by crippling trade and hurting companies that depended on overseas markets (Zanini, 2008).

After World War II (1939-1945), Western diplomats and economists pushed to establish an international organization that would promote freer trade. The United States proposed its setting up to enforce world trade rules. This organization was to complement two other institutions established shortly after the war to bolster the world economy: the International Monetary Fund (IMF) and the World Bank. The IMF's purpose was to help stabilize the currencies and economies of many nations, and the World Bank was empowered to make large, but low-interest loans to nations to spur their economic growth (Thrirlwall, 1999).

The WTO never got off the ground, however. The primary reason was the failure by U.S. president Harry Truman to persuade the Congress of the United States to approve the organization. Many members of Congress were concerned that the International Trade Organization (ITO) would have the power to declare U.S. trade regulations illegal. Without the participation of the United States - the world's largest importer and exporter - the organization collapsed (Jones, 2010).

In 1947, with the fate of the WTO still unclear, diplomats agreed to set up a far less powerful body called the General Agreement on Tariffs and Trade (GATT). That Geneva-based organization had two roles: to oversee negotiations to reduce tariffs and other trade barriers and to adjudicate trade disputes. GATT proved highly successful in lowering tariffs. During eight rounds of trade talks, the last of which ended in 1994, tariffs in the industrial world fell from more than 40 percent of the value of all industrial goods traded internationally to less than 4 percent (Jones, 2010).

In decades past, trade barriers erected by one country often triggered retaliatory measures from other countries. These actions sometimes led to spiraling rounds of increasing tariffs and other barriers that cut deeply into international trade. Eager to prevent such trade disputes, many nations that were dissatisfied with GATT supported the creation of a more powerful new organization to quickly settle trade disputes with as little ill feeling as possible.

At a 1994 conference in Marrakesh, Morocco, representatives from 109 nations agreed to replace GATT with the WTO, in the hope that the new trade body would be more powerful and effective than its predecessor. The WTO began operating on January 1, 1995 (Stoll, 2008).

The main activities of the WTO are:

i. Negotiating the reduction or elimination of obstacles to trade (import tariff and other barriers of trade) and agreeing on rules governing the conduct of international trade (e.g anti-dumping, subsides, product standards etc);
ii. Administering and monitoring the application of the WTO's agreed rules for trade in goods, trade in services and trade-related intellectual property rights;
iii. Monitoring and reviewing the trade policies of members, as well as ensuring transparency of regional and bilateral trade agreements;
iv. Settling disputes among members regarding the interpretation and application of agreement;
v. Building capacity of developing countries' government officials in international trade matters;
vi. Assisting the process of accession of some 30 countries who are not yet members of the organization;
vii. Conducting economic research, collecting and disseminating trade data in support of the WTO's other main activities; and
viii. Explaining to and educating the public about the WTO, its mission and its activities (Stoll, 2008).

2.2:6 a. Institutional Structure of the WTO

The Uruguay Round was the last GATT negotiating round before the current and still ongoing Doha Round, and it was the first to be held in a developing country. It culminated with the Marrakesh meeting of 15 April 1994 and the approval by the 124 participating countries and the European Communities of the Marrakesh Agreement Establishing the WTO (referred to hereinafter as the WTO Agreement) and of 29 annexed multilateral agreements, 28 declarations and ministerial decisions, four plurilateral agreements and an understanding on financial commitments. (Husted 1995).

The Uruguay Round negotiations took place at a political and trade ministry level. However, disputes arising from the application of the resulting agreements have been and continue to be settled essentially by legal means, as we explain further on. Whereas GATT led to a great deal of fragmentation, since the parties did not all ratify the same agreements (for example, two thirds of members did not sign up to the agreements of the 1979 Tokyo Round), the WTO Agreement and annexed agreements approved in Marrakesh constitute an integrated blanket agreement whose texts are equally binding on all Members. WTO rules extend not just to trade in goods and services but also to subsidies, safeguards, anti-dumping measures, rules of origin and other issues covered by the 29 agreements mentioned. The WTO is an organization with an international legal personality (which GATT was not) and is responsible for supervising the application of the main agreement and its annexed agreements, including, of course, the Understanding. (Jackson,1999).

The 148 member countries are always part of the three main WTO bodies —the Ministerial Conference, the General Council and the Dispute Settlement Body (DSB)— and are represented on them. This innovative structure ensures that the decisions taken by these bodies will be multilateral and representative:

i. The Ministerial Conference is an assembly of the ministerial representatives of the Member States. It meets every two years and has the authority to settle any matter covered by the multilateral agreements adopted in Marrakesh;

ii. The General Council is an assembly of the Geneva representatives accredited by the governments of the Member States. It discharges the functions of the Ministerial Conference when the latter is not meeting. It meets as often as it deems necessary and administers and supervises the different Councils established by the Agreement (trade in services, trade in goods and trade-related aspects of intellectual property rights), and it also acts as the Dispute Settlement Body when required;

iii. The Dispute Settlement Body (DSB) is composed of the same representatives as the General Council. It administers the rules and procedures of the Understanding and settles disagreements arising from the application of the multilateral agreements covered. As mentioned above, its functions are performed by the General Council. It meets monthly, and may have its own chairman and approve such rules as it needs to carry out its functions. And

iv. A Secretariat headed by a Director-General who is appointed by the Ministerial Conference and in turn appoints a staff which he then heads and whose duties and conditions of service he determines. Both the Director-General and the Secretariat staff are international officials and do not accept instructions from any government.

At meetings of the Ministerial Conference and General Council, each member has one vote. The WTO continues the GATT practice of decision-making by consensus, which is deemed to have been reached when no Member present at the meeting where the decision is taken formally opposes it. Thus, an absence or abstention does not block consensus. If consensus is not reached, the decisions of the Ministerial Conference and Council are taken by majority

vote, unless otherwise provided. The exception to this are the rulings of the DSB, which can only be adopted by consensus. (Jackson 2003).

The Ministerial Conference is the highest authority of the WTO. It is composed of representatives of all WTO members. It meets at least every two years and can make decisions on all matters under any of the multilateral agreements. There are three bodies established by the Ministerial Conference that report to the General Council:

- The Committee on Trade and Development - responsible for issues related to developing countries, especially the least developed;
- The Committee on Balance of Payments - responsible for consultations with countries who take trade restrictive measures due to balance of payments problems;
- The Committee on Budget. Finance and Administration - responsible for issues related to the WTO budget and financing (Odell, 2007).

The General Council is responsible for the day to day work of the WTO. It reports to the Ministerial Conference and is made up of all the WTO members. In addition to conducting regular work on behalf of the Ministerial Conference, the General Council also convenes in two particular formats:

The Dispute Settlement Body (with a separate standing Appellate Body)

The Trade Policy Review Body It also delegates authority to:

i. The Council for Trade in Goods; ii.
ii. The Council for Trade in Services.
iii. The Council for Trade-Related Aspects of Intellectual Property.

The above three bodies are responsible for the oversight of implementation and functioning of agreements on their respective subjects. In addition, each of the four plurilateral agreements (civil aircraft, government procurement, dairy products and bovine meat) has its own management body which reports to the General Council. All WTO members may

participate in all councils, committees, and so forth, except the Appellate Body, Dispute Settlement Panel, Textiles Monitoring Body and the plurilateral committees (Pedersen, 2006).

The WTO Secretariat, located in Geneva, Switzerland, is headed by a director- general and four deputies. Each division of the WTO comes under one of these four deputies or the director-general. (See Annex II) The staff numbers are around 500. The budget of the WTO is approximately US$93 million and is funded by assessed contributions on members, calculated on the basis of a member's share in total trade of all WTO member countries, computed as a three year average of the most recent trade figures. If a member's share is less than 0.12 percent, a minimum contribution is assessed. (Schott and Watal,2000). This Secretariat is responsible for: Administrative and technical support for WTO delegate bodies (councils, committees, working parties, *etc.);*

> Technical support for developing countries; Trade performance and policy analyses by WTO statisticians and economists; Assistance from legal staff in resolution of trade disputes involving interpretation of WTO rules and precedents; Dealing with accession negotiations and providing advice to governments considering membership. Most countries maintain a diplomatic mission in Geneva and many have a special ambassador to the WTO. There are currently 132 member countries and thirty-four observer governments (Pedersen,2006:).

The decision making process of the WTO is by consensus (countries not present or abstaining do not count). There are, however, provisions for voting for cases in which consensus cannot be reached. Voting is by majority rule with "one country, one vote." The four scenarios for voting are by a 3/4 majority, WTO members may adopt an interpretation of any multilateral agreement by a 3/4majority, the WTO members can have the Ministerial Conference waive an obligation imposed on a member by a multilateral agreement by the approval of all members or by a 2/3 majority (depending on the nature of the provision), the WTO can adopt

an amendment to any provision of a multilateral agreement; By a 2/3 majority in the Ministerial Conference, the WTO can admit a new member (Barfield, 2010).

This first meeting of the Ministerial Conference of the WTO took place from December 9-13, 1996.) Its importance lies in the fact that it provided the first in-depth review and assessment of WTO operations, it established precedence for future meetings, and it allowed member counties to develop policy guidance for the organization for the near term.

The meeting reviewed the "built-in" agenda established by the Uruguay Round of trade negotiations and introduced further initiatives in government procurement, trade and investment, and competition policy. The ministers failed to adopt a U.S. initiative to include labor standards in the WTO work program, determining that the International Labor Organization (ILO) was the appropriate body to deal with such issues. The ministers also agreed to move forward with commitments made in the Uruguay Round on new agricultural trade liberalization negotiations set to begin in 1999 and approved a plan of action to help the poorest countries through technical assistance. In addition, the ministers expressed disappointment in the number of countries failing to notify the WTO of trade measures or relevant legislation enacted (Cottier and Takenoshita, 2003). The General Council has the following subsidiary bodies which oversee committees in different areas:

Council for Trade in Goods: There are 11 committees under the jurisdiction of the Goods Council each with a specific task. All members of the- WTO participate in the committees. The Textiles Monitoring Body is separate from the other committees but still under the jurisdiction of Goods Council. The body has its own chairman and only 10 members. The body also has several groups relating to textiles.

2.2:6b. Council for Trade-Related Aspects of Intellectual Property Rights

This provides information on intellectual property in the WTO, news and official records of the activities of the TRIPS Council, and details of the WTO's work with other international organizations in the field.

Council for Trade in Services: The Council for Trade in Services operates under the guidance of the General Council and is responsible for overseeing the functioning of the General Agreement on Trade in Services (GATS). It is open to all WTO members, and can create subsidiary bodies as required.

Trade Negotiations Committee: The Trade Negotiations Committee (TNC) is the committee that deals with the current trade talks round. The chair is WTO's director-general. As of June 2012, the committee was tasked with the Doha Development Round.

The Service Council: the council has three subsidiary bodies, namely; financial services, domestic regulations, GATS rules and specific commitments. The General council has several different committees, working groups, and working parties. There are committees on the following: Trade and Environment; Trade and Development (Subcommittee on Least-Developed Countries); Regional Trade Agreements; Balance of Payments Restrictions; and Budget, Finance and Administration. There are working parties on the following:-Accession. There are working groups on the following; Trade, debt and finance; and Trade and technology transfer (Hudec, 2002).

2.2:6cWTO Dispute Settlement Procedure

Some novel features of the WTO dispute settlement procedure, which set it apart from any other international procedure of the same kind and account for its efficiency and effectiveness, are the compulsory and exclusive nature of its jurisdiction, its multilateral character, its automaticity, the primacy of law in dispute settlement, the preference for non-

contentious solutions, low cost, speed and the procedures for enforcing and implementing resolutions. (Barfield, 2004).

a. Jurisdiction

The jurisdiction of the WTO is compulsory, exclusive and multilateral.

Any Member country which considers that another Member has violated its obligations under the WTO Agreement or an annexed agreement, or that its benefits have been impaired or nullified, is entitled to initiate the dispute settlement procedure by requesting consultations. In certain cases, a Member with a substantial trade interest may (if the consulting Member agrees) be joined in the consultations and subsequent proceedings (Husted, 1995).

The Member to which the request for consultations is addressed is obliged to respond and cannot challenge this jurisdiction (as may happen with other bodies), since it automatically accepted it by ratifying the WTO Agreement and annexed multilateral agreements. This is in contrast to the proceedings of other international tribunals, where challenges to jurisdiction and the like are common and can delay or hold up any settlement of the substance of a dispute for years (ICSID 2004, Report).

Jurisdiction is also exclusive in the sense that any infringement of WTO agreements can only be judged or remedied in accordance with WTO rules and procedures. A Member country cannot sue another or seek reparations for such infringements before any jurisdiction or through any proceedings, national or international, other than those established by the WTO system and Understanding. Furthermore, the procedure is multilateral in a twofold sense. First, because once an agreement has been violated or challenged, the affected party cannot respond with unilateral measures without also committing an infraction. Its only legitimate recourse is to work through the multilateral procedures of the WTO. Second, because each stage in the procedure has to be approved by the DSB, which is composed of representatives from all WTO Members. Thus, for example, the start of consultations, the formation of a

panel and its ruling, a ruling by the Standing Appellate Body (hereinafter the Appellate Body) or a resolution approving the suspension of concessions or obligations all have to be approved by the DSB. Furthermore, once the procedure has been initiated, any settlement arrived at by mutual agreement between the parties has to be consistent with the WTO Agreement and its annexed agreements, and be notified to the DSB and the relevant Committees. This allows other Members to raise concerns about the consequences this bilateral solution might have for the multilateral agreements concerned. (Jung, 2004).

b. Dispute settlement: primacy of law. Description of the bodies involved

A radical change from GATT has been the replacement of procedures where political and diplomatic considerations prevailed by one whereby disputes are settled by independent tribunals pursuant to the facts and the relevant law (Jung, 2004).

The governing law is the set of agreements annexed to the WTO Agreement and forming an integral part of it. GATT 1994 is one of these annexed agreements, and itself includes GATT 1947 and the decisions, procedures and customary practices of its Contracting Parties. Panels are formed at the request of the complaining country and must be approved by the DSB, unless the latter decides by consensus not to establish a panel. They are composed of three well-qualified independent governmental and/or non-governmental individuals who cannot be citizens of the parties to the dispute or of third countries involved in the dispute and having a substantial interest in it, unless the parties agree otherwise. Nominations are made by the Secretariat and may not be opposed except for compelling reasons. If agreement is not reached, the appointments will be made by the Director-General in consultation with the Chairman of the DSB (OECD, 2004).

Panels shall have the right to seek information of relevance to the dispute presented from any individual or organization within the jurisdiction of a Member country, on the sole proviso that they first inform the authorities of that country. In turn, Member countries are legally

obliged to provide this and a refusal to do so may lead the panel to draw inferences unfavourable to that Member. The Appellate Body is to be composed of seven persons of recognized authority and demonstrated expertise in law, international trade and the subject matter of the covered agreements generally. They shall be unaffiliated with any government and only three shall serve on any case, in accordance with a predetermined rotation. They are to be appointed by the DSB for a four-year term, renewable once, and shall be broadly representative of the membership of the WTO. Only the parties may appeal. Third parties which have notified the DSB of a substantial interest may make written submissions and be given a hearing. The Appellate Body will only consider issues of law or legal interpretations developed by the panel (Agosta, Jone and Zeldovich, 2003).

It is exclusively for the panel to analyse and assess the facts and evidence. However, it has been determined that consideration of evidence by a panel is a matter of law and thus qualifies for Appellate Body review. Furthermore, it has been argued that GATT, the WTO Agreement and the annexed agreements are an integral part of public international law and thus governed by the general principles of international law. Accordingly, the Appellate Body regularly invokes the rules of interpretation of the Vienna Convention on the Law of Treaties, particularly article 31. The resolutions of panels and the Appellate Body do not apply the stare decisive principle of Anglo-Saxon law, whereby courts are obliged to apply the case law established by previous rulings on the same matters. WTO panels and the Appellate Body take their decisions freely on the merit of the facts and the law applicable in each case. In practice, however, even though they are not binding, previous rulings are always analysed and considered thoroughly in every resolution adopted. They are also a principal source of information for countries considering whether to submit a claim to the WTO (Crump, 2007).

Member countries have to ensure that their laws, regulations and administrative procedures are consistent with the obligations accepted under the WTO Agreement and annexed

agreements. Members are entitled to ask that legislation inconsistent with these (e.g., laws that violate national treatment or the countervailing duties application procedure) be amended or repealed. An example of this is the complaint made by a number of countries, including Brazil, Mexico and Chile, against the United States for the so-called Byrd Amendment of 2000 which altered that country's legislation and authorized the direct payment of countervailing duties to businesses alleging import subsidization or dumping. The ruling, accepted the complaint and established that this amendment was contrary to and incompatible with the provisions of the Anti-dumping Agreement (AD Agreement), the Agreement on Subsidies and Countervailing Measures (SCM Agreement) and GATT 1994. Jurisprudence has distinguished, however, between contrary legislation that is imperative (which can be protested) and legislation that, while contrary, is merely optional or discretionary (which cannot) (Bermann, 2010).

c. Automaticity "reverse" consensus rule

By contrast with the resolutions of GATT bodies, which required for their validity the consensus of the Contracting Parties so that just one Member could prevent a panel from being formed or a ruling from being adopted or enforced, at the WTO the reverse consensus rule applies. This means that DSB resolutions take effect automatically unless there is a consensus among Members that they should not be adopted. As is obvious, a Member consensus against the formation of a panel, the approval of a ruling or the suspension of concessions has never occurred. With GATT, on the other hand, it was enough for such resolutions to be rejected by a single Member for consensus to be blocked, which in the end meant that the parties had to negotiate a political solution. This is one of the innovations accounting for the speed and expeditiousness of WTO procedures. Thus, when a country, requests consultations or the formation of an arbitration panel, DSB resolutions for or against take effect immediately, unless there is a consensus against them. The same is true of DSB

resolutions on the rulings of arbitration panels and the Appellate Body, or rulings approving the suspension of concessions or other obligations when the respondent party does not comply with the resolutions of the latter. In all these cases, the relevant resolutions can only be revoked if there is a Member consensus against their adoption (Gary, 2003).

d. Preference for non-contentious solutions

The first objective of the procedure is to find a positive solution that is mutually acceptable to the parties to the dispute. Accordingly, contentious proceedings cannot begin right away; instead, the procedure has to start with a request to the DSB for consultations, and the Member complained of is obliged to respond. These consultations are confidential, and only when they fail can the formation of a panel be requested. Without prejudice to this, the procedure allows and encourages the parties, subject to its rules (including notification to the DSB), to settle their bilateral differences at any of the subsequent stages.

e. Costs

In comparison with other mechanisms, WTO proceedings have a low cost. The parties do not pay for administration, secretarial costs or arbitration fees. All these costs are met by the Organization out of its general budget.

In international disputes, however, legal costs are the largest item and here too the WTO differs from other bodies. Since October 2001, the Advisory Centre on WTO Law has been operating. This Centre is an independent public international body, with its own legal personality, which had 37 member countries as of January 2005 (10 industrialized countries and 27 developing countries). It is based in Geneva and its function is to provide developing countries with legal advice on WTO issues, particularly dispute settlement, at a reasonable cost. Its current Executive Director was formerly a WTO legal advisor. As of January 2005, Honduras, Nicaragua, Ecuador, Peru, Colombia and Venezuela had received legal advice

from the Centre in some of their disputes before the WTO. In some cases this advice was provided directly by the Centre, in others by an outside legal advisor (Crump, 2007).

f. Speed

Once consultations have begun there is a very strict pre-established timetable for the procedure, and extensions can only be granted by the DSB. In practice, WTO proceedings are both faster and more flexible than those of any other international body. The flexibility comes, among other factors, from the non-contentious nature of the consultations with which they begin, most of which end with the parties reaching agreement or the deadline simply expiring without either of the parties requesting the formation of a panel. It is the exception, then, for disagreements to persist and be settled by a panel. Indeed, in some cases the parties settle their differences by mutual agreement even after a panel has been constituted (Crump, 2007)

The timetable is 60 days for the consultations and six months for the panel to issue its ruling (or report when there is no appeal) from the date it is formed. Unless the DSB grants an extension, in no event may the period between the establishment of the panel and the distribution of the report to Members by the DSB exceed nine months, or 12 months when there is an appeal. Should there be an appeal, the ruling must be distributed within 60 days from the time the decision to appeal is formally notified. Once the ruling has been adopted by the panel or the Appellate Body, the affected Member must notify the DSB of its intention to comply with the decisions adopted. If it does not comply with them immediately, it must do so within a reasonable time, which in most cases may not exceed 15 months from the date of the panel or Appellate Body ruling. If the panel or Appellate Body has extended the deadlines for issuing the respective rulings, however, the additional time will be added to the 15 months with the proviso that the total period may not exceed 18 months from the said date, unless the parties agree that there are exceptional circumstances (Bacchetta, 2003).

g. Compliance or execution

If the panel or Appellate Body resolves that the measure complained of is inconsistent with a covered agreement, it will recommend that the Member concerned bring it into conformity with that agreement, and may suggest how this should be done. If there is disagreement over the compliance measures or their consistency with a covered agreement, this will be resolved through the same procedure, ideally by the original panel and within 90 days from when the matter is brought before it. If the Member affected or prejudiced by the report does not comply with the agreed measures within a reasonable time period, that Member will be obliged to negotiate mutually acceptable compensation if the other party so requests. Compensation is voluntary, in that the country may refuse to provide it, in which case concessions may be suspended indefinitely until it comes into compliance. Should compensation be granted, it must be compatible with the relevant agreements. If this has not happened within 20 days following expiration of the reasonable time period agreed on, any of the parties that has had recourse to the dispute settlement procedure may apply to the DSB for the concessions or other obligations resulting from the covered agreements to be temporarily suspended in respect of the Member concerned (Bacchetta, 2003).

Suspensions or reprisals will be authorized by the DSB until such time as the measure declared inconsistent with the covered agreement has been removed, or the Member concerned provides a solution to the nullification or impairment of benefits, or a mutually satisfactory solution is reached. The Member concerned may, however, object to the level of suspension proposed or the procedures followed, in which case the dispute will be submitted for arbitration to the original panel if available or, if not, to an arbitrator appointed by the Director-General. The level of suspension of concessions or other obligations authorized by the DSB must be equivalent to the level of nullification or impairment of the agreement that has been breached. In the 10 years that the WTO has been operational, there have been only

six cases in which compliance with a final Appellate Body ruling has been called into question and the DSB has had to authorize the suspension of concessions or other obligations against the offending member.

h. Some shortcomings

One of the shortcomings of the procedure is that it does not make any provision for precautionary or provisional measures to assure the outcome of the dispute for the complainant. Furthermore, the final rulings of panels or the Appellate Body only apply to the future and not from the date on which the infraction complained of occurred. As for the compensation or suspension of concessions or other obligations that can be imposed on an offending Member to enforce DSB resolutions, these have to be equivalent to the level of nullification or impairment of the breached agreements. The problem with this requirement of proportionality is that it has only a minimal impact on an industrialized country when the complainant is a developing country. Furthermore, suspending concessions increases the tariffs applicable to the country being penalized, and thus raises import prices for consumers in the importing country. Lastly, perhaps the most serious shortcoming is that the DSB lacks the power to apply coercive measures to enforce its decisions (Mc Cloure, 2011).

This limitation contrasts with the regulations governing the International Centre for Settlement of Investment Disputes (ICSID), which gives arbitration awards issued in accordance with the ICSID Convention executive force in all Member States of that organization.

i. Comparison with other mechanisms

The WTO has the most efficient dispute settlement procedure of any international body. It is an objective, fast, predictable, low-cost procedure or code of rules which, notwithstanding the limitations referred to, responds effectively to the needs of developing countries. Before it existed, a trade complaint made by a developing country was unlikely to prevail in the courts

of an industrialized country or, during the early decades, in GATT bodies. The most fundamental change has been the replacement of a system in which political considerations predominated by one administered by independent bodies with an obligation to apply a legal statute which recognizes and protects the equality of all Members' rights. What this means, as we shall see, is that any developing country can now bring a successful claim against an industrialized country for non-compliance with its WTO obligations (Mc Mahon, 2006).

Two examples, among many, which would have been impossible under GATT, illustrate the benefits that the WTO has brought the Latin American countries. The first was the complaint by Costa Rica against the United States for its restrictions and safeguards on textile imports. The Panel accepted the complaint and ruled that the United States had failed to show that the Costa Rican exports were causing serious damage or were a real or present threat to its domestic industry, and that its restrictions consequently violated articles 6.2 and 6.4 of the Agreement on Textiles and Clothing. Furthermore, by failing to give preferential treatment to re-exports from Costa Rica, the United States measures violated article 6.6 (d) of that Agreement (Merlinda, 2004).

The second was the complaint by Peru against the European Communities for preventing it from using the designation "sardines" for its exports of that fish, on the grounds that it did not match the European description; this complaint was accepted by the Appellate Body. The ruling stated that the European rules contravened article 2.4 of the Agreement on Technical Barriers to Trade and article XVI (4) of the WTO Agreement, which requires countries to ensure that their laws, regulations and administrative procedures conform to the obligations laid down by annexed agreements like the one mentioned. The dynamism and broad jurisdiction of the WTO procedure set it apart from the procedures of the International Court of Justice (ICJ) and ICSID, whose Administrative Council is headed by the President of the World Bank, and those operated by GATT until 1995 (Mc Mahon, 2006).

The ICJ deals exclusively with disputes between States, and these may formulate reservations or refuse to recognize its jurisdiction as binding. The WTO also administers disputes between States but, unlike the ICJ, does not allow reservations or any challenge to the jurisdiction of its dispute settlement bodies. The situation of the ICJ is different as 58 of its members, including four of the five permanent members of the United Nations Security Council, have refused to recognize its jurisdiction as binding nor has its performance been particularly impressive. From 1947 to 2004, i.e., in a period of over 57 years, the ICJ has handed down only 21060 rulings and 25 advisory opinions. As for ICSID, its jurisdiction is limited to disputes between any of its 148 Member States and a national or investor from those States. As of the end of the 2004 financial year, 159 cases had been registered with it since its creation in October 1966 and 86 had been concluded or were pending (Marchetti, 2008).

As for GATT, in almost 50 years (from 1948 to 1994) it resolved 196 complaints. These figures should be compared with the 317 consultations commenced and the 129 panels formed at the WTO in the eight years from 1996 to 22 October 2004, as detailed further on.

j. Membership and Accession Process

The process of becoming a WTO member is unique to each applicant country, and the terms of accession are dependent upon the country's stage of economic development and current trade regime. The process takes about five years, on average, but it can last more if the country is less than fully committed to the process or if political issues mterfere. (Harbinson, 2009). The shortest accession negotiation was that of the Kyrgyz Republic, while the longest was that of Russia, which, having first applied to join GATT in 1993, was approved for membership in December 2011 and became a WTO member on August 22nd, 2012. The second longest was that of Vanuatu, whose Working Party on the Accession of Vanuatu was established on 11th July 1995. After a final meeting of the Working Party in October 2001, Vanuatu requested more time to consider its accession terms-. In 2008, it

indicated its interest to resume and conclude its WTO accession. The Working Party on the Accession of Vanuatu 'was reconvened informally on 4th April 2011 to discuss Vanuatu's future WTO membership. The re-convened Working Party completed its mandate on 2nd May 2011. The General Council formally approved the Accession Package of Vanuatu on 26th October, 2011. On 24th August 2012, the WTO welcomed Vanuatu as its 157th member. An offer of accession is only given once consensus is reached among interested parties (Cottier, 2005). Some two dozen countries have joined since the WTO was established - the majority of them developing and transition economies. The process of accession to the WTO is a long hard road for most countries, often requiring major policy changes, adoption of new legislation and establishment or strengthening of domestic institutions. This compares to the accession at a stroke of a pen that applied to former colonies when they acceded to GATT upon independence -the result of Art. XXVI:5(c) GATT, a provision that expired with the creation of the WTO. A December 2002 decision by the General Council called for the exercise of restraint by WTO members in seeking concessions and commitments from acceding LDCs. In practice this decision has not appeared to have had much impact—the post-2002 accession process for LDCs has remained arduous. Of the 29 countries in the accession queue at the end of 2009, 16 had been engaged in the process for over a decade.

The only other plurilateral agreement, on civil aircraft, is no longer effective following US objections to what it regarded as excessive launch aid and other support for the development of the Airbus A380 by the EU and the launch of a formal dispute (Hoekman and Kostecki, 2009). Alternative approaches that have been put forward in the literature would use the WTO accession process more as a vehicle to identify and implement national reforms that reduce trade costs and improve competitiveness. Imposing a one-size-fit-all set of legal obligations through a long and costly accession process entails a potentially serious opportunity cost for governments of small, poor countries (in terms of scarce administrative capacity/personnel

and credibility) while not necessarily generating much in the way of benefits for traders - thus resulting hi less "ownership" and support of the institution (Jones, 2010).

2.2:7. Accession to the WTO

Founded in 1995, the WTO is the successor of the General Agreement on Tariffs and Trade (GATT). The 111 member-countries united under the GATT automatically became members of the WTO upon its creation. As of March 2nd, 2013, the WTO has159 members and all the newly acceded countries have to pass through a special and quite complex procedure aimed at harmonization of national laws and foreign economic activity of acceding countries in accordance with the provisions of the Uruguay Round package. Most often, this implies significant institutional changes in the country that are time and resource consuming, as well as changes in patterns of behavior of politicians and business representatives. Nevertheless, currently 25 countries, including Belarus, have the “observer governments” status and almost all are in the negotiation stage. This is explained by the fact that acceding country usually receives the rights enjoyed by all other members of the WTO. It would mean the end of discrimination of Belarusian firms on foreign markets3and the use of a special mechanism for dispute resolution. It should be noted that the vast majority of WTO members are developing countries. That is why the issue of assessing the impact of accession and membership in the WTO on developing countries is one of frequently discussed issues in political and economic circles. Therefore, the ninth round of negotiations launched in 2001 in Doha was aimed primarily at meeting the needs of developing countries in light of the growing pessimism about the positive impact of WTO membership on the economic and social development of these countries. Belarus does not fall in the category of developed countries in terms of GDP per capita either, which makes the experience the new members of the WTO especially valuable for the development of an appropriate strategy.

Despite the fact that the procedure for accession to the WTO has a clearly defined structure and is subject to certain rules a distinct tendency in recent years has become the increasing complexity and lengthening of the procedure. Among all other reasons, this is due to an increase in the number of members of the WTO, as each new member has a right to impose additional restrictions on prospective member-states In addition, there is the so-called unwritten rule under which member countries seek to impose more commitments on new members than they took upon themselves when joining the "club" (Bacchetta, et al, 2002).

Objectively, it is assumed that the less the system of foreign trade regulation complies with WTO rules, the longer negotiation period will be and the more commitments the country will have to undertake. The list of members is provided at the appendix.

Despite the list provided in their order of chronology above, it is important to take note of the following:

First, WTO membership does not include only states. The list does not also includes Russia in August 2012, Kyrgyz Republic and Vanuatu August 2012. Separate customs territories possessing full autonomy in the conduct of their external commercial relations and in the other matters covered by the WTO Agreement can also be WTO members. Two examples of such WTO members, which are not States but separate customs territories are Hong Kong, China (commonly referred to as Hong Kong), and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (commonly referred to as Chinese Taipei).

Second, the European Communities is also a WTO Members but this is a case apart, specifically provided for in the WTO Agreement. Both the European Communities and all the Member States of the European Union are members of the WTO. This reflects the division of competence between the European Communities and the Member States in the various areas covered by the WTO Agreement (trade in goods; trade in services; and the

protection of intellectual property rights), as is clear from Articles IX, XI and XIV of the WTO Agreement.

Obviously, if we do not take Bulgaria into account, the accession process of which lasted more than 10 years, we can observe a clear extension of the negotiating period. Although the close relationship between the Index of Economic Freedom (IEF) and the duration of negotiations may not appear evident at first glance (the correlation coefficient between the period of accession in months and the Index of Economic Freedom is only -0.54), the studies with a focus on other factors provide more significant evidence of this relationship. For example, Wong and Yu (2008) argue that the duration of the accession process depends on the political regime (the more democratic the regime and the system of regulation of the economy are, the shorter the time of accession is), the size of the economy and the pace of economic growth (larger and faster-growing economies go through the period of accession faster). In addition, this period is shorter in the countries with a fixed exchange-rate system and in the countries where negotiations began before 1995. The importance of the political regime for the accession to the WTO is demonstrated in more recent studies (Davis & Wilf (2011), which argue that the level of proximity to the political regimes of the core members of the WTO determines the duration of the process. Furthermore, Copelovitch and Ohls (2012) single out the level of democracy as one of the key factors determining the speed of admission to the WTO, along with the proximity of trade relations of the country to the members (direct relationship) and the existing preferential trade agreements (inverse relationship).

At the same time, Basu et al. (2009) revealed that the number of the country's commitments under the WTO or the "depth" of commitments, according to the terminology used was not directly associated with any income or the quality of the institutional development as measured by the Index of Economic Freedom (IEF). For instance, the commitments of

Cambodia, which is among the least developed countries (LDCs), were essentially the same as the commitments of Jordan, where the GDP per capita is 5 times higher. Nepal, another LDC, had by one point larger depth of commitments in comparison with Estonia and Panama, the countries that are almost twenty times richer. Similarly, there is no clear relationship between the IEF and the number of commitments. However, there is a clear correlation between the share in the world trade and the number of commitments: the higher the share of the country is, the more complaints the WTO members have and the more commitments the country is made to undertake by small trading partners. For instance, the countries with a rather high share in the world trade, such as China, Taiwan and Saudi Arabia, have by twice more commitments than smaller countries with a similar level of development. This means that the scope and depth of commitments are determined by specific commercial interests, the size of the market and political interests. All this has caused criticism and serious doubts about the fairness of the procedure for accepting new members and has become one of the main manifestations of the crisis of the WTO legitimacy. However, these facts should be taken into account in the preparation and negotiation of the WTO accession of Belarus, the political regime of which is not recognized as democratic enough. It does not have a large market, and its Index of Economic Freedom for 2013 is 4812, which is less for Russia and Kazakhstan. This implies that the negotiations will not be easy and short.

a. Accession to the WTO, Economic Growth and Institutional Reforms

The main purpose of existence of the WTO as the engine of world trade and, therefore, as one of the factors of economic growth has been significantly challenged in recent years. For the first time such doubts were expressed by Rodriguez and Rodrik (2001). After analyzing the main studies, which stated that the reduction of trade barriers contributed to the economic growth of WTO member countries, they came to the conclusion that the evidence of this

relationship was unconvincing. However, real debate was sparked by the articles of Rose (2004, 2005, 2009), who argued that the WTO membership did not have a statistically significant impact on trade. Subsequent studies (Subramanian & Wei, 2007; Tomz et al, 2007, Tang & Wei, 2009) showed that such a relationship did indeed exist, although industry effects usually did not exceed 5% of the baseline. Nevertheless, the overall effect on the growth of trade in these studies was positive. For example, Herz and Wagner (2011) estimated that WTO membership increased mutual trade by an average of 86%. Approximately the same result was obtained by Tomz et al. (2007) (72% of the growth of mutual trade) and Liu (2009) (60% growth). At the same time, Subramanian and Wei (2007) indicated that this impact had a vast difference between developed and developing countries: the growth of imports in developing countries did not exceed the margin of 2%, while the growth of imports in developed countries after accession to the WTO almost doubled (195%). As for exports, the impact of WTO membership on its growth in developing countries, on average, was insignificant. Essentially the same conclusions were reached by Gowa and Kim (2005) who argued that membership in the WTO/GATT had a significant positive impact on the growth of trade for five countries only (Britain, Canada, France, Germany and the United States). In later work, Dutt et al. (2011) analyzed the data from the point of view of changes in the structure of exports. As a result, it was revealed that WTO membership had a positive effect on the extensive margin of exported goods, i.e. the country begins to trade in goods, which it has not previously traded in (the number of traded goods increases by an average of 29%). At the same time, the impact of WTO membership on the intensive margin of exports was negative. In the final analysis, this implied that even with the expansion of the diversity of exports, total exports would remain virtually the same after the WTO accession. This conclusion was supported by the studies carried out by Rose. Furthermore, Dutt et al. refuted

the forecasts of new trade models (e.g. Melitz, 2003) on the impact of trade liberalization on both the intensive and extensive expansion of trade.

These findings gave rise to a new area of research to find out the cause of this phenomenon. Most researchers were unanimous in their opinion about the role of institutions and institutional reforms in the success or failure of countries that acceded to the WTO. For example, Goldstein et al. (2007) indicated that the WTO membership had a positive impact on growth only if the country was not just a nominal member of the WTO, but really performed all commitments and enjoyed all the benefits of its membership (they make a distinction between a legal status and the "embeddedness" in the WTO institutional relations since all agreements always have opt-out clauses).Later Tang and Wei (2006; 2009) examined the impact of WTO accession on growth and investment and revealed that the effect was obviously positive but only in case of those countries that went through a rigorous procedure of accession and, therefore, implemented sweeping reforms. This may be explained by the fact that the procedure of accession to the WTO entails both trade liberalization reforms and regulatory reforms of the acceding country. And usually it causes strong resistance in the acceding countries, as evidenced, in particular, by the duration of negotiations. At the same time, political commitments associated with the process of accession to the WTO are particularly useful for the countries with a poor regulatory system and a low level of institutional quality. In light of this, some researchers (Goldstein, et al, 2007) argue that the reasons for the failure lie in the fact that developing countries tend to ask for more concessions than developed ones. And the more of these concessions are provided, the smaller the effect of accession to the WTO is. Trade reform is only a catalyst for improving the institutional environment and, therefore, it gives impetus to economic growth. This concept is described in detail by Rodrik (2002) in his paper "Trade Policy Reform as Institutional Reform" that was specially prepared to Doha Round negotiations on developing

countries. In particular, he writes that "the actual changes in tariff schedules are typically only a small part of the process" for policy makers. "What is at stake is a deeper transformation of the patterns of behavior within the public sector, and of the government's relationship with the private sector and the rest of the world". The reform goes beyond a simple change in tariff levels; it sets new rules and expectations regarding how these policy choices are made and implemented. It establishes new constraints and opportunities for economic policy more broadly, creates a new set of stakeholders while disenfranchising the previous ones, and gives rise to a completely new development policy. Hence, trade reform results in institutional reform of a major kind based not only on policy parameters, but also behavioral relationships. Correspondingly, further resource allocation and consequences of trade reform become harder to discern with the standard models of analysis. Household behavior and investment decisions get altered in a way that is difficult to track without taking into account the fundamental changes in the parameters of the economy. When the reform is well-designed and consistent with the institutional needs of the economy, it can spur entrepreneurship and economic growth. When it is not, it can result in a stagnation that will appear surprising with all possible consequences. Viewing trade reform as institutional reform involves completely different criteria for its evaluation. Obviously, the most important criterion is not so much openness to trade and consistency with existing WTO rules as the contribution of trade reform in the creation of a high-quality institutional environment. At the same time, we must understand that the institutional development takes time and requires divergent choices. As history shows, the best results have been achieved with gradualist, two-track modes of institutional reform (Rodrik, 2000). It is clear that, not all institutional reforms consistent with WTO rules and investments in institution building may be of priority (e.g. customs valuation or IPRs) for low income countries. This should be considered in connection with limited resources, i.e. we should

think of the trade regime and WTO rules as an instrument of institutional development, and not vice versa. However, it should be borne in mind that integration into the global economy makes the country more vulnerable to external shocks that the country should be insured against, which involves increasing the role of the state (it is observed that the role of governments tend to be bigger in economies where trade is a higher share of GDP) (Rodrik, 2002).

The policy of "harmonization" of the institutions in the country with institutions of its trading partners (in framework the WTO or the Common Free Market Zone) provides for the introduction of institutions from the outside. This may be a consequence or result of market forces. However, in any case, the openness of the economy strongly influences national institutions. In this case, the borrowed institutions may be unsuitable or ineffective for the given economy. In this sense, successful institutional reforms involve a combination of borrowed institutions with non-traditional methods of their use.

WTO membership entails institutional reforms that are not only desirable, but also represent a special type of reform. The main objective that is reached through implementation of WTO rules is increased confidence in institutions. Thus, binding import tariffs, limiting non-tariff barriers to trade, adoption of the rules for granting subsidies and rules on investment measures (TRIMS) lead to the increased level of policy predictability, transparency and non-discrimination. In this case, the strategy of institutional reform built on the integration into the world economy is the strategy of expanding the scope of institutional reform to all spheres of the society of a particular country.

The strategy of integration into the world economy entails an opportunity cost in the form of emerging institutional implications. This cost should be weighed against the expected outcome. In our case, it is the assessment of the impact of trade reforms undertaken in connection with the accession to the WTO on institutional development and the effectiveness

of domestic policy in the country. The direct quantitative assessment of this impact in the study of Basu et al. (2009) shows that the effect is strictly positive and brings about a higher level of institutional quality in the new member country and, ultimately, higher rates of economic growth. The same is demonstrated in the research of Goldstein et al. (2007) and Tang and Wei (2009) arguing that the effect of WTO accession is positive only for the countries that implemented a radical regulatory reform of the economy and improved its effectiveness. Further, we will look at specific examples of reforms implemented when joining the WTO and their achievements with a focus on those aspects that may be useful for Belarus.

b. *Core Elements of the WTO's Modus Operandi*

There are a number of core aspects of the WTO that are the focus of many reform proposals. These include the consensus practice; the "single undertaking" in multilateral negotiations; the non- discrimination principle; Member-driven, "collective management" through a Ministerial Conference

1 As illustrated in the call by Ernesto Zedillo to "save the WTO from Doha" (Zedillo, 2007).

No attempt is made to be comprehensive in surveying the extensive literature on WTO reform. Reform proposals and analysis of the WTO by the academic community primarily spans scholarship in the fields of international relations, public law and economics. These disciplines utilize distinct frameworks and methods, and often tend to build on (refer to) literature from within their specific discipline, with limited interdisciplinary cross-fertilization.

For example, Ismail (2009), who argues that in his view development must be the objective of the WTO and calls for a discussion in the WTO to re-assess what the goals of the institution should be and various Councils comprising the whole membership; a Secretariat without power of initiative; and a "self-enforcing" dispute settlement system that is limited to

maintaining the negotiated balance of concessions, with compliance ultimately a .function of (the effectiveness of) the threat of retaliation by the party (parties) winning a case.

Decision-making in the WTO operates by consensus. Voting is technically possible but in practice does not occur. Consensus implies that any motion or decision can be blocked if any member objects. While in principle this ensures that no country can be steamrollered into accepting decisions or agreements it objects to giving it leverage to seek either concessions to agree to a matter or to refuse to consent to a change in the rules of the game—in practice the largest players carry more weight than do small ones (Steinberg, 2002). One way small countries seek to increase their weight in decision-making is through coalitions (Narlikar, 2003; Grynberg, 2006; Odell, 2007).

In negotiations the analogue to consensus is the single undertaking: "nothing is agreed until everything is agreed," i.e., the results of a multilateral round are a package deal. Both are practices, not formal rules. The consensus practice has a long history in the GATT/WTO, whereas the single undertaking is a practice that was central to the Uruguay Round and the creation of the WTO (i.e., the WTO was a package deal, take it all or leave it). It has been applied in the Doha Round as well.

The nondiscrimination principle requires that any concession or commitment be accorded to all members. WTO members may not grant a sub-set of countries with which they have negotiated concessions better treatment than countries that have not offered such concessions. The only exception is if members conclude free trade agreements with each other or negotiate a so-called plurilateral agreement. Under such an agreement, a subset of WTO members can agree to specific disciplines that apply only to signatories, and need not apply the associated benefits to non-signatories. However, a plurilateral agreement can only be appended to the WTO on the basis of consensus (and unanimity if there is recourse to voting-Article X:9 WTO). Thus, the plurilateral option offers a mechanism for groups of WTO Members to

agree to rules in a policy area that is not covered by the WTO or goes beyond existing disciplines as long as the Membership as a whole perceives this is not detrimental to their interests.

The management of the WTO is collective. The WTO is headed by a Ministerial Conference of all members that is supposed to meet at least once every two years. Between such meetings the WTO is managed by a General Council at the level of officials. This meets about 12 times a year, with WTO members usually represented by delegations based in Geneva. The General Council turns itself, as needed, into a body to adjudicate trade disputes (the Dispute Settlement Body-DSB) and to review trade policies of the member countries (the Trade Policy Review Body- TPRB). Three subsidiary councils operate under the general guidance of the General Council: the Council for Trade in Goods; the Council for. Trade in Services; and the Council for Trade-Related Aspects of Intellectual Property Rights.

WTO principles specifies that if voting occurs - which is on a one member, one vote basis - unanimity is required for amendments relating to general principles such as nondiscrimination; a three-quarters majority is needed for Interpretations of provisions of the WTO agreements and decisions on waivers; and a two-thirds majority for amendments relating to issues other than general principles. Where not otherwise specified and consensus cannot be reached a simple majority vote is sufficient. No member is bound by an amendment that passes a vote if it alters its rights and obligations. In such instances the Ministerial Conference may decide to request that the member withdraw from the WTO or to grant it a waiver. As already noted, under the GATT contracting parties were free not to sign on to certain parts of what was negotiated in a trade round committees, working parties and sub-committees deal with specific subject areas covered by multilateral agreements. All councils, committees, and so forth, as well as all negotiating groups are chaired by a WTO member. The only exception is the Trade Negotiations Committee, the body that oversees

multilateral trade talks, which is charred by the Director-General. The DG does not have a defined role in the agreement establishing the WTO. This is left to the Ministerial Conference to determine, which to date it has not done.

The main actors in day-to-day activities of the WTO are the officials that are affiliated with the delegations of members. Geneva in turn is the hub of a large network of officials, agencies and ministries in member countries (Blackhurst, 1998). The member-driven and network nature of the organization puts a considerable strain on the delegations in Geneva and officials in capitals. There are over 5,000 meetings in the WTO every year. This level of activity makes it very difficult if not impossible for citizens of members to keep track of what is happening.

At the time of writing there are 153 members. Few, if any, members participate in all meetings and activities. Committees are open to all members but in practice those that care most about a subject will be most active. WTO practice is for members to organize in informal small groups to develop proposals that may subsequently be put forward to the broader membership, either formally through existing bodies and committees or informally to other members/groups. In WTO speak this process is described as the "concentric circles" approach to agenda-setting.

The secretariat supports the members, providing technical and logistical support when requested by committees or Councils. It has very little formal power of initiative. It is prohibited from identifying potential violations of the WTO by members and may not interpret WTO law or pass judgment on the conformity of a member's policy with WTO rules. These are matters that are the sole prerogative of members. Similarly, dispute settlement panels are staffed by members of WTO delegations or outside experts drawn from a roster that has been pre-approved by the membership. Specific panelists are generally nominated by the Secretariat.

Dispute settlement in the WTO aims at maintaining the balance of negotiated concessions. If a member is found to have violated a commitment, the remedy is prospective: the offending member is simply called upon to bring its measures into compliance. How this should be done is left to the WTO member to determine. There is no requirement to compensate for losses imposed while a violation occurred. In cases where a member does not comply with the DSB, a member may be authorized to retaliate in an amount that is equal in effect to the action that was taken by the country that violated a commitment. This introduces a significant asymmetry in that small countries that cannot affect their terms of trade cannot exercise much pressure on large countries that do not wish to comply with the DSB.

As noted above, the modus operandi of the WTO revolves around regular and numerous meetings of WTO members, generally chaired by a member representative, supported by the secretariat. Agenda- setting occurs through a decentralized, bottom-up process ("concentric circles"). Although large players often take the lead, this need not be the case. Small countries often organize themselves into informal groups or more formal coalitions to defend their interests and put forward proposals.

(i). Forum for negotiations

Whereas in the first years of the WTO the focus of institutional reform proposals was mostly on the executive functions of the organization, starting in the mid 2000s concerns increasingly were directed at the efficacy of negotiating procedures and mechanisms.

a) Agenda-setting and trade negotiating rounds

The trading system historically has developed the rules of the game and defined national commitments through broad "rounds" of negotiations. The premise of this approach is that by spanning many subjects and products, issue linkages can be made that increase the potential gains from trade. An often remarked upon consequence is that rounds can (and do) take a long time—the more issues, the more complex the negotiation. Many have argued that a

smaller negotiation set would reduce the length of negotiations and enhance the interest of the private sector in the WTO (Messer, 2010). However, the experience to date has been that WTO members have a revealed preference for broader negotiations.

Getting the agenda "right" is obviously critical - there must be something for everyone, in the sense that any agenda must include subjects that important constituencies that each WTO member will support. Establishing the agenda therefore requires extensive consultations within countries and between countries. If the process results in an agenda that does not have broad-based support or includes issues that are (or are seen to be) zero-sum the prospect of success will be greatly reduced.

It can be argued that in the case of the Doha Round the agenda was badly crafted, helping to explain why the round has lasted so long. Thus, developing countries and large parts of the global business community were not convinced that extending the WTO to cover competition, investment and procurement policies would generate meaningful benefits. Having papered over a lack of consensus at the Doha ministerial meeting to include these subjects on the agenda of the new round, Ministers agreed to revisit the question at their next meeting, two years down the road. As a result, the first years of the Doha Round were more about the agenda than substantive negotiations. One lesson from the Doha experience is that the agenda-setting process could benefit from a more formal process of consultation with national stakeholders regarding what matters most to them. At the end of the day trade agreements must be ratified, which implies that they need domestic political support.

(ii). Negotiating coin—binding of policies vs. liberalization

Policy commitments are the negotiating coin in the WTO - enforceable promises not to use certain policies or not to exceed a certain level of protection for a product or sector. This may not do much to interest the business community if what is being committed to by a

government does not imply an actual reduction in barriers to trade. But binding has value: it reduces uncertainty

The key issue here is defining an agenda. This generally emerges from informal interactions among WTO Members (via the concentric circle/coalition approaches) and/or is determined by prior agreements embedded in the results of past negotiations. Thus, the Uruguay Round agreements called for new negotiations to be launched on agriculture and services in the year 2000. One reason for the launch of the Doha Round was a perception by many WTO members that the prospects of success would be enhanced by expanding the agenda to additional issues.

Regarding the conditions of competition on a market, which is beneficial to investors. An important source of tension between WTO members concerns what a commitment to bind policy is "worth." Many countries may reduce barriers to trade unilaterally in the period between negotiations. How much "credit" should be given for such autonomous reforms in a subsequent negotiation has been a source of contention. The absence of clarity can have perverse effects in that a government may delay beneficial reforms if it thinks that trading partners will simply "bank" its reforms and not recognize them as "concessions" in a future multilateral trade round. Explicit agreement to "count" unilateral liberalization as much as what a country may agree to liberalize at the end of a round would help remove this distortion.

(iii). The Single Undertaking

One of the premises of the Single Undertaking rule in multilateral negotiations is that it ensures that all participants will obtain a net benefit from an overall deal. By allowing for issue linkages and requiring a package deal, countries can make tradeoffs across issues and increase the overall gains from cooperation. However, the approach also creates potential "hold-up" problems and can have the effect of inducing negotiators to devote (too) much time

to seeking exceptions and exemptions. The failure to conclude the Doha Round has led many to raise questions about the Single Undertaking approach to negotiations and to propose that WTO members shift towards "variable geometry." Proponents argue that a shift back to a club-type approach in considering new disciplines offers the opportunity for a subset of the membership to move forward on an issue, while allowing others to abstain (Lawrence, 2006; Levy, 2006; 2010; Martin and Messerlin, 2007; Jones, 2010; Messerlin, 2010). A difference between proposals to relax the single undertaking constraint is whether this should allow for agreements that apply only to signatories or whether the MFN principle should continue to apply.

(iv). Variable geometry with MFN: **critical mass**

It is equivalent to what Schelling (1978) called a "k-group strategy" - seek to identify the minimum number of countries ('K") out of a larger set ("N") that internalize enough of the total potential gains from cooperation for them to permit free riding by the remaining N-K players. The practice has always been a major feature of trade negotiations as a result of the MFN rule: those countries that are asked to make concessions in-an area have a clear interest to minimize free riding and will therefore seek to ensure that all the major players are part of a deal. Finger (1974, 1979) showed that such "internalization" - defined as the sum of all imports originating in countries with whom a country exchanges concessions as a percentage of total imports of goods on which concessions are made - was some 90 percent for the US in the Dillon (1960-1) and Kennedy (1964-7) Rounds. A similar ratio was required to conclude the Information Technology Agreement (Hoekman and Kostecki, 2009).

As argued by several ex-WTO officials, Gallagher and Stoler (2009) and Harbinson (2009), among others, an explicit shift towards 'critical mass' negotiations that aims at agreements that are applied on a MFN basis would move the WTO back towards a negotiating modality that has a proven track record of success. The basic question however is to what extent this

would entail a change in modus operandi? (Wolfe, 2009). Arguably, it would not, as effectively it is how the GATT always operated in the pursuit of market access negotiations. In the case of services, a critical mass approach is de facto the modus operandi (Hoekman and Mattoo, 2010). Thus, the approach would only make a difference if applied to the decision-making process at the end of a negotiation or to approve a rule change, i.e., allowing a majority to move forward without the consent of a (small) minority. This was discussed above.

(v) . Variable geometry without MFN: plurilateral agreements

The presumption of the critical mass approach to negotiating agreements is that any agreement must be applied on a MFN basis. An alternative is to relax the nondiscrimination constraint and let a subset of countries conclude agreements that they apply only to fellow signatories (Levy, 2010). Such plurilateral agreements are already allowed for in the WTO although there is effectively only one such agreement in effect: the Agreement on Government Procurement (GPA).22

Plurilateral agreements are a vehicle for like-minded countries to cooperate in areas not (yet) addressed by the WTO. They allow countries not willing to consider disciplines in a policy area to opt out. Accommodating diversity in interests through greater use of plurilateral agreements was one of the recommendations of the Warwick Commission report. Lawrence (2006) discusses what he calls the club- of-clubs option and argues that this approach can help the WTO address the diverging interests of its members in an efficient way. He suggests a number of criteria, including that: clubs be restricted to subjects that are clearly trade-related, any new agreement is open to all members in the negotiation stage - participation in the development of rules should not be limited to likely signatories; and that club members be required to use the DSU to settle disputes, with eventual retaliation being restricted to the area covered by the agreement (as is the case under the GPA).

While greater use of plurilateral agreements will result in a multi-tier system with differentiated commitments and some erosion of the MFN principle - as club members would have the right to restrict benefits to other members - there is already significant differentiation in the level of obligations across countries. A constraint in pursuing the plurilateral route is that the incorporation of a plurilateral agreement into the WTO requires unanimity. Thus, for this approach to become feasible a necessary condition is likely to be that this rule be relaxed (Tijmes-Lhl, 2010). Others argue that no such change is needed and that non-members should be comfortable with the terms of any plurilateral agreement that is introduced (Lawrence, 2006). Wolfe (2007) raises a number of objections to the "club-of-clubs" idea, noting that clubs would be "parasitic on limited WTO resources," will invariably include OECD countries that often will already have achieved whatever level of cooperation/discipline is suggested for a new issue; and that many non-OECD countries are not going to have the capacity to participate in negotiations that will set a precedent. Clubs will define the rules of the game in an area that will be difficult to change subsequently if and when initial non-signatories decide to participate (Hoekman,2005).

2.2.8 The Effects of the Expiration of the Multi-Fibre Agreement on Developing Countries: An Overview

The phasing out of the multi-fibre agreement (MFA) in 2005 heralded the end of protection in the textile industry and ushered in tremendous opportunities and uncertainties for the textile industries in developing countries. This development however, sparked up a lot of arguments and counter arguments from various scholars in the field of international economic relations. In the work of Baden and Joekes (2006), they argued that although the phasing out of the multi-fibre brought to an end to any form of restrictions and protectionism in the textile industries but it resulted to many problems for third world textile section to adjust. Similarly, Glaeser, Porta Desilane and Shleifer (2006) in their work supported the earlier view. They

argued that the expiration of the multi-fibre agreement had led to the closure of several factories in Africa and with job losses. These arguments were further supported by the works of Balassa and Constaine (2005).The Multi-Fibre Agreement was set up in 1974 as a set of formal quota agreements and restrictions, governing textile and clothing trade between developing countries and developed world. The MFA replaced the 1964 agreement in international trade.

In Judith Dean's work titled "The Effects of the U.S. MFA on Small Exporters," in the Journal of The Review of Economies and Statistics. This article tested two hypotheses regarding the impact of the MFA on developing countries: first, that MFA quotas actually restrict trade and, second, that the MFA encouraged growth of small suppliers at the expense of larger suppliers due to more lenient quota restrictions. Dean concludes that the MFA was, in fact, restrictive and favored smaller producing countries that were either not subject to quotas or restricted by quotas that were not binding. "Results show stronger support for the hypothesis that the MFA restraints were indeed binding on exporters," said Dean. In turn, this article supports the notion that the MFA scattered trade around the world as sourcing companies continually looked to by-pass larger quota countries in favor of newer, smaller suppliers that did not suffer from tight quota restrictions.

Trela and Whalley (2005) stated that almost all developing countries suffered from the MFA. They showed that developed countries could increase their exports by up to several hundred percent if the MFA was lifted. This view was also supported by empirical studies of Beresford (2005) and Senapaty (2008). In these studies, it was analysed that virtually all developing countries could increase their exports at the expense of production in industrialized countries. They estimated that developing countries were facing annual losses to the tune of U$$3 billion from the advanced countries even if the quota rent they obtain is taken into account.

Several studies such as the one conducted by Vlok (2006) estimated the extent of reductions in the exports of developing nations as a result of the multi-fibre agreement. Other empirical studies on the effects of the multi-fibre agreement on least developed countries (LDCs) suggest that the value of rent transfer is relatively small in comparison with reductions in export earnings. Ohlin (2011) and Merz (2008) estimate put the ratio of these two factors in the order of 1:10 for exports to the US and 1:8 for the EU. However, export earning and quota rents are not strictly comparable as the former represents foregone gross revenue where as the latter is net gains. The net effect of the MFA and developing countries depend on whether rent transfers can fully compensate for the welfare losses resulting from the reduction in export volumes (Balassa and Suphachalasai ,2005). Martin and Suphachalasai (2004) observed that developing economics lose US$2 billion annually from the MFA quota restrictions on clothing alone. On the other hand, Cable (2006) claims that many developing countries benefit from the MFA because they could take advantage of higher prices in restricted importing countries while quotas were not really binding their exports. Hammond and Well (2002) have also argued in a similar way when they posited that multi-fibre existence did encourage the entrance of several developing countries into the export of textiles and clothing that otherwise would not have been involved. Also in the empirical studies conducted by Adhikar and Yamamoto (2005) presented an analysis of sub-Saharan African (SSA) developing countries with key interests in the textile and especially clothing sector, that benefited from the quota imposed on other countries under the MFA. These countries as the study shows include Lesotho Kenya, Mauritius, Madagascar, Swaziland, South Africa and Namibia. The study concluded that with the exception of perhaps south Africa, the sector has provided these countries with an important opportunity to diversify their respective economies, since many of them have largely agro-based economies. Adhikar and Yamamoto (2005)

Ultimately this model discouraged low-wage countries from developing a competitive textile industry of their own, locking them into a situation where they would not go beyond offering a low-wage assembly line (OECD 2004; Naumann, 2006). For example, Bangladesh showed success in clothing exports with the help of Korean companies, the developed countries negotiated bilateral restrictions with the poorer country. Thus MFA tends to maintain the present configuration of the T&C trade and therefore discouraged dynamic shifts in trade based on comparative advantage (Goto, 1988). Also in post-quota environment, the most vulnerable countries are those small and remote developing countries and least developed countries that until now have handled only assembly/cut, make and trim (CMI) (Gereffi and Frederick, 2010).

The MFA also has had impact on the economic development in the long run. On the positive side, it attempted to evade MFA quotas and stimulated foreign investment from restricted suppliers like Hong Kong, to non-restricted countries. Investments to less restricted regions helped economic development of countries in Asia (and perhaps to less extent in Latin America, the Caribbean and Sub Saharan Africa-SSA) (Goto, 1988). According to Adhikari and Yamamoto (2005), under the MFA and ATC, the existence of quotas made it necessary for buyers (developed countries) to source from different locations. They were compelled to source from locations where quotas were available, instead of from locations with better competitiveness in textile and clothing production.

Ghali (1999) studied the export marketing of textiles & garments and argued that in view of the changes in the international scenario and the unprecedented increase in Competitiveness, there was a need for refocusing of the strategies for textile and garment exports. The study provided an empirical analysis of India's textile export Performance in developed markets and also the export performance of other developing countries like Hong Kong and South Korea. An important feature of the study was the analysis of the impact of quantitative

restrictions imposed by the developed countries on textile and clothing exports from developing countries. It was found that quantity restrictions in most of the developed countries were helpful to India in maintaining her share in textile & garment exports. Strategies were suggested to achieve optimum diversification of exports and to enhance the competitiveness in the world market so as to improve the export performance in the future, by improving the export marketing of garments through product development. Market diversification also needed attention by the export marketing firms.

Brenton and Ikezuki (2004) studied the extent of the restrictiveness and effectiveness of MFA with respect to the developing country suppliers of textile products for the period 1981-1987 and the extent to which these restrictions yielded trade gains for the unconstrained or less established developing country suppliers. The developments in the markets were reviewed in terms of trade share subject to bilateral restrictions, quota utilization rates and shipments which fell under binding quotas. The supply and market response of individual developing exporters were characterized on the basis of the proportion of their trade covered by these quotas and their average quota utilization rates. They studied the changes in the volume and unit value of shipments subject to highly or fully utilized quotas as evidence of restrictiveness/effectiveness of Multi-fiber Arrangement (MFA). Trade diversion in a representative sample of apparel products was analyzed in a more rigorous framework using a system of simultaneous equations depicting the demand and alternative supply conditions. The study found that in all the four markets considered, the binding constraints faced by the established developing country suppliers, were associated with loss of market shares. Except in US, the scope of this seemed rather small. The observed changes in market shares were not necessarily or fully attributable to MFA, rather such changes could be due to shifts in comparative advantage.

Brenton and Ikezuki (2005) studied quota phase-out proposals. They investigated the main instruments and suggested parameters of the two leading approaches by exploring their implementation with actual data. They analyzed historical MFA quota growth in EC and the US and hence concluded that post quota growth is a key input for an agreement on any phase-out scenario based on transitionary quotas. It also depicted a phase-out within the framework of the MFA which relied on accelerated quota growth based on historical record. They also studied a phase-out based on global quotas along the lines of the US proposals. They investigated the immediate consequences of this shift by applying it to the US market. The study found that quota growth rates were closely and inversely related to quota levels and the performance of the exporters in filling them.

Cadot, Carrere and Tumurchudur (2005) established a simple general equilibrium trade model to estimate the effects of the MFA on world trade in clothing especially on exports from developing countries. The model considered two markets and six groups of suppliers and analyzed various effects of MFA - the trade suppressing effect (how much the clothing exports from restricted less developed countries (LDCs) were suppressed due to MFA), the trade diversion effect among markets and the spill-over effect. The model was applied to clothing trade in 1986. By using the model, various scenarios of liberalization of clothing trade had been analyzed -(1) simultaneous removal of MFA quotas (2) unilateral removal of MFA quotas by either the US or EC (3) simultaneous removal of MFA quotas and tariffs. It was found that the major beneficiary of the MFA was the domestic producers in the importing developing countries. Due to the MFA, the value of shipments of clothing by US producers was more than $ 3 billion higher ($ 400 million for EC producer) than otherwise. When MFA quotas and tariffs were taken together, the value of clothing shipments by the US producer was $ 8billion higher ($1.5 billion for the EC producer) than under no such restrictions. The spill-over to unrestricted developing countries (such as most Latin American

countries) was much smaller than often alleged. It was observed that the results of the estimates depended very much upon the chosen values of the parameters such as supply elasticities and elasticity of substitution among differentiated products.

Carrere and DeMelo (2004) studied the extent to which MFA quotas had restricted East European exports of textile and clothing to the major industrial countries and whether the composition of East European textile exports to the industrial countries had any predictive value for further export patterns. The data utilized in this study covered the time period 1985-89 and related to six Eastern European countries—Bulgaria, Czech and Slovak, Federal Republic of Yugoslavia, Hungary, Poland and Romania and as markets, the EC and the US which accounted for about 80 percent of all OECD imports of textile and clothing from non-OECD (plus Turkey) sources. As competitors, they used the "East Asian Four", composed of China plus Hong Kong and Taiwan (China) and Republic of Korea and all MFA suppliers. It was observed that between 1985 and 1989, the textile coverage ratio averaged 59 percent for East European and above 57 percent for all MFA suppliers. The study concluded that the trade-restraining impact of MFA on the East European countries was not very different from that of other MFA suppliers. The average capital intensity of East European exports was relatively high as compared to other MFA suppliers and their degree of specialization was relatively low. It was found that in the case of East European countries, the distinct pattern of their exports to the EC was not influenced significantly by the MFA.

Hoekman and Ozden (2005) attempted to identify the various distortions, sources of inefficiencies and the transfers among groups that were created by the bilateral quotas for the time period 1982-1990. The MFA caused inefficient allocation of production activities between exporters in restrained countries and producers in the protected import markets, between various constrained exporters and between constrained and unconstrained exporters. Evidence from data on market shares of developing and developed country exporters of

fibers, textiles and apparels indicated that the MFA succeeded in arresting the growth in the less developed country's share of textile and apparel imports into the EC and US. The study also found that there appeared to be market segmentation within Europe in textile and clothing products.EC quotas tended to be binding and it was observed that coefficient of variation for prices and quota utilisation rates for China, Hong Kong and Korea were significantly and positively correlated, indicating that differences in prices were related to the "bindingness" of trade restraints.

Inama (2004) examined India's competitiveness vis-a-vis its competitors particularly China and Hong Kong and suggested strategies for India in the MFA phase-out period and post-MFA phase-out period. The author studied India's competitiveness in the different markets for the different textile and garment items at the sub-sector level by taking into account the market shares and unit value of exports of India and its competitors in different garment categories in the different markets. Based on the commodity trade matrix, the revealed comparative advantage indices (RCA) of items of two garment categories falling under SITC codes 843 and 844 were calculated. The study found that India's RCA in U.K., U.S. and German markets for both these categories had been three to four times higher than India's aggregate RCA for these two categories in all the markets taken together. India had a higher RCA in quota markets as compared to non-quota markets. It was concluded that strategic alliances with the developed countries (DCs), wherein the joint ventures helped India to meet the market needs of DCs, could possibly help India.

Yang and Zhong (1998) examined the prospects for China's textile and clothing exports after phasing out of MFA in January, 2005 and its implications for other textile and clothing exporters. The data utilized in this study covered the time period1970-1994. The study considered both supply side factors (i.e. continued economic reforms and shift in comparative advantage in the world textile and clothing sector) and demand side factors (i.e. phasing out

of MFA). China's textile and clothing exports were placed in global perspective and changing international comparative advantage had been analyzed. The study also examined the demand factors associated with the Uruguay Round reform and China's WTO membership negotiated and analyzed the economic and demographic factors which determined China's supply potential in textile and clothing. Simulations were carried out to project the future path of the textile and clothing sector for China and major textile and clothing exporting economies. The Global Trade Analysis Project (GTAP) was used to project the growth path of the world economy, with particular attention to the textile and clothing sector. The study found that MFA did not stop China from utilizing its comparative advantage. China's diversification and upgrading would give South Asia and low-cost ASEAN economies greater opportunities for export promotion.

Yazdani (1998) investigated the impact of the US MFA restrictions on Pakistan's exports of textile and clothing to the US. The author quantified the costs and benefits of trade restrictions on Pakistan's textile and clothing industry and its export performance during the period 1975 to 1994, the entire life-span of MFA. The results of the empirical model showed strong support for the hypothesis that the MFA restraints were binding on Pakistan's textiles and clothing exports i.e. the lesser the quantity constraints and smaller the scope of the quota restrictions, the higher would be Pakistan's share of the US import market for textile and clothing. Cost competitiveness remained an important determinant of market share with respect to non-restricted and/or MFA-free trade.

Khanna (2000) examined the impact of MFA phase-out on Indian garment export sector. The study analyzed the impact of first two phases of quota removal on world in general, and India in particular, likely impact of next two phases of quota removal and policy implications of standstill/roll back of the MFA phase-out on India and quota rents. The study also dealt with cross competitor analysis of India under major export categories by quantity, value and unit

value along with comparative quota utilizations for major markets. The study found that India was the 8th largest supplier of textile & clothing to USA in 1998. Indian quotas in USA were fully utilized. A category-by-category analysis showed that India had strength in cotton and viscose and it competed mainly with Asian competitors and is a low-to-medium priced competitor. There was a downward pressure on prices over a wide range of imports, particularly apparel. As a result, Indian prices for a number of products declined between 1994 and 1998.

Fukase (2000) conducted a comparative analysis of the impact of China's accession to the WTO on the country's economy using a traditional Global Trade Analysis model (GTAP) and the new modeling framework (GTAP-DE).For this purpose, a baseline scenario was implanted in which China did not enter the WTO and a second one, in which both China and Taiwan entered the WTO, first with the GTAP model and then with the new model. The analysis from the second scenario showed that China's share of world exports rose dramatically and its composition was shifted strongly away from primary commodities towards manufactured products particularly in textile materials.

Diao and Somwaru (2001) focused on the possible impact of the MFA phase-out on the world textile and apparel (T & A) trade using an inter temporal, global general equilibrium model using trade data from GTAP database for 91 countries over 37years. The analysis indicated a strong positive relationship between trade in textile and apparel and the standard of living. Starting from analyzing trends in world textile and apparel trade, the study found that the developing countries were a growing factor in world T & A trade in recent decades. The study also reported that the MFA phase-out would enlarge world trade of T & A and developing countries would further gain market share in the world total exports. Using GDP and population data, a time-series and cross-sectional estimation was conducted to analyse the relationship between T & A trade and income growth. The regression results indicated a

strong positive linkage between trade in T & A and income per person, which contrasted with the negative linkage between agricultural trade and income estimated by the study.

Martin and Bhardwaj (2001) provided a simple introduction of the MFA and used available empirical evidence to examine its impact on exports of garments and textile, focusing on India. They also examined the domestic policy distortions affecting the textile industry in India. They reviewed some of the evidence on the likely impact of MFA abolition on South Asia and on the implications of domestic reforms in India before and after the abolition of the multi-fibre arrangement. It was brought out that while exporting countries could gain from quota rents much of this gain was likely to be offset by losses in exports to unrestricted markets. The results suggested that South Asia as a whole would gain from quota abolition, although different countries might experience different results. India had the potential to benefit from quota elimination in terms of increased market access, employment, output growth and productivity gains. The study suggested a number of domestic reforms including eliminating taxes and concessions that favored decentralized production arrangements, ending the bias against man-made fibres, restricting certain products to handloom production and eliminating delays in shipping and customs clearance.

Appelbaum (2004) made an effort to understand the dynamics of global sourcing in the textile and apparel industries. The study was based primarily on a review of existing research both macro-level research that simulated world trade patterns, and case studies of individual countries. The impact of MFA phase-out was discussed with special emphasis on several Sub-Sahara African countries, for which information was available concerning the role of foreign suppliers. The study showed that large retailers played an increasingly important role in determining the nature of apparel production, including a preference for "lean retailing" that favored Hong Kong, Taiwanese, Korean and Chinese suppliers. It was concluded that FDI would continue to play a key role in textile and apparel industries of developing

countries. Enhancement of working productivity through skill training and technological upgrading would diversify production into higher value-added garments such as the more fashion-sensitive women's wear categories.

Elbehri (2004) examined the global trade implications of MFA quota removal on cotton and textile industry by developing new adaptations to the GTAP framework. The analysis was based on a new set of MFA-trade restrictiveness estimates based on 2002 product 43 level quota trade and price data using a multi-regional general equilibrium. The analysis provided comparative static assessment of changes in global trade patterns in post-MFA world. It also took into account the MFA-induced implicit tax on cotton and allowed for inter-fiber substitution. The GTAP database was modified to include the estimates of export tax equivalents (ETE) facing exports to the United States. The study found that the United States showed significant increases in apparel imports substituting for domestic products, raising overall consumption and producing substantial welfare gains. The implications for fiber markets on the U.S. showed lower demand for cotton for domestic use, but expanding U.S. cotton exports due to higher world demand, particularly when both quotas and tariffs were removed. Global welfare gains resulting from MFA quota removal were about US$10.2 billion. All MFA-importing economies showed welfare gains and U.S. showed the largest welfare gains, given the sizeable share of its initial textile and apparel trade under MFA quotas.

Hate, Khanal, Larsen, Smart, Soria and Zanni (2005) analyzed the consequences of elimination of MFA for the South Asian countries including Nepal, India, Pakistan, Bangladesh and Sri Lanka as well as U.S. retailers by using quota model. It was brought out that India and Pakistan would likely be the winners with the expiration of MFA. Nepal is expected to suffer losses in the garment and textile industry without the protection of quotas. The effects of the MFA expiration on the Bangladeshi and Sri Lankan garment and textile

industry were ambiguous. US producers of garment &textiles would suffer losses whereas US consumers would benefit.

Kamau (2005) assessed the impact of MFA phase-out on small garment producing economy such as Kenya. The Global Value Chain (GVC) analysis was used to examine how integration of garment trade into the WTO would affect production system in Kenya. The methodology of this study was based on primary and secondary data sets obtained first in 2003 and 2004. The firm-level data was drawn from a survey conducted in 2003 among 45 garment producing firms of diverse features in terms of size, age, ownership and type of garment made in five different towns in Kenya. The study found that gains from elimination of quotas in garment trade would accrue mainly to large Asian producers that were better positioned in the value chain. Kenyan garment firms operated at lower end of the value chain as they mainly undertook 'assembly' work. The study suggested that they should upgrade production from basic products at the lower level of GVC to higher level products such as original brand name manufacturing (OBM) and original equipment manufacturing(OEM) by increasing productivity and establishing stronger links with giant international buyers.

Heron (2006) assessed the impact of the ending of the MFA- the protectionist trade regime that shielded developed country from developing country's textile exports between 1974 and 2004. The study examined more closely the distributional effects of the ending of the MFA by focusing on the distribution of the trade gains. The author argued that while the ending of the MFA might eventually lead to significant welfare gains for the South as a whole, these were likely to be highly skewed in favor of a relatively small number of very competitive textile producers. At the same time, a larger number of (generally smaller) developing countries were likely to find themselves significantly worse-off in the post-quota trade environment.

Harrigan and Barrows (2006) focused on simple and robust theory predictions about the effects of binding quotas and also computed non-parametric estimates of the cost of MFA. The study used a natural experiment in US trade policy to get around these thorny inference problems by taking data from Census Bureau at 10-digit HS level. It was tested whether binding quotas raised prices and led to "quality upgrading" i.e. a shift in the mix of products under a given quota towards more expensive goods. For all U.S. imports of apparel and textiles and for every exporting country and quota group, price, quality and real import indices over time were constructed. It was observed that prices and quality fell by 38 percent from China. The price effects were also substantial for non-Chinese exporters, with little evidence of quality downgrading. It was also found that many other big exporters (especially India, Pakistan, Bangladesh and Indonesia) were able to increase their sales to the US market when their quotas were removed.

Pigato and Ghoneim (2006) evaluated the initial impact of the phase-out of the Multi-Fiber Agreement (MFA) on the textile and clothing sectors (T & C) in Egypt, Jordan, Morocco and Tunisia (MENA-4), with a focus on Egypt. The study depended on comparative data analysis for the countries complemented by interviews with exporters and producers of textiles and ready-made garments in Egypt. The study suggested a number of public and private sector strategic policy options to enhance the competitiveness of Egypt's exports. Based on the assessment, a number of recommendations were offered to maximize the benefits from liberalization of international trade in T & C. In particular, it was found that the phasing-out of MFA had a mixed impact on the T & C sectors of the MENA-4. In order to capture the full benefits from the phase-out, the study stressed the importance of improving export competitiveness and growth through diversifying export markets, reducing the cost of T & C inputs, easing restrictive rules of origin, improving trade logistics, and pursuing deeper integration both regionally and internationally. For Egypt, the study specifically highlighted

the need to restructure the T & C industry, improve the export subsidies program, enhance training and education in the T & C industry, encourage the production of other types of cotton and upgrade port facilities.

Ahmad (2007) highlighted how origin rules have been instrumental in shifting the demand for textile materials towards preference-granting economies. It gave a brief background to the making and evolution of present-day origin rules relating to textiles and clothing in some major economies, both in the context of normal most favored-nation (MFN) trade and preferential trading arrangements which now accounted for a large portion of trade in the sector. The study found that restrictive origin rules constituted a source of continuing distortions in textile and clothing trade. It was observed that rules of origin were closely tied to the sustainability of many preference-receiving countries apparel exports to sourcing of textile materials from preference-granting countries with all the added costs that such sourcing entailed byway of the rigidity of production processes and additional administrative costs. The study highlighted the fact that on the back of origin rules, the preference granting countries gain access for their yarn and fabric producers to capture markets in preference-receiving countries. The study concluded that the rigidity of origin rules constituted a serious bottleneck for the viability of apparel exports of many preference-receiving countries.

The MFA grew out of a series of voluntary export restraints imposed, initially, by the United States on Japanese textile exports in 1955. By the end of the 1950s, the United Kingdom also began to limit imports from Hong Kong, India, and Pakistan (Spinanger 1999). Quotas on cotton textiles and apparel products were first institutionalized with the Short- Term arrangement in 1961, which was extended to two subsequent Long- Term arrangements throughout the 1960s and early 1970s. As the Asian economies' textile and apparel production continued to grow, developed countries sought a more systematic mechanism to deal with "market disruptions" in other fiber markets. This search led to the signing of the

MFA, in 1974, which, although "temporary" at first, ultimately led to an additional thirty years of protection. As a result of the MFA, T&C products were kept out of multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization (WTO).

In tracking developments leading up to the Multifibre Agreement (MFA), and later the WTO Agreement on Textiles and Clothing (ATC), Naumann (2006), has noted that quantitative restrictions on textiles and clothing violated the original word and spirit of some of the basic principles contained in the General Agreement on Tariffs and Trade (GATT). Having entered into force at the start of 1948, this Agreement contained provisions that directly or indirectly relate to quantitative restrictions. It is against this backdrop that MFA came in to being.

The MFA came into force at the start of 1974, and expanded the product coverage of the LTA. The Agreement was welcomed by many countries for setting targets for increased trade through slightly higher agreed minimum growth rates (6% per annum against 5% per annum under the LTA) and more progressive liberalisation of textile trade. The Agreement also provided for the conclusion of bilateral treaties, which in effect permitted countries to tailor quantitative restrictions differentially according to their own particular requirements. This demonstrated the MFA's most significant departure from GATT rules, particularly that of nondiscrimination.

The MFA's first years of existence saw the conclusion of a significant number of 'bilaterals', mainly between the US and Europe, the chief quota imposing countries. But many of these agreements went even beyond what the MFA envisaged, with restrictions that differed from the word and certainly spirit of the MFA. 'Reasonable departures' from the original text became common cause in these bilateral agreements, eventually spurring quota-restricted (developing) countries into providing a more coordinated response. This eventually led to the

removal of the 'reasonable departures' facility, although little real progress was made beyond nonbinding commitments on the part of quota-imposing countries (Naumann,2006:6).

In Europe, quantitative restrictions on certain imports went even further, covering most of the textiles and clothing sector. Relief was in the form of GATT Article XII (*Restrictions to Safeguard the Balance of Payments*), which, however, failed to define the degree of balance of payments disruptions sufficient to trigger a response, thus leaving the door open for countries to address their concerns through this facility.

Under pressure from various countries, most notably the US, a formal forum was established within GATT during 1961 to deal with the increasing market disruptions (and threat thereof) in major importing countries. This forum resulted in the conclusion, first of a 'Short-term Arrangement Regarding International Trade in Cotton Textiles' (STA) – note the explicit reference to cotton textiles – and pursuant to this, a 'Long-term Arrangement Regarding International Trade in Textiles' (LTA) (Naumann,2006).

The STA, which was adopted by almost 20 countries, provided for the unilateral imposition of quotas on cotton-based textiles and clothing in cases where the exporting country did not itself voluntarily and satisfactorily restrict its exports. The LTA, initially covering a five-year period but subsequently renewed in 1967 and 1970, provided the basis for further, yet more targeted, restrictions. But since both the STA and LTA covered only cotton-based textiles, the growing trade in man-made fibres remained largely unaffected by these trade measures.

Voluntary agreements were nonetheless concluded mainly between the US and various key suppliers of man-made fibre products, as well as of wool products. These agreements sought to restrict key suppliers' exports to the US and thus limit domestic market disruptions brought about by this surge in foreign competition. While this approach initially provided a fair measure of relief, its fragmented nature made it an onerous policy tool in the long run. At the same time, many European countries – which until then had benefited from the more limited

LTA – experienced an increasing inflow of non-cotton textile imports. The uncertainty associated with the bilateral approach under the LTA likewise appeared to find little favour with developing countries, some of which had become substantial players in the global textile and clothing industry (Naumann,2006:6).

Naumann (2006) has observed that over the ensuing years, the time-bound MFA was renewed on various occasions, notably in 1977, 1981 and 1986. In the most recent guise, the MFA's product coverage was extended (to include, among others, vegetable fibre products), although it also removed provisions that could have provided the basis for a tightening of existing quotas. However, positions around quotas became increasingly polarised, with major importing countries (such as the US and EU) pressing for a broadening of the MFA, and developing and exporting countries opposing it. While the latter continued to call for a liberalisation of textile and clothing trade, it was only in 1991 that versions of what was to become known as the Agreement on Textiles and Clothing (ATC) – negotiated as part of GATT's Uruguay Round trade negotiations – were presented. A final version of the ATC, which set out a definitive plan for the structured removal of quantitative restrictions, was finally implemented on 1 January,1995. This provided the basis for the liberalization of trade that saw China and other countries dominating developing countries economies with textile materials.

For African countries, successive Lomé Conventions and later the Cotonou Agreement, as well as general GSP and 'Everything-But-Arms' programs, provided preferential access to the European market which further increased the relative benefit accruing to quota unconstrained countries. However, the conclusion of preferential trade agreements and arrangements between developed and developing countries have contributed indirectly yet significantly to the impact that the ATC quota regime has had on many developing countries including Nigeria especially in the textile industries.

For example, in 2001, the United States' African Growth and Opportunity Act (AGOA) substantially improved market access for items such as clothing when shipped from eligible African countries. Although preferential clothing exports are subject to special provisions and origin rules, as well as a quota, this applied only to the duty-free preferences offered rather than overall market access for clothing exports.

As part of its entry into the WTO, China agreed to special safeguard provisions, subject to "consultations," that would limit its exports to countries experiencing market disruptions after the ATC was phased out under the guidelines governing China's accession into the WTO, Although, the European Union is shown as the leading exporter of textiles and clothing, Naumann(2006:16) has noted that much of this trade takes place within Europe. This establishes China as the leading exporter globally, even without taking into account the contribution of Hong Kong. When aggregating China and Hong Kong's exports (not including Hong Kong're-exports'), China's dominance as a leading clothing exporter was already obvious in 2003.

Although much of the literature written about the MFA covered the broad aspects of impact of quota allocations on the global textile and apparel trade, few studies were published on its effects on specific industries in a given country. Fortunately, several sources do exist as presented in the foregone analysis, to my knowledge, none of these studies investigated the effect of multi-fibre arrangement on Nigerian textile industries in Nigeria. To me, this is a huge gap which this study intends to fill.

2.2:9 Issues in WTO's MFA and its Impacts on Textile Industries in Developing Countries

2.2:9a. Impact Of WTO Accession On East Asia

We identify several main channels through which China's WTO accession will affect the economies in East Asia: (1) increased access to China's domestic market; (2) improved competitiveness; (3) competition with China in third markets; (4) expansion of foreign investment in China and, potentially, outward foreign investment from China; (5) transparency and predictability of trade policy; (6) entry of a major developing country to the WTO.

(i) Increased Access to China's Large Market

China has been a powerful driver of growth in East Asia – spurring growth not only in the newly industrialized economies, but also in the developing countries of East Asia. In 1997, more than 60 percent of China's imports were sourced from other countries in East Asia.

In the nineties, ASEAN countries' exports to China grew by 390 percent and these countries' share in China's total imports rose from a little below 6 percent in 1990 to 9 percent in 1999.

Looking ahead, China is expected to continue to be a driver of growth in East Asia as it becomes a much bigger market for its trading partners following accession to the WTO. In many sectors China's WTO accession only adds a little to the already vigorously projected growth of these markets. Nevertheless, accession will lead to significant changes. In services, China has made commitments to provide national treatment to foreign-funded firms and greater opportunities for exporters of services. In manufacturing, China has committed to abolish non-tariff barriers and reduce tariffs from 13.3 percent in 2001 to 6.8 percent23 by the end of the implementation period. In agriculture, China's imports are projected to grow, though this growth is much smaller than projected in earlier studies since protection on many

farm products is expected to remain virtually unchanged by the end of the implementation period (Huang and Rozelle, 2002).

Growth in the region will also be stimulated by increased demand in China's major trading partners that benefit directly from China's accession. Therefore, the East Asian developing countries will export more not only to China, but also to Japan, Tawain (China) and the rest of the Newly Industrializing Economies (NIEs). Both the direct and indirect effects of increased access to China's markets will be important determinants of regional trade.

(ii). Improved Competitiveness

China's accession to the WTO has brought about a reduction in protection that will lower its export prices and increase China's appeal as an efficient supplier. China's pre- accession reforms have already improved the competitiveness of Chinese exports and have benefited its closest trading partners. Trade intensity indexes for 1985 and 2001 suggest that trade between China and individual East Asian economies has intensified sharply since 1985 (Ng and Yeats, 2002). Thus, most East Asian economies are expected to benefit from further cuts in export prices as China continues to implement WTO related reform over the next few years. The benefits to these countries could be seen both in terms of increased output and welfare as these countries source cheaper imports from China and use them as intermediate inputs in their production processes. However, to realize these benefits, countries will have to resist protectionist pressures, which have been growing in a number of countries.

(iii). Increased competition in third markets

Competition with China in third markets will intensify as a result of China's accession to the WTO. This has posed a challenge for many countries, especially those that have similar comparative advantage in labor intensive goods.

South East Asia competes with China in world markets for manufactures, especially labor intensive products, and increasingly higher value added products, such as semi

conductors and other high technology products. Competition has led to unit price declines, but thus far other developing East Asian exporters have maintained their market shares in the US and Japan. The aggregate picture, however, hides the story for individual sectors. ASEAN maintained market share for textiles and apparel in the quota-constrained US market, albeit at the expense of falling unit prices. However the South East Asian countries lost market share in textiles and apparel in Japan, where China's exports of textiles and apparel are not quota constrained.

A number of reasons suggest that competition will intensify with China's WTO accession. Accession has brought about the abolition of quotas on Chinese textiles and apparel exports to the US and the EU in 2005.25 This implies that China will become a formidable competitor especially in the apparel market. The effect of tariff reductions on the real exchange rate will lower the costs of both trade and non-traded inputs for China's manufactures. This will make China's products more competitive, putting pressure on the price of competing products elsewhere. China has a vast labor force, including a large stock of underemployed agricultural workers, spread over vast geographical areas that differ in stages of economic development. China also has much lower labor cost per unit of output, not only relative to developed countries, but also compared to most developing countries. This suggests that cheap labor supply will last for a long time regardless of China's rate of growth (Wang, 2002).

(iv). Changes in Investment Patterns

WTO accession will increase foreign investment in China as trade liberalization lowers production costs and the price of capital goods, and increases the rental rates, resulting in rising returns to capital in China. WTO accession will ensure that China adheres to the general principle of non-discrimination (Bhattasali et al., 2002), which will boost investment as it implies lower transaction costs, increased imports, and increased sales and profits of

foreign invested companies. Meanwhile, the liberalization of rules on investment should ease flows of FDI into previously restricted sectors such as services.

China's accession is also likely to set off changes in regional trade and production patterns whose effects will be felt over the longer term. The issue for other East Asian economies is whether their own foreign investment inflows will increase or decrease as a result. It is difficult to answer this question since much will depend on the policy responses of individual countries. In addition, a number of factors will work simultaneously to determine the net regional impact of China's WTO accession on investment flows. While countries that lose competitiveness may see declining returns to capital and foreign investment diverted to China, several effects are likely to counteract this negative impact on foreign investment.

Whereas in the past China used to draw heavily on the overseas Chinese community as a source of FDI, with accession China will be able to draw on the global capital markets both for FDI and portfolio investment. Thus, competition between China and other countries in East Asia for FDI may actually weaken.

Increased productivity and trade liberalization in China both increase the country's demand for imports and raise investment and welfare in China's trading partners. Martin (1993) shows that a productivity shock in manufactures and services, for which there is a lot of two-way trade, is more likely to raise welfare in country's trading partners than is trade liberalization. Given the substantial productivity gap that exists between local and foreign firms, the new FDI flows are very likely to raise China's productivity. In apparel and footwear (textiles), for example, the adoption of foreign technology raises productivity by 30 - 62 % in collective enterprises and 20 - 59 % in state enterprises (Claro, 2001). This implies that the technological advance accompanying China's WTO accession will improve the country's competitiveness, increase the country's demand for imports, and perhaps raise investment levels in countries supplying these imports.

Investment liberalization in China will make it possible for multinational firms to further rationalize their production processes within East Asia. The relief of local content requirements under Trade-Related Investment Measures (TRIMs) will encourage these firms to relocate some segments of their production from China to other countries in the region. In some sectors, China's neighbors may receive FDI flows that complement those going to China. The scope for export specialization will vary with the degree of complementarily between China and other countries of East Asia. Its current comparative advantage in labor-intensive products suggests that there is more scope for export specialization vis a vis the newly industrializing economies than vis a vis the developing East Asian countries.

As FDI strengthens the linkages among industries in a region, the competitiveness of Asian products will depend not only on the competitiveness of the country that exports the final product, but also on those neighboring countries that contribute various components at different stages of the production process. This will create an incentive to direct investment to different countries that are part of the regional production networks.

Finally, the determinants of FDI are evolving over time. Agglomeration effects are becoming more important relative to traditional determinants of FDI such as market size and labor costs (UNCTAD, 2002). China's comparative advantage may also change appreciably after WTO accession. Over time, China is also likely to shift and extend its comparative advantage into higher-end products as the result of trade-induced productivity gains and savings in transaction costs from the reforms spurred by WTO accession. This implies that the impact of China's WTO accession on the NIEs may change to include heightened competition in global markets.

(v). Transparency and predictability of trade policy

China's trading partners are going to benefit from the increased transparency and predictability of trade policy as China follows general WTO policy rules and a number of

specific commitments (Bhattasali et al., 2002). The general WTO policy rules include among other things the need to publish trade rules and regulations. The specific commitments involve uniform application of the trade regime, independent judicial review and a mechanism to bring problems of local protectionism to the attention of the central government. This means that access to China's market will be secured and disputes will be resolved following international standards. This will be an important benefit to China's trading partners.

(vi). Entry of a major developing country to the WTO

China could share its experience in the design of institutions that work effectively in low-income developing countries (Martin and Ianchovichina, 2001). This will help countries in the region that are not yet WTO members but are planning to join the organization to avoid problems from adoption of practices that work well in a developed country context, but not in a developing country context (Finger and Schuler, 2000). In addition, China has a wide range of market access interests. Just like other developing countries, it faces relatively high tariff barriers in quite a wide range of export products, such as textiles and clothing, and agricultural exports. After accession to the WTO, the developing economies in East Asia and elsewhere could gain from cooperation with China to reduce these barriers.

2.2:9b. WTO and Latin American Countries :The Experience of Brazil

Since 1996, Brazil has used the WTO consistently, and with remarkable success, to resolve its trade disputes. It was the complainant, jointly with Venezuela, in the first case to be brought before the WTO (the gasoline case) and, together with other countries, was also the complainant in one of the latest cases (the proceedings against the European Communities for sugar subsidies).

Brazil has participated in 10 disputes before the WTO. It has been the complainant in 8 cases and lost only one, while of the 2 in which it has been the respondent, it lost one. In total, 8 successes and 2 defeats.

Brazil's two defeats were: in its action against the European Communities for the latter's restrictions on poultry imports, and in the action against it by Canada for subsidies.

a) Brazil and Venezuela versus the United States for its restrictions on gasoline imports:

On 12 April 1995, Brazil complained, jointly with Venezuela, against the regulations on foreign gasoline imports approved by the United States. Amendments to the latter's Clean Air Act of 1990 established that only clean or "reformulated" gasoline could be sold in the most polluted metropolitan areas. The complainants argued that the methodology used by this law was discriminatory and subjected imported gasoline to less favourable treatment than domestic gasoline. The Appellate Body upheld the complaint and resolved that these regulations represented "unjustifiable discrimination" and "a disguised restriction on international trade" prohibited by article XX of GATT 1994, and it ordered the United States to modify them and bring them into line with the relevant rules of GATT 1994.

b) Philippines versus Brazil for countervailing measures applied to imports of desiccated coconut:

Brazil applied provisional and permanent countervailing measures to imports of desiccated coconut from the Philippines. However, the Appellate Body declined to consider the Philippines complaint for formal reasons, as it considered that the country's legal justification was erroneous and was not specified in the relevant mandate.

c) Brazil versus the European Communities for restrictions on Brazilian poultry imports:

The final resolution of this Brazilian action before the WTO went against Brazil.

Brazil argued that the European Communities had not complied fully with their obligation to apply the tariff rate quota for poultry products established in a bilateral agreement between

the two countries, and had therefore violated article XXVIII of GATT, which regulates amendments to schedules of concessions. Brazil also argued that there had been infringements of article XIII of GATT, concerning non-discriminatory application of quantitative restrictions, article X of GATT on transparency, various provisions of the Agreement on Import Licensing Procedures between the two parties, the national treatment rules of GATT and the Agreement on Agriculture.

The Panel, among other considerations, found that Brazil had not demonstrated that the European Communities had failed to properly administer the tariff rate quota for poultry imports. The Panel findings were appealed but the Appellate Body upheld its conclusions with some alterations. The two resolutions were adopted by the DSB on 23 July 1998.

d) Brazil versus Canada for civil aircraft export subsidies:

Brazil and Canada had a long-running dispute over the two countries' subsidies for their respective civil aviation industries, since resolved by mutual agreement between the parties.

There were two main disputes and two subsidiary ones, the latter arising from the failure to reach agreement on compliance with the respective rulings of the Appellate Body.

2.2:9c. WTO and African Countries

i. Southern African Development Community (SADC)

The SADC Treaty was signed in 1992 with the objective of creating a development community that would achieve economic integration, including trade. Through regional cooperation and integration, the Community aims to provide balanced economic growth and development, political stability, and security for all 14 members. Decisions and agreements are legally binding on members, and the Treaty provides for several protocols in specific areas, such as trade, finance, industry, agriculture, transport, and investment.

The Trade Protocol, signed in 1996, is aimed at progressively establishing a SADC free-trade area, initially over eight years. However, progress has been slow. The Protocol was

implemented in September 2000 after ratification by 11 members. To establish the FTA, products have been grouped under three main categories (A, B, and C). Category A (mostly capital goods and equipment) were liberalized in the first year; Category B (e.g. goods that constitute important sources of customs revenue) are to be liberalized gradually, by 2008; and Category C (products deemed sensitive by member states), which are limited to a maximum of 15% of each member's total merchandise trade, are to be liberalized by 2012. In addition, a fourth category of products (Category E), covers products ineligible for preferential treatment under general and security exceptions permissible under Articles 9 and 10 of the Protocol: these are expected to make up a small list of products, so that by 2010 about 98% of intra-SADC merchandise trade will be duty-free. The phase-down offers (i.e. under Categories B and C) are country specific.

A draft regulation on mutual assistance and cooperation in customs matters was approved on 31 March 2000; this, inter alia, allows for joint inspections. The SADC Subcommittee on Customs Cooperation and Trade Facilitation finalized discussions on customs documentation (i.e. the format of bills of entry and certificates of origin), and commenced the monitoring process for removal of non-tariff barriers by member states by establishing systems for electronic validation of certificates of origin. Substantial progress has already been made on harmonizing customs and trade documentation. SADC rules of origin are being negotiated on a product-by-product basis. Negotiations on specific rules of origin are continuing for certain products, including wheat flour and products thereof, electrical products, and optical, photographic, measuring, and surgical instruments.

The long-term objective on sugar is to establish full liberalization of trade within the SADC region from 2013. This will depend on a review of the prevailing conditions five years after entry into force of the agreement. The SADC sugar market-access and cooperation agreement has now been incorporated as an Annex to the amended Trade Protocol. A derogation for

textiles and clothing has been granted to least developed members of SADC (Malawi, Mozambique, Tanzania, and Zambia) allowing them to export (duty free but subject to quota) single-stage produced textiles and clothing, for five years starting from 1 August 2001. Exports above the quota are subject to "double stage transformation" rules of origin. While the Trade Protocol has identified several non-tariff measures to be eliminated, such as import quotas, customs procedures, and export subsidies, it excludes other important non-tariff barriers (e.g. local-content requirements, levies and other charges, and import/export licensing). The SADC Protocol on Tribunal provides for a tribunal to be established to adjudicate members' disputes arising from the treaty, and from subsidiary instruments, that cannot be settled by consultation. Its composition, powers, functions, procedures, and other related matters are prescribed in the Protocol; the rules of procedure were agreed by SADC members in August 2000. Creation of the Tribunal, however, will not take place until after the conclusion of current reorganization plans for SADC; decisions will be final and binding. In the meantime, Annex IV of the SADC Amendment Protocol of 2000 provides for a dispute settlement mechanism based on the WTO model.

SADC intends to extend trade liberalization to services, but negotiations are yet to commence. The SADC Free Trade Area has been notified to the WTO.

WTO and Trade Arrangements Involving East African Countries Members

The EAC members became, individually, original WTO Members on 1 January 1995. They are neither signatories nor observers to any of the WTO plurilateral agreements. EAC members have not been involved directly, either as complainant or defendant, in any WTO dispute settlement proceedings. However, both Kenya and Tanzania have participated as third parties in the disputes brought separately by Australia, Brazil, and Thailand, on "European Communities-export subsidies on sugar". The three EAC countries accord at least MFN treatment to all their trading partners.

The EAC members attach great importance to the Doha Development Agenda (DDA). Their priorities in the DDA include: improved market access for their agricultural products through bound duty-free and quota-free access for all their products, and the removal of other non-tariff barriers, export subsidies and domestic support; the reduction of high tariffs and tariff escalation on non-agricultural products of interest to developing and LDCs; greater opportunities in services, particularly through the movement of natural persons, including less skilled labour; extension of geographical indications coverage beyond wines and spirits, in order to maintain the identity of indigenous export products; strengthening of S&D provisions; and the provision of meaningful technical assistance, including in capacity building, which will allow DCs and LDCs to participate fully and effectively in all negotiations, and ultimately to take advantage of the opportunities offered by the multilateral trading system.

According to the EAC members, to achieve a truly developmental outcome, the DDA must ensure that the outcome of the Doha negotiations supports poverty-reducing economic growth, and provide space for DCs and LDCs to pursue appropriate national policies that enhance welfare and foster economic development. The outcome of these negotiations must also strengthen and support the regional integration initiatives in the EAC countries and other regional trading arrangements on the African continent. To determine how to participate fully in the Doha development process, the EAC countries have indicated that technical assistance and capacity building must support analytical and operational research at the country and regional levels, be aimed at mobilizing constituencies that have an interest in domestic policy reform, and be provided through multilateral initiatives.

The EAC member states' technical assistance requirements relate to: the harmonization of laws and regulations with WTO requirements; notifications; staff training, and establishment of institutional structures to facilitate the implementation and observance of

Agreements; and the formulation of policies that allow maximum benefit from trade reforms and the application of the WTO Agreements, and minimize costs. A trade reference centre has been established by the WTO in the EAC Secretariat.

Customs reform and capacity-building have been long-standing items on EAC countries' policy agenda. The implementation of modern, WTO-consistent customs procedures is a priority. Some of the main technical assistance needs in relation to customs are: the training of officials in the implementation of the WTO Customs Valuation Agreement, including training on post-clearance auditing, and anti-fraud techniques and control; and the drafting or revision of legislation in specific areas. The delivery of technical assistance in these areas would be part of a wider programme for the development of customs capacity, which is being supported by the IMF and bilateral donors.

The development and implementation of standards and other technical requirements, including sanitary and phytosanitary (SPS) measures, are a key priority. Regulations in these areas are still to be harmonized across EAC countries. Technical assistance thus could focus on ensuring that revised or newly drafted legislation is in conformity with rules and practices provided for in relevant international agreements, the development of implementing legislation, and the development of institutional capacity required for enforcement.

Technical assistance needs for intellectual property protection relate to the revision of existing legislation, the drafting of new legislation, the development of implementation capacity, and enforcement issues for Kenya. As LDCs, Tanzania and Uganda were granted an extension of the transition period for the implementation of the TRIPS Agreement until 1 July 2013, which was due to expire on 1 January 2006.

The EAC countries are currently involved in trade negotiations with regional partners, such as the Cotonou Agreement; and within the WTO under the Doha Development Agenda. The different negotiating mandates and timetables are liable to place considerable stress on EAC

countries' institutional capacities. Technical assistance could focus on helping them to identify negotiating priorities, and to anchor these in their overall programme of trade reform. Supply-side constraints affecting the EAC members are both of a generic (cross-cutting) nature and a sector-specific nature. The former include the high cost and unreliability of certain public services – notably electricity and telecommunication services – and the high cost of private credit. Most sector-specific constraints are discussed in detail in Chapter IV of the respective Annexes. The most frequently identified needs are training in modern production and marketing techniques, and the provision of inputs and physical support facilities.

Despite recognition by the EAC member states of the importance of trade and trade policy reform to their development prospects, trade policy has yet to be integrated systematically into their development strategies. The discussion of trade policy tends to be dispersed across a number of policy statements whose relationship to each other is unclear. One reason for this lack of integration is that trade-policy-making itself is not fully coordinated, as there is no operational structure to coordinate the work of the various departments and agencies involved in the formulation and implementation of trade policy, either at the national or EAC level. A critical first step would be to achieve such coordination in trade-policy-making.

ii. Common Market for Eastern and Southern Africa (COMESA)

COMESA's aims are to deepen and expand the integration process for member countries by adopting general measures to liberalize trade. These include the removal of all tariff and non-tariff barriers and the adoption of a common external tariff; free movement of capital, labour and goods, and the right of establishment in the region; the adoption of a common set of standards, technical regulations, quality-control procedures, certification systems, and sanitary and phytosanitary regulations; tax harmonization (including VAT and excise duties), and provisions on industrial cooperation in, for example, company law, intellectual property,

and investment; implementation of a harmonized competition policy; and the establishment of a monetary union. The COMESA has been notified to the WTO under the Enabling Clause.

COMESA's Common External Tariff (CET) was to be in place by 2004, with rates of 0%, 5%, 15% and 30%, on capital goods, raw materials, intermediate, and final goods, respectively. However, the CET has not yet been implemented (July 2006); and member states are conducting studies to reach a decision on the timing for its implementation. Since most COMESA members have maximum tariff bands below 30%, discussions are under way on the possibility of reducing the agreed CET rate on final goods. On 31 October 2000, Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia, and Zimbabwe eliminated tariffs (on a reciprocal basis) on COMESA-originating products. Burundi and Rwanda joined this free-trade area on 1 January 2004.

There are four alternative origin criteria under COMESA: that goods are wholly produced in the region using no outside materials; the imported content of goods is no more than 60% of the c.i.f. value of the total cost of materials used in production; that goods contain no less than 35% ex-factory value added, reduced to 25% if the final product is considered to be of "particular importance" to the economic development of a member state; or that there is a change of tariff classification heading following transformation.

A monetary harmonization programme is to be implemented in four stages between 1992 and 2025. The last stage should result in a full-fledged monetary union in which there will be either permanently fixed exchange rates or a single currency; full harmonization of the member states' economic, budgetary, and monetary policies; full integration of the financial structure; a pooling of exchange reserves; and the establishment of a single monetary authority. A coordination body composed of experts from central banks and ministries of

finance in the region has been set up to oversee implementation of the measures and ensure that the harmonization process makes progress towards monetary union.

Several institutions have been established to assist COMESA members in their development. The Eastern and Southern African Trade and Development Bank (PTA Bank) provides trade and project financing to public and private investors domiciled in a bank member state. The COMESA Clearing House has diminished in importance following liberalization of most members' foreign exchange regimes. Its role is being re-directed towards improving the efficiency of clearing operations to complement the services offered by commercial banks; providing traders with some form of political insurance on intra-regional trade; and facilitating monetary and fiscal policy harmonization within the region. Kenya and Uganda are members of the PTA Re-Insurance Company (ZEP-RE), which assists the development of the insurance and re-insurance industry in the COMESA region. The Africa Trade Insurance Agency (ATIA), launched in August 2001, is aimed at creating investor confidence by providing cover against political risk. Although promoted by COMESA, membership of ATIA is open to all the member states of the African Union (section (4) (iii). The COMESA Court of Justice became operational in 1998. Its general jurisdiction is to adjudicate upon all matters that may be referred to it under the Treaty. Kenya and Uganda have not been involved in any formal disputes within this framework.

The protocol on free movement of persons is to be implemented in several stages; the first state of removing visa requirements was adopted in 2000.

iii. A Case of Common External Tariff (CET) and the individual WTO commitments of ECOWAS Member States

The 16-strong Economic Community of West African States have decided to establish a common external tariff (CET), which is currently being finalised. The tariff, set at 35 percent at most, will modify the rights and obligations ECOWAS member countries. This may create

a contradiction between the WTO commitments of individual countries and the requirements of the regional trade integration project essential for West Africa's economic development. National, regional and multilateral policies are not necessarily coherent or complementary. At first sight, the requirement of WTO compliance jeopardises new commitments at the regional level, but a close reading of WTO law allows us to conclude ECOWAS is likely to be able to continue its regional integration while keeping its new external tariff.

(a). The CET is a priori incompatible with the individual commitments of WTO members

WTO data clearly shows that the application of the ECOWAS common external tariff – both for agriculture and industry – would be a problem with regard to respecting the individual commitments undertaken by the group's members at the multilateral level. All West African countries have lower applied agricultural tariffs than those they have bound at the WTO. Nigeria, for instance, has bound its tariff for agricultural products at 150 percent, while its applied tariff is only 33.6 percent. The bound tariffs of Gambia, Burkina Faso and Ghana vary between 140 and 97.1 percent. The least 'protected' countries in the region have 'reasonable' bound levels in comparison to the tariffs they actually apply. This is the case for Senegal and Guinea Bissau, which have a smaller margin of manoeuvre to adjust their customs tariffs in case of sudden changes in trade flows. The Ivory Coast is exceptional in that its bound and applied tariffs are almost identical at the relatively low level of 14.9 percent.

The picture is less homogenous for industrial products. Togo and Nigeria have high bound tariffs at 80 and 66 respectively. At the other end of the spectrum, Benin, Guinea, Ivory Coast and Mauritania are already in the danger zone as their applied rates are higher than those bound at the WTO. From a legal perspective, this situation is problematic in two principal ways. First, for some ECOWAS countries the proposed CET is higher than their bound WTO

commitments, and second, raising tariffs may have negative impacts on other WTO members.

(b). Problem 1: The CET is Higher than Bound Tariffs

With regard to agricultural products, the application of the envisaged rate of 35 percent will entail legal difficulties for all countries that have bound their tariffs lower than the CET (the argument of applied tariffs does not really apply here). Rather, the legal issue is linked to a discrepancy between binding commitments taken at the multilateral level and problems arising from the desire to establish a regional commercial and agricultural policy. Unless they are granted special waiver, ECOWAS members cannot use a new regional policy as a pretext to exceed their bound commitments.

All but two ECOWAS countries have bound agricultural tariffs above the projected 35-percent CET. However, Senegal with its bound tariff of 29.8 percent will not *a priori* be able to apply the new common external tariff without a prior revision procedure. The Ivory Coast is in an even worse position since its current bound tariff of 14.9 percent is so low that even a CET limit of 20 percent would be too much.

The same logic applies to industrial products. On the one hand, a group of countries has bound tariffs above the 35-percent ceiling, while eight countries could face difficulties as their bound tariffs are too low to allow automatic application of the regional CET. This would be the case for Ivory Coast, Benin, Burkina Faso, Guinea, Mali and Mauritania (bound tariffs between 9 and 15.5 percent), as well as Senegal (30 percent) and, to a lesser degree, Ghana (34.7percent).

So, it seems that that the application of CET would face legal problems with regard to the existing individual commitments of ECOWAS members. This problem could be solved in two ways at the WTO.

Solution 1: *Countries can choose the status quo*

Under this scenario, the ECOWAS customs union with a common external tariff enters into force, leaving some member states in breach of their multilateral commitments. However, WTO law allows for the modification of schedules of concessions with the proviso that the country in question offers 'compensatory adjustment' in the form of lower tariffs on other products (GATT Article XXVII.2). Another WTO provision is of even greater interest in that it could secure the maintenance of the CET without compensatory payments. Indeed, GATT Article XXIV.6 provides that in determining compensation "due account shall be taken of the compensation already afforded by the reduction brought about in the corresponding duty of the other constituents of the [customs] union." ECOWAS members' combined average bound rates for both agricultural and industrial products are well above the CET ceiling. This system of internal compensation within a customs union would result in higher gains than losses for other WTO members. The overall situation of the region means that member countries' individual schedules of concessions are unlikely to be affected. In this case, the region would not need to make compensatory payments even if some countries' bound tariffs are lower than the CET.

Solution 2: *Modify schedules of commitment*

One way to go about this is through modifying the schedule of concessions. Not only does the WTO offer this possibility through the GATT Article 18 procedure, but the solution has the advantage of having already been tested by Gabon. The country's authorities noted in 2007 that their industrial product tariffs were bound 15 percent at the WTO, while the duty actually applied was 18 percent under the common external tariff of the Central African Economic and Monetary Community (CAEMC). Faced with a problem of legal inconsistency, they requested the WTO to grant them permission to modify Gabon's schedule of concession as envisaged in Article 18. In 2008, the WTO Committee on Market Access

authorised the country to raise its bound tariff to 18 percent. It should be noted that to optimise its chances, Gabon invoked its status as a 'small and vulnerable economy', putting forward several indicators, which were taken into account by the WTO. According to latest news, Gabon has submitted a second request asking to increase its bound tariff from 18 to 28 percent. West African countries should emulate this. A priori, the only difficulty in using this procedure is the lack of grouped solution; every country must initiate its own request.

(c). Problem 2: Negative Impact of the CET on Third Parties

ECOWAS is currently a free trade area. With the adoption of a common external tariff, it would become a full-fledged customs union. GATT Article XXIV.4 recognizes that the purpose of a customs union should be to "facilitate trade between the constituent territories and not to raise barriers to the trade of other contracting parties with such territories." In a similar vein, Article XXIV.5a provides that in the case of the formation of a new customs union "duties and other regulations of commerce imposed […] shall not, on the whole, be higher and more restrictive than the general incidence of the duties and regulations applicable in the constituent territories prior to formation of such a union." In other words, customs union participants should avoid causing prejudice to third parties (i.e. other WTO members) arising from the establishment of a new regional agreement that confers additional trade commercial benefits to its members. Hypothetically, at least, setting the regional common external tariff ceiling at 35 percent carries the risk of creating additional tariff obligations for third parties since some ECOWAS member states have bound WTO tariffs below that level.

Solution 1: *Carry out an assessment of the general incidence of duties and other commercial regulations on the basis duties actually applied in case forming a customs union*
Individually, each WTO member retains its margin trade policy space resulting from the difference between bound and applied tariffs. If West African countries leave the situation as

it is and start implementing their customs union, they will fall under GATT Article XXVI.5 to the extent that the increase in customs duties enforceable against third parties would result directly from the creation of the union. As a consequence of the establishment of the new entity, the measure will be sanctioned by the negotiation of compensation. On the other hand, taken individually, nothing prevents countries in the region from increasing their applied tariffs to benefit from legal margins before the launch of the customs union. In this way, the higher duties are no longer the result of the establishment of the customs union, but a case of a WTO member country exercising the legal rights granted by the system. This would of course require a high level of regional consultation.

2.2:9d. WTO North African States

Agricultural trade in MENA states tend to fully reflect the agro-ecological characteristics of agriculture as well as the socio-economic features of the overall development strategy followed by countries. As shown in Table 1, an indicator of agricultural trade orientation as computed by the ratio (X-M)/(X+M) clusters MENA countries into: oil exporting countries and commodity exporting countries

Imports

MENA is considered a net food-importing region. The largest share of imported products consists of food products (cereals, livestock, dairy products and to a lesser degree, fruits and vegetables). For example, in 1996 the Arab countries imported (in US$) 6.60 billion in cereals and flour, 1.45 billion in sugar, 1.63 billion in vegetable oils, 1.64 billion in fruits and vegetables, and 2.47 billion in milk products (AOAD, 1997). Tables 2 and 3 show some basic indicators on the nature of agricultural trade in the MENA Region.

Exports

Exports of agricultural products constitute an important source of foreign currency for several MENA countries - the primary client being the EU - which receives an important share of agricultural commodities. The most important commodities exported fall within the following chapters (Stevens, 1994): Fish and crustaceans: Chapter 03); Vegetables (Chapter 07); Fruits and nuts (Chapter 08); Preparations of vegetables, fruits or nuts (Chapter 20).

Of the 22 MENA countries, six countries stand out in terms of the total value of their agricultural exports. These are Turkey, Israel, Iran, UAE and Morocco (own computations based on FAO Online Statistics.) However, MENA exports tend to be confined to specific product categories. This concentration makes the WTO outcomes very critical.

Agricultural Policy Issues in Relation with the WTO Negotiations

Agriculture production and trade in MENA is highly affected by a variety of domestic policy interventions as well as trade and agricultural policy in the EU and in the countries of the other major trading partners. The latter are and will be influenced by multilateral, regional and bilateral agreements. We briefly review the major issues shaping trade flows in the region with particular reference to the current WTO member countries.

One objective of the Agreement on Agriculture is to reform trade of agricultural commodities and to design policies that are more market oriented. The intended goal of these liberalization measures is to make agricultural markets more predictable and secure for private and public entities involved in imports and exports. MENA countries have taken a number of steps that are consistent with these new rules and commitments. Those steps were an outcome of market liberalization programs at different but interrelated levels: unilateral liberalization (often in the context of Agricultural Structural Adjustment Programs), bilateral liberalization (via EU-Association Agreements and/or Inter-Arab Association Agreements), and multilateral liberalization.

Market Access

On the market access front, MENA countries have reduced various trade restrictions confronting imports. The Gulf Cooperation Council (GCC) countries have the most liberal trade regimes with very low tariffs on most agricultural commodities. To protect their agricultural producers, most other countries tend to have relatively high tariff rates. The new rules for market access in agricultural commodities emphasize tariffication and tariff reduction by 24 percent (with a minimum of 10 percent per tariff-line). Quotas and NTB have been replaced by tariffs that are supposed to provide more-or-less equivalent levels of protection. Market access rules and commitments also make provisions to ensure that quantities imported before the Agreement on Agriculture could continue to be imported and that new quantities could be imported at non-prohibitive rates. A system of tariff rate quotas (TRQs) was put in place to allow lower tariff rates for specified quantities and higher rates for quantities in excess of an agreed quota. The last provision under this heading include the special emergency actions (or "safeguards") governments are allowed to take in order to mitigate the impact of sudden price drops and surges in imports. The record for the MENA region is a mixed one as shown by Hag Elamin (1998). Current WTO members have either set their tariffs at relatively high ceiling bindings (Bahrain, Cyprus, Egypt and Kuwait) or, for those that opted for the tariffication option, set their base tariff equivalent rates at relatively high rates (Morocco and Tunisia). While in principle the commitments have been fulfilled, the magnitude of those commitments is not satisfactory. In fact, the average cut rule for all agricultural products (-24 percent) with a 10 percent minimum cut per product was met by reducing the tariffs on the so-called "strategic" commodities (grains, meat, sugar, oil and oilseeds) less than the tariffs on products with limited importance in trade flows2. A possible way to circumvent this loophole in future negotiations is to apply an effective tariff reduction scheme similar to the "Swiss formula" approach (much deeper cuts in peak tariffs

rates than lower rates) by taking a weighted average tariff cut. The weights could represent the importance of groups of products in imports over a specified period of time3. There have been limited opportunities for reductions in market access from special safeguards and tariff rate quotas. This is, for example, largely due to the high bound tariffs submitted in the cases of Morocco and Tunisia. It is important to note that currently applied tariffs tend to be much lower than the bound tariffs.

Some MENA countries that are major importers or producers of "strategic" commodities have been facing difficulties justifying the trade distortion measures imposed on grains and livestock product imports, mainly from the USA and the EU. For meat products (e.g. poultry in Egypt, cattle in Turkey and sheep in North African countries), MENA countries have invoked arguments related to SPS measures. For example, Egypt justifies the ban on poultry products on the grounds of religious reasons. MENA countries could face difficulties keeping these protective measures during future negotiations. They could be asked to let their consumers make their own choices with respect to the quality and characteristics of imported livestock products by means of imposing adequate labeling.

Domestic support

Price support policies mostly for grains and dairy products have often encouraged farmers to increase production. MENA countries have long invoked domestic support for their farmers in order to meet food self-sufficiency objectives. Agricultural structural adjustment programs and loans implemented in a Morocco, Turkey, Tunisia and Egypt have reduced government support for agriculture. Much of the support is being currently provided through general services' provisions, although some price support programs - such as for cereals - are still in place. MENA countries have calculated how much support they were providing based on AMS computations. All countries have reported zero Base Total AMS with the exception of Morocco, Tunisia, Turkey and Cyprus (WTO, 1996). Further reductions in the

commitments with respect to AMS could prove difficult for these countries in the next round as the bulk of the support is given to cereal producers. The agro-ecological conditions (recurrent droughts, water shortages) will have to be dealt with through other means than price support. This could be an opportunity to implement the "green box" type of policies - supporting income rather than prices. Hag Elamin (1998) also reports some methodological shortcomings in the AMS calculations undertaken by MENA countries that could call for a closer look at the current protection patterns in the region.

Export subsidies

While export subsidies are a key issue for a number of regions and groups (e.g. Latin America, Cairns Group), it does not seem to be a significant one in the MENA region. While most WTO signatories from MENA have reported zero export subsidies; Tunisia, Turkey and Cyprus were the exceptions, making commitments on the reduction of export subsidies (WTO, Country Schedules). Cutting both the amount of money spent on export subsidies and the quantity of exports receiving subsidies should not prove to be too difficult a task. However, those countries and future WTO members from the region could face some difficulties with some features of their export promotion packages (subsidies for storage, marketing, transport, and financing).

Barriers Restricting Exports

Bias against agriculture

Most MENA countries have adopted policies that affect agricultural prices either directly or indirectly through economy-wide policies (macroeconomic and trade). These policies have distorted production incentives by making export oriented agriculture a less attractive activity than other sectors of the economy and even within the agriculture sector. Agricultural production in MENA countries and in particular in SMR countries is highly protected

through tariff and non-tariff barriers. Table 4 shows weighted average tariff rates in selected MENA countries.

Trade with EU has to be handled within FTA Agreements

There are currently several Association Agreements between the EU and MENA states (see Table 5 for the status of selected countries). Those agreements seek to promote accelerated economic growth through the establishment of a free trade area for industrial products over a 12-year period. However, an important limitation of the benefits from these regional agreements is the special status of agriculture trade. Exports to the European market are handled through preferential access clauses in the Agreement.

Further liberalization aimed at improving market access and broadening the Agreements to Agriculture will very much depend on changes made in the context of the EU Common Agricultural Policy (CAP). Resistance to changes in CAP come mainly from the agricultural interests competing with MENA exports (principally in fruits, vegetables and oils). Depending on the importance of agricultural exports to EU, continuing restrictions on MENA's access to the EU agricultural market are the most important barriers restricting expansion of the region's exports. This issue is of particular importance not only to current EU- Med. partners (e.g. Egypt, Israel, Morocco, Turkey and Tunisia) but also to the other MENA potential exporters (Lebanon, Jordan and Syria).At the time of writing, substantive negotiations of liberalization of trade in agriculture products has been deferred until the year 2000 in the case of Morocco and Tunisia and 2002 for Lebanon and Jordan (Ghesquiere, 1998).

There is the potential that by improving access for the signing country in specific commodities, access for other MENA states will be reduced. Considering the fact that, when it comes to international trade, MENA countries tend to have comparative advantages in the same categories of products, mainly fruits and vegetables, there seems to be more room for

further trade expansion from multilateral agreements than from bilateral agreements (principally within the EU- Med. Partnership). DeRosa (1996) reports indicators of revealed comparative advantage (RCA) for MENA products (Table 6). RCA relates the importance of each country as a supplier of products to the world market. When the indicator is greater (smaller) than 1, it indicates comparative advantage (disadvantage).

Tariff escalation remains an important barrier to entry for processed food exports from MENA to the EU. This issue is particularly important for countries such as Morocco, Tunisia, Turkey, Cyprus and Egypt. There tend to be higher tariffs on food manufactures than on the raw agricultural products. This is an issue MENA countries have to put on the negotiating table given their comparative advantage in the processed products. However, they could make a case for reduced tariff escalation, only if they comply with SPS standards in the EU markets and improve the labeling of their products. The issue of labeling is addressed further below.

Norms and Standards

For one of the major group of exports by MENA countries - fruits and vegetables

the issue of standardization has been a delicate issue to handle. Standards and norms are usually set to harmonize existing national commercial quality standards to: (i) facilitate fair international trade and prevent technical barriers to trade, (ii) improve producer's profitability and encourage production of high quality produce, and (iii) protect consumers' interest (Heilandt, 1999). Those standards are intended for application at the point of export/dispatching control. While most of the perishable produces grown in the region are included on internationally used standard lists, MENA exporters do not adequately apply standards and specifications. Norms adopted by the region's principal clients in terms of commercial quality trades, tolerances for defects, presentation, packaging, marking, and minimum requirements for chemical content (e.g. pesticide residues,

heavy metals, and mycotoxins) do often discourage producers to expand their production opportunities. A better handling of this issue by MENA producers, in addition to less stringent norms imposed by the EU would probably lead to an expansion of fruit and vegetable exports from MENA.

A Platform for Agricultural Policy in the WTO Context

In the next round of negotiations, MENA states should be concerned about the following issues: (i) the scope for increased agricultural exports; (ii) impact on world prices and potential implications on food imports; (iii) the overall effect on agricultural development in the context of limited land and water availability. In addition to the standard market access, domestic support, and export subsidy issues, MENA countries have special interests in the next round of negotiations concerning special and differential treatment (SDT), export restraints, price stability, food security, food aid, and stock policies.

Food Security

The special situation of the net-food importing countries and the least-developed countries was recognized in UR-AOA (Part II, Article 16). The preservation of adequate levels of food aid, the provision of technical assistance and financial support to develop the agricultural sector as well as food import financing have been included as priority areas for trade negotiation (Diaz-Bonilla and Robinson, 1999). Given the expanding food gaps for most MENA countries, and the limited technology adoption rates in the agriculture sector for strategic commodities, it is unlikely that a reversal of trends in the status of net food importing MENA countries (with the exception of Turkey) could be achieved in the first two decades of the new millennium (Nordblom and Shomo, 1996). The limited potential for yield improvements in rain-fed and irrigated areas combined with the expected increase in world food prices as a result of reduced subsidies in the developed countries make the future situation quite distressing for net food importing countries (NFIC). While those concerns

have already been addressed in the Marrakech Ministerial Decision on Measures concerning the Possible Negative Effects of the Reform Program on Least-Developed and NFIC, MENA countries should seek the establishment of buffer mechanisms in the event of increased price variability and/or higher food and feed prices. Laird (1996) reports a counter-argument with respect to the situation in MENA by claiming that Arab countries could benefit from increased prices if domestic reforms are undertaken to make the agriculture sector a more productive sector in the economy. Further trade liberalization, by enhancing overall economic performance leading to upward price trends , could raise the incomes of commodity producing farmers.

Egypt is a country where increased food insecurity will have to be addressed in a more systematic way than through food aid and food subsidies. Rather than being concerned about increases in food prices resulting from the market response to lower distortions for cereals, sugar, oilseeds and livestock products, Egypt and other NFIC of the region should propose schemes to dampen the impact of unstable food prices on the balance of trade and government budget. To avoid having market stabilizing instruments being brought to the dispute settlement body, efforts should be made to include food security related mechanisms as non- trade distorting instruments in the next round of negotiations. However, as pointed out by Laird (1986), there will be limited prospects to add another multilateral structure for handling food import assistance. In this regard, the IMF and FAO have adequate programs and facilities to deal with exceptional situations that

8 With exception of Turkey, all other countries in MENA fall in one of these categories.

could jeopardize the food situation in the least developed countries as well as NFIC.

2.2:10. General Overview of the Effects of WTO on Developing Countries

The World Trade Organization (WTO) replaced the General Agreement on Tariffs and Trade (GATT) in 1995. Compared to GATT, the WTO is much more powerful because of its institutional foundation and its dispute settlement system. Countries that do not abide by its trade rules are taken to court and can eventually face retaliation.

The GATT preamble (1947) states that "trade and economic endeavor should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income." These basic objectives were reinforced in the Marrakesh Agreement, which established the WTO. Historically, GATT enforced phased-in tariff reductions worldwide. Until the Uruguay Round, which ended in 1994, the trade negotiations focused on nonagricultural goods, mainly because the U.S. wanted to protect its farm sector. Over the years, as the corporate interests of the developed countries have expanded, these countries have also lobbied for more issues to be incorporated into the GATT/WTO. Its agenda now includes agriculture, services (financial, telecommunications, information technology, etc.), intellectual property rights, electronic commerce, and, possibly in the next round, investment, government procurement, and competition policy.

Changes in rules come about mainly through multilateral negotiations called "rounds." Each round offers a package approach to trade negotiations, in which many issues are negotiated together and trade-offs between different issues are made. Between the rounds, negotiations on single issues take place.

Currently the WTO has 132 members with another 31 in the process of accession. Of the 132 members, 98 are developing countries, including 27 nations categorized as the least developed countries (LDCs). One of the commonly used yardsticks to measure the success of

the WTO is the volume of world trade. The results seem excellent in this respect, with world trade up 25% in the last four years. But the benefits of increased trade are not widely shared. For example, the LDCs represent 20% of the world's population, but they generate a mere 0.03% of the trade flows.

Although purportedly a democratic institution, the WTO is dominated by the leading industrialized countries and by the corporations of these countries. The logic of commercial trade pervades the WTO. The development goals articulated when GATT was first formed have been put aside—or are wrongly assumed to be the natural consequence of increased trade. Developing countries have little power within the WTO framework for the following reasons:

1. Although developing countries make up three-fourths of WTO membership and by their vote can in theory influence the agenda and outcome of trade negotiations, they have never used this to their advantage. Most developing country economies are in one way or another dependent on the U.S., the EU, or Japan in terms of imports, exports, aid, security, etc. Any obstruction of a consensus at the WTO might threaten the overall well-being and security of dissenting developing nations.
2. Trade negotiations are based on the principle of reciprocity or "trade-offs." That is, one country gives a concession in an area, such as the lowering of tariffs for a certain product, in return for another country acceding to a certain agreement. This type of bartering benefits the large and diversified economies, because they can get more by giving more. For the most part, negotiations and trade-offs take place among the developed countries and some of the richer or larger developing countries.

3. Developing countries have fewer human and technical resources. Many cannot cope with the 40-50 meetings held in Geneva each week. Hence they often enter negotiations less prepared than their developed country counterparts.
4. Developing countries have discovered that seeking recourse in the dispute settlement system is costly and requires a level of legal expertise that they may not have. Furthermore, the basis on which the system is run—whether a country is violating free trade rules is not the most appropriate for their development needs.

2.3 Theoretical Framework-Liberal Economic Theory of Comparative Advantage

This study adopts liberal economic theory of comparative advantage to demonstrate how the theory helps in the accurate analysis of the effects of expiration of Multi fiber Agreement on the Nigerian economy, particularly her industrial sector on international competitive economic systems over which Nigeria has little control. The theory of comparative advantage arises from nineteenth century free trade models associated with David Ricardo and John Stuart Mill, which were modified by trade theories embodied in the factor proportion or Hechsher-Ohlim (1933) theory and Stolper - Samuelson (1941) and Rybzsnski (1955) effects. These trade models collectively and in various ways predict that an economy will tend to be relatively effective at producing goods that are intensive in the factors with which the country is relatively well endowed. In other words, comparative advantage provides that-when nations specialize, they become more efficient in producing a product (and indeed a service), and thus if they can trade for their other needs, they and the world would benefit.

The principles portrayed by the comparative advantage explanation are also in line with the theories advanced in early writings by John Stuart Mill, stating that trade, according to comparative advantage, results in a more efficient employment of the productive forces of the

world. According to Mill, cited by (Meier, 1995) this was considered as the direct economic advantage of International trade.

One might be bothered with this question: why do we expect economic liberalization to produce growth? This is a simple analysis: First, liberalization provides domestic firms with access to capital equipment embodied with new technologies, better intermediate imports and expands their choice set to act. A freedom to invest and enter the market increase the extent of competition and puts pressure on the incumbents to upgrade their technologies often through imported machinery with the new entry of firms in a more competitive market, the process of creative destruction use., to work. Efficient firms drive out inefficient firms, factors gets reallocation to more productive use increasing the overall productivity of factors in the economy.

Second, the major argument of the liberal economic theory is that economic liberalization will help in the increase of flow of foreign investment into developing countries, as a result of the easing of trade and exchange restrictions.

For example, Nigeria and the Japan specialize in production of the commodities in which they have a comparative advantage over the other, using all its resource (10 units of labour). Nigeria now produces 300 bags of groundnuts, while the Japan uses the same amount of resources to produce 200 cars. Having specialized, the countries will now trade with each other.

Each country exports what it can produce more and imports what it has less comparative advantages. Thus, what classical theory of free trade says is: there arc countries with relatively favourable and others with relatively unfavourable natural conditions of production. In the absence of interference on the part of governments, the international division of labour will, of itself, result in every country's findings its place in the world economy no matter how its conditions of production compare with those of the countries. Of

course, the countries with comparatively favourable conditions of production will be richer than the others, but this is a fact that cannot be altered by political measures in any case. It is simply the consequence of a difference in the natural factors of production (WeUerstrin, 1990:40).

The notion is that, in the process of homogenizing the political economy of every member state of the International Community, the objective of creating a market society in a global scale is within reach (Bierstcker. 1993). Again, one of the major objectives of liberalization is to reduce the resource gap in the LDCS, by improving the trade balance and encouraging a net capital inflow. Thus, the growing importance of international organizations such as the G7, IMF, World Bank, and World Trade Organization (WTO) is indication of the influence of liberal economic internationalism in the post-cold war period (Van and Biessen, 1996). However, these powerful transnational bodies, which embody free trade liberalism as their governing ideology, impose free market structures on developing societies. Liberalism creates dependency and stifles the infant industry in the periphery to the advantage of the centre. Since they are the primary organizations which formalize and institutionalize make relationships between states, they lock peripheral states into agreements, which force them to lower their protective barriers (GATT and NAFTA for instance), thereby preventing developing nations from developing trade profiles which diverge from the model dictated by the supposed "comparative advantage" (Burchill, 1996) All these were part of the factors that made Nigerian textile industry and economy weak and therefore necessitate excessive dependence on imports of textiles and manufactures and exports of raw materials.

Meanwhile, this theory is found useful in the analysis of trade relationship between Nigeria and her partners and the implication of this to her industrial sector. Therefore, the study seeks to examine the implication of expiration of Multi Fibre Agreement on Nigeria Textile industry with a particular focus on: NICHEMTEX Textile industry.

The theory of comparative advantage is one of the oldest and judged by its widespread acceptance, one of the most successful theories in the history of economic doctrines. The essential attribute of the theory of comparative advantage are disarmingly simple and the implications that can be drawn from the model appear to be widely applicable. Specifically, comparative advantage draws upon the idea that specialization is efficient in order to establish forcefully the broader generalization that free trade must be in the best interest of all trading countries. In the words of one prominent neoclassical economist, there is a basic presumption that free and voluntary exchanges increase welfare, both within national borders and across national border (Aliher, 1994).

The theory has the following assumptions:

Ricardo explains his theory with the help of the following assumptions:-

1. There are two countries and two commodities.
2. There is a perfect competition both in commodity and factor market.
3. Cost of production is expressed in terms of labour i.e. value of a commodity is measured in terms of labour hours/days required to produce it. Commodities are also exchanged on the basis of labour content of each good,
4. Labour is the only factor of production other than natural resources.
5. Labour is homogeneous i.e. identical in efficiency, in a particular country.
6. Labour is perfectly mobile within a country but perfectly immobile between countries.
7. There is free trade i.e. the movement of goods between countries is not hindered by any restrictions. ,
8. Production is subject to constant returns to scale.
9. There is no technological change.
10. Trade between two countries takes place on barter system.
11. Full employment exists in both countries.

12. There is no transport cost.

In terms of strength, one of the strengths of this theory is that, it encouraged specialization among countries. The theory points that, countries including the poorest, have assets - human, individual, national, functional - which they can employ to produce goods and services for the domestic markets or to compete overseas. The principle of comparative advantage help countries to prosper by taking advantage of their assets in order to concentrate on what they can produce best, and then by trading these products for products that other countries produce best.

In Nigeria for instance, in the early 1960s, the country exported groundnut to Japan and imported automobile from the same country. This pattern of trade continued to prosper until the late 70s when oil was discovered in the country. The theory of comparative advantage, advocated for free movement of goods and services and this in turn encouraged competition and new innovations among countries of the world. Liberal trade policies - policies that allow the unrestricted flow of goods and services - sharpen competition, motivate innovation and breed success. They multiply the rewards that result from producing the best products, with the best design, at the best price. In Nigerian textile markets for instance, these liberal trade policies allow unrestricted flow of textile goods from China into Nigerian markets and they were sold at cheaper price compared to locally produce one.

Theory of competition advantage also helps in improving the world trade and economic growth among nation. The principles of this theory served as laying foundation for the establishment of trade organizations such as; World Trade Organization (WTO) which Nigeria became a member in 1995. The theory advocated for free trade and maintain that trade protection ultimately leads to bloated, inefficient producers supplying consumers with outdated, unattractive products. This further reinforced the advocacy on the removal of Multi Fibre Agreement which was finally phased out in 4 phases starting from January 1995, 1998,

2002 and January 2005. The Ricardian theory of trade offers insights beyond any other classical trade theory for understanding patterns of trade and industrialization among the countries.

Finally, by adopting this theory, the theory will provide us with useful information on how Nigeria harness her assets - human natural, industrial, financial - to produce goods and services for her domestic markets and to compete overseas,

No single theory can adequately provide explanation to social phenomenon without weakness because of the diverse and dynamic nature of social phenomena. Hence, this theory is not an exception. One of the fundamental lapses of this theory is that its ability to describe the real world is extremely limited, if not, non-existent. The assumptions of comparative advantage theory are easily assailed as unrealistic. For example, the model assumes only two countries producing two goods using just one factor of production. There is no capital or land or other resources needed for production. The real world, on the other hand, consists of many countries producing many goods using many factors of production. In the model, each market is assumed to be perfectly competitive, when in reality there are many industries in which firms have market power. Labour productivity assumed fixed, when in actuality it changes overtime, perhaps based on past production levels. Full employment is assumed, when clearly workers cannot immediately and costless move to other industries. Also, all workers are assumed identical. This means it when a worker is moved from one industry to another, he or she is immediately as productive as every other worker who was previously employed there. Finally, the model assumes that technology differences are the only differences that exist between the countries.

Ricardian theory of comparative advantage pays lesser emphasis on desirability of industrialization in Africa and Nigeria in particular. The theory seems to over-emphasize development of agriculture and mining in Africa at the expense of industrial development

even in the long run. For instance, Nigeria was encouraged to specialize, produce, and export agricultural products such as groundnut and cotton at the expense of manufacturing goods such as automobile and other industrial goods and services. In Africa and Nigeria this has been the trend since the colonial era and even in post independent era.

Despite the above position by this scholar, it is important to state that the theory of competition advantage helps in improving the world trade and economic growth among nation especially with the liberalization of trade by the WTO after the expiration of the MFA. The principles of this theory served as laying theoretical and philosophical foundation for the establishment of trade organizations such as; World Trade Organization (WTO) which Nigeria became a member in 1995 that eventually paved way for the phasing out of Multi-Fibre Agreement because it was essentially prohibited by WTO rules. The theory advocated for free trade and maintain that trade protection ultimately leads to bloated, inefficient producers supplying consumers with outdated, unattractive products. The Ricardian th70eory of trade offers insights beyond any other classical trade theory for understanding patterns of trade and industrialization among the countries. It is in the light of this that Nigeria' textile industries have been subjected to a lot of competition which they are not prepared to face that ultimately led to the collapse of textile industries that constitute the object and focus of this study.

CHAPTER THREE

3.0. RESEARCH METHODOLOGY

3.1. Introduction

Research methodology generally underscores acceptable procedural steps that are systematically outlined and puts together to show step by step approach in the investigation of a phenomenon. This section therefore describes methods and procedures that were followed in the conduct of this research. The section encompasses the description of the location of study area, sources of data and techniques of data collection, sampling and sampling procedures and techniques of data analysis and finally, the challenges that the researcher encountered in the course of study.

3.2.1. Location of the Study Area

The study is primarily aimed at assessing the effects of the expiration of the WTO's MFA on Nigeria's industrial sector with a focus on Nichemtex textile industry. As such, the study was located in Nigeria and data was collected from Nichemtex textile industry, Ikorodu, Lagos. This location constitutes one of the major commercial cities of Nigeria.

3.2.2. Historical Background of the Study Area

Nichemtex Limited Ikorodu was founded in 1971 with the name Nichemtex Industries Nigerian Limited. It is quite important to note that the name "Nichemtex" was coined from the first few letters of the words "Nigeria", "Chemical" and "Textile". It was founded by Dr. Cha Chin Ming together with the Federal Government, the Lagos State Government , Nigerian Industrial Development Bank Limited (NIDB) and Sikeen Limited. The Co-operation from Azo N. V. of Netherland was sought and later received mainly for the Synthetics Fibre Factories and the company was incorporated in August, 1971.

Before 1990, the company's share capitals were distributed among the Federal Government, Lagos State Government, NIDB Limited, Foreign companies and other Nigerian shareholders as follows:

Table 1.1

LOCAL INVESTORS		**FOREIGN INVESTORS**	
Federal Government	9.2%	Cha Chi Ming Ltd	27%
Lagos State Government	12.3%	Sikeen Limited	27%
NIDB Limited	9.2%	Azo N.V. Netherland	6%
Other Nigerian Shareholders and Individual Groups	9.3%		
TOTAL	40%	**TOTAL**	60%

Source: (Samuel,1991)

A close look at this indicates that foreign investors have about 60% of the shares in the company while the local investors have 40%. But in 1990, the Federal Government sold off its share holding to workers of the company through the Technical committee on privatization and commercialization, leaving the company in the hands of Chinese and Nigerian individuals.

Further analysis into the shareholding of the company indicates that the amount of shares in the company ranges from N1 to N1,000,000 and above. As at 31st of March, 2000, a decade after the Federal government had sold its shares to individual, the analysis of shares as published on the year's report was given as below:

Table 1.2

RANGE OF SHARES	NUMBER OF SHAREHOLDERS	TOTAL PERCENTAGE
1 - 1,000	2,124	72.47
1,001 - 5,000	652	22.24
5,001 - 10,000	53	1.81
10,001 - 50,000	47	1.60
50,001 - 100,000	27	0.92
100,001 - 500,000	14	0.48
500,001 - 1,000,000	2	0.07
1,000,000 and Above	12	0.47
TOTAL	2,931	100.00

Source: Nichemtex Industries PLC, Annual Report and Account 2000.

Cha Chi Ming Limited is wholly-owned by Dr. Cha Chi Ming and his family. Nichemtex Industries Limited is one of the twelve companies which constitute the Cha group. The Cha group operates in many parts of the world and has over the years accumulated a wealth of experience in the textile industry. The Cha group makes available to the company the technical expertise and result of development and research in the dyeing and finishing of textile cloth and textile yarns.

The company is located along Ibeshe road in Ikorodu, on a freehold property of 579.935 square meters. The manufacturing facilities cover an area of approximate 69,000 sqaure meters. Office residential accommodation and other buildings cover a further area of 3,061 square meters.

The company started its operation in 1972 with a textile Spinning and Weaving Plant. From 1976 to 1978 it undertook a large expansion by the establishment of a polyester stable fibre plant. The company was granted pioneer status in 1978 by the Federal Government for being the first synthetic Fibre Manufacturer in the country. But due to lack of the supply of the basic raw materials, the polyester stable fibre plant was abandoned since 1989.

Nichemtex Limited Ikorodu is known to be a large employer of Labour. As the organization expands its productivity base, it offered employment opportunity to the labour market. The company which at inception in 1971 had a staff strength of 420 workers now have a staff

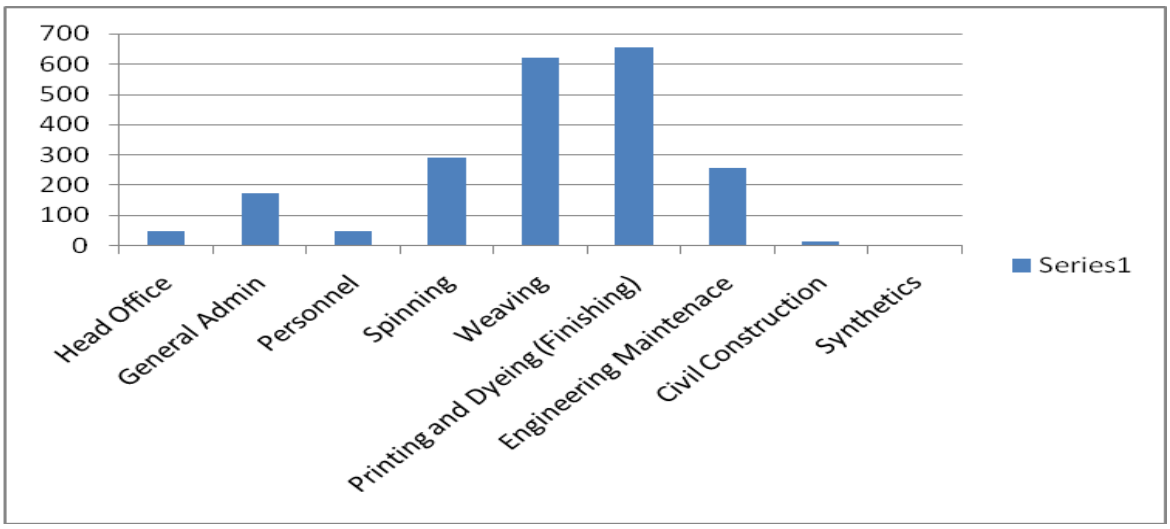
strength of about 3000 by December, 1991. And there were only 2119 workers as at August, 2015.

The table 1.3 below shows the distribution of works according to current departmental divisions as of August 2015 and subsequently the total number of workers in the company as at date, excluding the 12 staff that resigned (5), died (2) or dismissed (4) at the beginning of the month. This means that the month of August began with 2131 workers but saw only 2119 at the end.

S/NO	DEPARTMENTS	BALANCE	PERCENTAGE
1.	Head Office	51	2.41%
2.	General Admin	174	8.21%
3.	Personnel	50	2.36%
4.	Spinning	292	13.78%
5.	Weaving	622	29.35%
6.	Printing and Dyeing (Finishing)	654	30.86%
7.	Engineering Maintenace	259	12.22%
8.	Civil Construction	17	0.81%
9.	Synthetics	0	0%
	TOTAL	**2119**	**100%**

Source: Nichemtex Industries PLC – Manpower Analysis File, 2015.

Representing the number of staffs in the various departments on a bar chart



From the above, we could see that the Finishing department habours a greater number of workers than any other department. Though there is a slight difference between the finishing and the weaving department. Again, we can see from the graph that synthetic fibre plant department does not have any worker now because it has been abandoned since 1989 though the mighty structure remains.

The increase in the labour force was as a result of expansion that has taken place in the organization. The company started with only two production departments i.e. spinning and weaving, but as the organization grew, other departments like printing, dyeing, synthetic plants, engineering, civil construction and other departments emerged.

In the early years, it gave employment to about 5000 workers. Economic and political problems which affected the company also were the major reason for the reduction of the company's employment capacity. The abandonment of the polyester stable fibre plant in 1989 did not reduce the number of workers so much. This is because the polyester stable fibre plant was a novel technology then. Most of its systems were automated and computerised in the production line. It required minimal unskilled labourers. Because the labour then required mainly skilled labourers, most workers in the polyester stable fibre plant

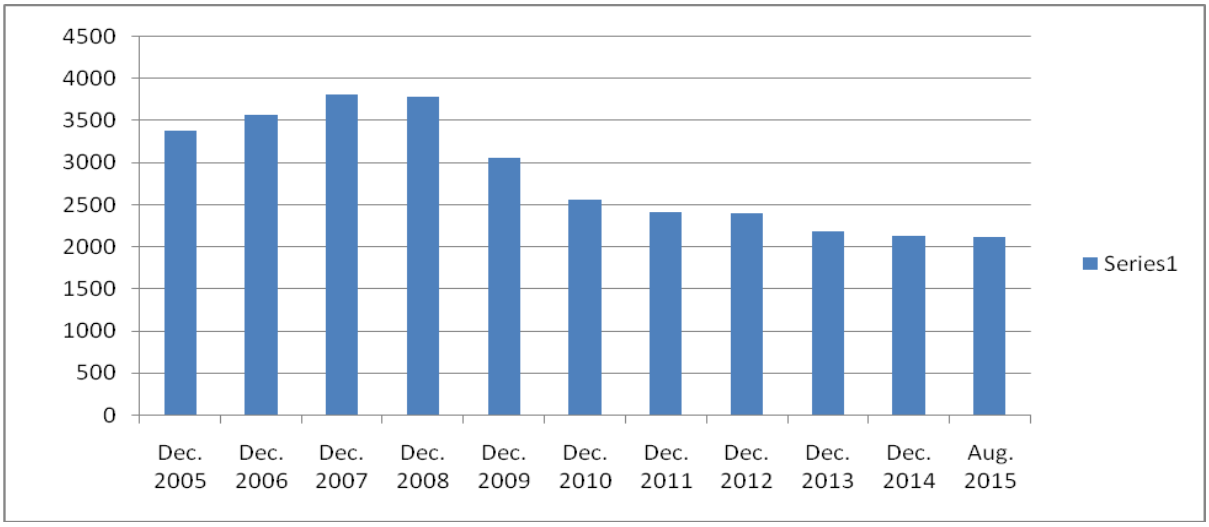
were graduate degree holders. The stoppage of this section deprived the company of most of these skilled workers who cannot withstand the demands of the unskilled labour in the new textile manufacturing sector where they were absorbed. Most of the workers left to other companies where their skills were much fitting. Sources revealed that the company maintained an average of 2862 workers from 2005 till date.

The table and chat below shows the total number workers for a period of ten years from 2005 to 2015.

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Numb	3388	3577	3814	3792	3069	2572	2416	2409	2190	2131	2119

Source: Nichemtex Industries PLC – Manpower Analysis File

Representing the information on bar chart:



The chart above revealed that the manpower and worker's employment ability declines on yearly basis due to the many challenges facing the company. Also, year after year some workers resigned for some reasons, some death and others have their appointments terminated.

Up till date, the human resources comprise of a dominantly male population with few female staff. The predominantly male is characteristics of textile industries because of the energy tasks to be carried out.

The workers in the organization can be divided into three categories: management staff, senior staff and the junior staff. The management staff is responsible for decision making and are at the helm of affairs. The senior staff comprises of the supervisory staffs mostly found to be at grade I –III. In the recent analysis, they are most joined with the management staff. They are mostly the skilled workers with graduate certificates.

The junior staff are in the majority. They are workers that operate the machines, perform clerical and administrative duties, engage in production, cleaning and maintenance of the work environment. The staff in this group include gardeners, office assistants, operators, clerk, security guards, store keepers, ware house men, headman/head girls, over lookers, technicians, chief clerks up to assistant supervisors. These are the people that transform raw materials to finished goods and carry out policies. They are mostly unskilled labourers who acquired experiences through training on the job and courses run by private training consultant in the organization, training school or external courses that are relevant to the organization's need.

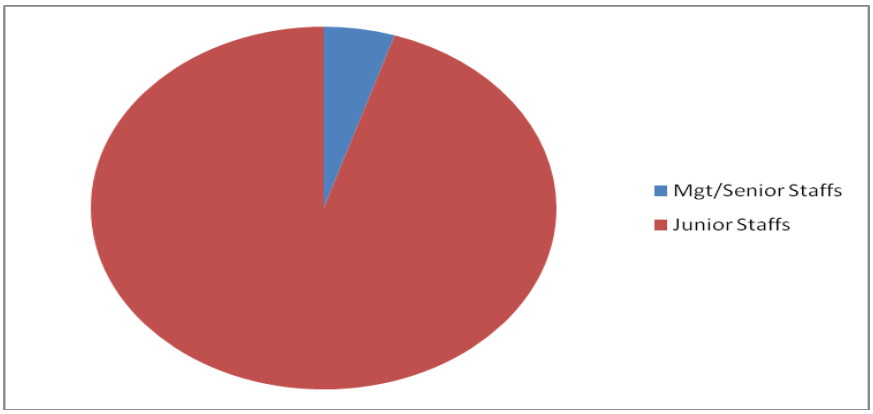
The table below shows an analysis of the management/senior staffs verses the junior staffs as at the beginning of August, 2015, arranged according to the various departmental divisions.

Table1.4

S/NO	DEPARTMENTS	MGT/SENIOR	JUNIOR	TOTAL
1.	Head Office	12	39	51
2.	General Admin	23	151	174
3.	Personnel	6	44	50
4.	Spinning	10	282	292
5.	Weaving	14	614	628
6.	Printing and Dyeing (Finishing)	22	637	659
7.	Engineering Maintenance	17	243	260
8.	Civil Construction	1	16	17
9.	Synthetics	0	0	0
	TOTAL	105	2026	2131
	PERCENTAGE	**4.93%**	**95.07%**	**100%**

Source: Nichemtex Industries PLC – Manpower Analysis File, 2015.

Representing above the information on the pie chart



From the chart above, one could observe that Nichemtex Limited Ikorodu is comprised mainly of 95.07% Junior Staff members with a small fraction of Management and Senior Staffs at only 4.75%. Even after merging with United Nigeria Textile Industry Kaduna, in 2002, it maintained a certain number of workers over the years.

Nichemtex Limited Ikorodu is known to be a large employer of Labour with the optimum capacity utilization of close to 75% before 1995 (a period associated with textile boom). According to the report given by the Vice-Chairman of the company's Board of Director's, Mahammadu Dikko Yusufu, on the annual report of year 2007, "the non-oil sector of the economy performed below expectation with the capacity utilization as low as 42%". It is not surprising therefore that in recent times, due to the many challenges which is facing the company and the textile industries across Nigeria, there seems to be a further decline to about 35%. These challenges notwithstanding, Nichemtex Limited continued to add value in terms of its production volume and trade results through its current principal activities of manufacture and marketing of textile materials. Thus, over the years have been increasing gradually in its trade results. For instance in 1999, the turnover reduced by 17% from N7,809 million in 1998 to N6,501 million. But in 2000, it increased by 3% to N6,689 million. The company's revenue is divided into six: depreciation, dividend, interest, taxes, retained for future growth and employees.

The company buys most its major raw materials either from the local or international suppliers. Few are sourced for locally. Though the chemical plant stopped, the company did not relent in producing synthetic materials for the Nigerian market. Polyester yarn, dye stuff, caustic soda, acids, oxidising agents, rosin and auxiliaries are bought from the company's suppliers. Urea and water are sourced for locally. Cotton is locally bought from Gusau in Zamfara state.

With these materials, the company continued to produce 100% cotton, polyester cotton blend (the company buys the polyester component from the local or international market), fancy prints of different branded products. The branded products are divided into three: Premium wax (which is of three types – diamond wax, Quali wax and Classic wax), Da viva products (which are also of three types- Excellence, Pulse and Akosombo), and finally Dyed Plain polyester cotton. Others include: Golden Spider fancy prints, Ankara, Ashoke and institution printing. Before now, the company produces an average of **5.5 million linear metres** of textile fabrics. Recently, the result went as low as an average of **1.2 million linear metres** of textile fabrics.

In the face of the prevailing economic constraint, caused by multiple taxation from the government both from the federal, state, local government and community level, inconsistency in government policy, unfair trade, unfair competition, dumping, smuggling and other economic issues, the company strives to survive daily by continuous adjustment and careful management. The company continues to find solutions to the numerous problems facing it such as increase of unsold stocks, drop in capacity utilization, increased operation expenses and financial cost, as well as effective demand for local products.

3.2.3 Types and Sources of Data

a. Sources of Data Collection

The research relied on the use of both primary and secondary sources of data.

The Primary sources generally include: In-depth interview, administration of questionnaires and Focus Group Discussion and Participant observation. But for the purpose of this study, the researcher relied on both In-depth Interview and Questionnaire. This is for the purpose of complementarity. In addition, the issue under investigation even though may be felt by everybody, not everybody understands the dynamics of the operation of WTO and not all are willing to divulge information on the issue. Hence, the study relied on respondents who are vast and knowledgeable in the area of study especially for the in-depth interview.

The researcher had series of interviews with key stakeholders whose opinion are considered to add value to the quality of the work. Their names and details are provided in the appendix.

The researcher administered a total number of three hundred (300) questionnaires to the target population of the study. This was purposefully done realising the fact that not all the questionnaires administered will be duly completed and returned.

Thus, the researcher distributed three hundred questionnaires viz: Two hundred and forty questionnaires were administered at Nichemtex Limited Ikorodu, among the various departments within the company. The figure was arrived at using the Yaro Yamane formular as presented below.

Prove Formula of Taro Yamane

$$n = \frac{N}{1 + Ne^2}$$

Where

n = Sample size, N = Population size and e = error of sampling

Solution

If $n = \frac{N}{1 + Ne^2}$

It implies that, $N = n(1 + Ne^2) = n + nNe^2$

and

$N - n = nNe^2$

Therefore

$e^2 = \frac{N - n}{nN}$ and $e = \sqrt{e^2}$

Proof

If n (sample size) = 240 and N (population size) = 2,119, then

$e^2 = \frac{N - n}{nN} = \frac{2,119 - 240}{240 \text{ X } 2,119} = \frac{1,879}{508,560} = 0.003695$

and

$e = \sqrt{0.003695} = 0.060787$

Substituting N = 2,119 and e = 0.060787 in the equation $n = \frac{N}{1 + Ne^2}$ we have

$n = \frac{N}{1 + Ne^2} = \frac{2,119}{1 + 2,119 (0.060787)^2} = \frac{2,119}{1 + 2,119 (0.003695)}$

$= \frac{2,119}{1 + 7.829705} = \frac{2,119}{8.829705} = 239.985368$

Hence, n = 240.

In addition, twenty questionnaires each were also distributed at the three principal markets in Lagos where textile materials are sold, that is Oshodi market, Ikorodu market and Balogun market. In each of these markets, the researcher targeted ten retailers and five wholesalers. And the remaining 5 were administered to some Shareholders. The justification for the choice of these categories of respondents (Retailers and Wholesalers) is to enable the researcher establish the nature of products being sold and to also ascertain whether the influx of Chinese products in the market arising from the expiration of the MFA and liberalization of trade has affected their markets.

The rationale for the choice of these categories of officials and organizations is predicated on the nature of what they do and their vast knowledge on the issue under study in Nigeria. It is

also important to note that while interviews were conducted with principal officers of the Ministry of Trade and Investments, Nigeria Investment Promotion Council, Desk Officers of WTO in Nigeria and principal officer of the textiles industries, available official reports and document from these organizations were examined so as to elicit information that may not be gathered from interview. The reason for using the two sources was for the purpose of one complementing the other so as to strengthen the findings of the study.

The secondary sources focused on materials from published and unpublished sources, text-books, journals, available conference proceedings/papers and internet materials from relevant websites.

3.2.4. Research instruments

Two research instruments were developed for data collection. The first one used was a structured 300 questionnaire titled "Questionnaire on the assessment of the effects of Nigeria's Membership of World Trade Organization (WTO) on the textile industries in Nigeria: The questionnaire had a four point rating scale ranging from Strongly Agree; Agree; Disagree, and Strongly Disagree,

The interview section contained open ended questions for Respondents who included some selected key officials from Federal Ministry of Trade and Commerce and Nigerian Imports and Exports Promotion Council. The open ended questions were on how WTO policies of liberalization of markets, eliminations of multi fibre agreements, affected textile industries in Nigeria.

3.2.5. Population Sampling and Sampling Techniques

a. The Selection of the Firms

The data for the study was collected essentially from Nichemtex Limited in Ikorodu, Lagos. The justification for the selection of this industry was due to the fact that it is currently one of

the most functional, biggest and most robust textile mills in the country with a large workforce and sophisticated technology relative to the few ones in operation.

3.2.6 Population Sampling and Sampling Techniques

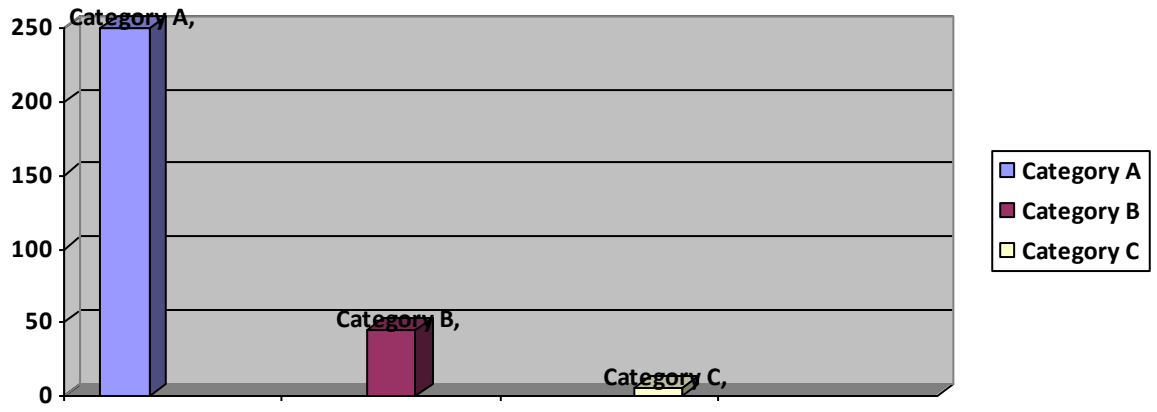
The data for this study was collected from Nichemtex Industry in Ikorodu, Lagos**.** However, the study population comprises of the following categories

Category A: Workers/Employees. In this category, two hundred fifty workers were drawn from Nichemtex Nigeria Limited, Ikorodu, Lagos.

Category B: Wholesalers/Retailers. In this category, forty five customers were drawn from the various markets under study.

Category C: Shareholders. In this category, five respondents were drawn from each location randomly selected.

The above distribution is represented in the Chart below



Workers were randomly selected from the employees' register among the rank and file of the labour force in the selected firm. The systematic sampling technique was adopted by taking every third name in the employees' register in each of the Department. However, supplementary data was obtained from interview conducted on chosen samples of customers and shareholders of the textile mill using purposive sampling technique. Additional data was

also collected from secondary sources such as Annual Report and Accounts for previous years, historical documents published by this mill.

3.2.7. Data Collection Procedures

Field work for data collection was done through administration of questionnaires and interviews. In all three hundred (300) copies of the questionnaires were administered to textile producers, wholesalers and retailers in Lagos. This was complemented by interviews of various individuals and groups. Officials from Federal Ministry of Trade and Commerce, and Nigeria Exports Promotion Council selected for interview. These Key informants would provide information and opinions on the effects of Nigeria's Membership of World Trade Organization on the textile industries.

3.2:8. Data Transcription and Analysis Technique (DTAT)

The essence of the DTAT was to transcribe the raw data generated into an instrument for analysis. For the IDI, it is instructive to note that before interviews were conducted, the interviewees were contacted and informed about the research with the detailed overview. Meetings were scheduled by prior notice of the interviewees and each interview lasted between 40 minutes to 1 hour depending on the individuals and response to the issue under investigation. Responses from the interviewees were tape-recorded in some cases on the permission of the respondents which was later transcribed into notes.

The transcription process began with a careful reading of the transcribed notes in order to gain overall familiarity with the data from the interviews. The second reading was conducted in order to identify the salient themes in the data in line with research problem under investigation and research objectives. The last reading was to establish emerging themes and to place relevant quotes within the different identified themes. A triangulation method was adopted for the analysis of the data generated. This was informed by the nature of the

phenomenon under investigation in which questionnaires and interviews were used. These methods were adopted so that one would complement the other and ultimately strengthens the research findings. In a nutshell, the data generated from the In-Depth Interview was analyzed using triangulation method with all the relevant issues such as research problem, research questions and research objectives listed in form of themes and sub-themes. Inferences were later drawn from the documentary records and interviews to explain these issues under investigation for the purpose of validity and reliability.

In the analysis of the data, the quantitative data obtained from questionnaire collated and then edited. Data were recoded and assigned values based on responses got. After coding the data on code sheet, information were translated into numerical form and taken to computer using Statistical Package for Social Sciences (SPSS)with a cut off set at P=0.05 level of significance. The package brought out the frequencies and percentage that determine distribution of variables. Relevant statistical measures were used to analyze the data. The first level of analysis involved the examination of the frequency distribution of respondent's socio demographic attributes. This provided an insight into the structure of the study population.

3.2:9. Problems and Challenges Encountered during Field work.

The Ikeja textile mill which was initially chosen by the researcher to undertake the study on was discovered to have been taken over by Dangote Agro-Allied. Consequently, the researcher had to move to the internet cafe from there to see if he could get a contact of a functional textile mill that could be focused upon in the study. The researcher came across a list of textile mills in Lagos and printed it. Some of these textile mills included Atlantic Textile Mill, Asawani Textile Mills, Afprint Textile Mill, Spacomill, United Nigeria Textile Mills, etc. The first three mills are located within the same axis and are also closer to where the researcher was staying, so I decided to check them out the next day.

Generally, the market survey had three main challenges: First, because some people did not know what an academic research was all about, they were afraid of filling the forms. Secondly, most marketers, because of their lack of formal education, they could not read nor write properly in English, so I had to employ an interpreter. Thirdly, others thought that the questionnaires were disturbing them from attending to customers. So in the market, they do not entertain or attend to anything which would not translate into cash at hand. And fourthly, some did not see the need for participating in the survey since the government does not even consider these findings and most of their previous contributions were neglected. Yet these problems notwithstanding, I was able to achieve my targeted questionnaires answered and returned; and therefore did not invalidate the research. However, i had a lot of challenging experiences in:

i. The difficulty of finding a functional textile mill to conduct my research with.
ii. The refusal of some functional textile mill to be used
iii. The stress of accessing the libraries
iv. The stressful to and flow movements and cost of transportation which consumed about 4o% of the finance budgeted for the research
v. The non-co-operative acts of some marketers during the survey also constituted source of challenge.

In spite of all those challenges, the zeal, passion and determination of the researcher tremendously prompted him to ensure that everything humanly possible was done to overcome them and ensure that the validity and dependability of the research was not in any way affected.

CHAPTER FOUR

4.0. HISTORICAL BACKGROUND OF TEXTILE PRODUCTION IN NIGERIA

4.1. Introduction

This chapter provides a discussion on historical background of evolution of textile industries in Nigeria and also examines the pre-colonial textile production in societies such as Nupe, Yoruba, Hausa, Igbo, and some other societies in river-rine areas. The chapter provides intellectual excursion into the nature and evolution of textile industries during colonial period. The chapter also provides the key challenges confronting textile production during colonial period. The evolution of first textile industry in the colonial Nigeria and the subsequent efforts by the colonial administration to improve on textile production in the country was also aptly presented and discussed. A careful discussion on the emergence of post independent textile industries in Nigeria, the nature and prospects of these textile industries is also presented. The chapter finally examines some of the key challenges confronting post independent textile industries in Nigeria.

4.2. Traditional Textile industry in Pre – colonial Nigeria

The presence of woven textile in Nigeria is of great antiquity. As far back as 700 – 1500 AD, archaeological excavation had revealed the presence of woven textiles made of fibers other than cotton at Igbo-Ukwu. Like the global evolution of textiles, it is not known for certain how they were woven and by whom (Shaw, 1970). Similar findings in Benin have shown evidence of the use of sophisticated cloth of both cotton and raffia as early as 11th century. For instance, the discovery of spindle whorls (hand spinning equipment) in the same site near Benin town gave a strong evidence of a once thriving local cloth manufacture in the region. By the 13th century, raffia weaving on vertical loom predominantly used by women weavers had been well established in Benin and the neighbouring regions of the Niger Delta and it may as well be that from this evolved the vertical looms using cotton or mixture of cotton and

raffia now so well established among Edo, Yoruba, Igbo and Ebira women weavers. The horizontal loom in Nigeria, used mostly be men but now the business of both sexes probably has a northern origin where cotton fibres were first associated with West African Sub-Saharan region (Popoola, 2011).

In the 14th century, rolls or strips of cotton cloth were being used as currency in Borno and by that time the trade links between the weavers and dyers of the Kano region, the Tuaregs and other nomads of the Sahara had been well established. From the north, the horizontal loom, then used exclusively by men, made its way coast wards via Nupe to the Yoruba States; and by the end of the 15th century, when the Portuguese first came into contact with Benin, they found already flourishing there a well established cloth trade into which they entered with considerable profit. By this time, the evidence suggests that both types of loom used by Nigerian weavers today, that is the narrow *horizontal loom* used by men and the much wider vertical loom used by women were already at work in Benin hinterland to supply an expanding demand. Indeed by the 16th century, cloth had become a measure of value in Benin trade. The prominent dye used on these Benin cloths was certainly indigo.

By the end of the 17th century, a number of cotton cloths from the Benin region had already reached Europe where a large collection still exists at the British Museum of mankind in London. During the summer months of 1982, the authority of the museum ran an exhibition of these textiles and other various antiquities from Nigeria during the medieval ages under the banner of *'treasures of ancient Nigeria'*. In the 19th century, information on the sources for Nigerian weaving had increased substantially as more European explorers began to penetrate into the hinterland. In 1820s, Lander and Clapperton, two British explorers, observed the thriving cloth industry of Nupe where male weavers on the horizontal loom were supplying cloths both to the Yorubas in the south and to the people of northern Nigeria. In 1941, W. Allan and T. R. H. Thompson also both Britons, collected many cloths at Egga on the south

bank of the Niger and handed this over to the British colonial office in London in 1843 (Picton and mark, 1979). This collection, now in the British museum of mankind, contains a cross section of cloth woven both by men and women in Nigeria then, as such a source of information on Nigeria taste in cloth design for a period well over a century.

Over the past decades, Nigeria textiles have witnessed a tremendous change both in technological development and outlook with indigenous creative textiles assuming unprecedented socio-cultural values. Almost every major region of Nigeria has its own exclusive textiles ranging from the 'chieftaincy' and 'double wrapper' outfits of the Igbos in the south east to the predominantly 'kaftans' and 'babanrigas' of the Hausa/Fulani in the north and the voluminous 'Agbada' and 'buba' and wrapper (iro) of the Yorubas in the south west.

Indigenous patterned textiles from Abeokuta, Osogbo, Ibadan and other notable areas in the country now constitute export products of economic value to neighbouring African States and beyond to as far as Europe, the far East and the United States of America (Popoola, 1989).

From the available records, there is no doubt that a great deal from the past has survived in the living traditions of weavers of Nigeria not only that State of their crafts but also the past history of its evolution.

The scope of application of textiles is very vast indeed and this is ever expanding with each passing day. Each day we make numerous decisions about textiles. Every morning sees us coming out of bed with our bodies enveloped with bed room robes; our bodies are washed and thereafter dried with towels and we put on our choice cloth for the day. Even the toothbrushes with which our teeth are cleaned are made of bristles from nylon fibres. When we get into our cars, we sit on upholstered seats and the car itself is supported on tyres reinforced with strong textiles cords. At home we stand on carpets, sit on textile finished

furniture and look out of our windows internally decorated with carefully selected curtains. Even the insulation of the houses is done using glass textile fibres. Not only are sporting equipment such as tennis rackets and other wears made of textile fibres but so are roads, bridges, building, etc. Artificial arteries made of textiles are implanted with the body by physicians and fibres are available for surgery which gradually dissolve as body wound heals. Most industrial products most industrial products are made on systems which at one stage or the other have enjoyed the support of conveyor belt while a number of our processed foods has been filtered through textile based filter paper. There is therefore no aspect of modern life that is not touched by some areas of textiles.

The basic role of textiles in the country today as elsewhere is as article of clothing. Beside this, however, textiles have some social, cultural, economic and psychological roles they play.

In the writing about the social relevance of textiles, Claire Polakoff wrote:

> Historically, beautiful fabrics and elegant attires have always been venerated. They are regarded with respect by people of the most varied cultural backgrounds; they bring pleasure through their beauty and craftsmanship and their historical and social significance. Persons of esteem everywhere honour each other with gifts of intricately fashioned textiles and national dress as non-verbal tributes of the highest order(Polakoff, 1980).

In addition to this social value of textiles, some other cultural importance are attached to their use. Polakoff further wrote:

> Fabrics were a direct way people could relate to African cultures. Textiles, the stuff clothes are made of are almost a universal experience. There is no language barrier with fabric. It speaks directly to the senses and we can wrap ourselves in its sensuality and special textures and densities and movement. To put on someone else's clothes is to take on as an actor does, a bit of the weaver's personality. With fabrics, we can feel close to the culture as well as the craftsmen.

Partcular colours or other forms of embellishments on garments for instance may be used to mark out the users as having some great wealth or depicting a political significance of a sort. For instance, Popoola (1989) observed that Benin Chiefs wear red cloth as part of their

ceremonial dress, a colour which may be associated with either anger, war or fire. Whereas, elsewhere especially among the Ebiras, red is a colour symbol of success and great achievement (Paula-Ben Amos, 1977).

Elsewhere in the ancient city of Tyre, the purple dye *tyrian purple* was exclusively reserved for 'royalty' and any other use beside this carried stiff penalty. In China, the most luminous colour, yellow is reserved for the emperor who is a symbol of wisdom and enlightenment. For mourning, the Chinese wear white to signify the escorting of the departed into the kingdom of purity and to a state of perfection (Buria-Meyes, 1947).

Even the Church hierarchy has its own distinguished symbolic colours among which is the Roman Catholic cardinal crimson and the papal white colour.

Aside from the socio-cultural values of textiles, they also have an obvious economic value. Again, drawing from the information provided by Polakoff, she stated:

> Fabrics have been used as currency in many societies and have often served as marriage tender both as 'bride wealth' in Africa and as the similar 'dowry' in western societies'. She says further: Textiles played an important role in the economies of colonial power. As the slave market dwindled, profits were replaced by the incredibly lucrative European textile market which the African themselves supported.

It has been stated earlier that during the 14th century, rolls or strips of cotton cloth were being used as currency in the northern state of Borno and by the time, the trade links between the weavers and dyers of Kano region, the Tuaregs and other nomads of the Sahara had been well established.

Besides the areas of relevance of textiles already discussed, they do exert considerable psychological importance. We do not only desire to wear clothes for body protection against cold and other environmental hostile elements but also to satisfy yearnings that make us appear advantage. Our sense of appreciation of beautiful things in wearing apparel and the knowledge of how to use them to the best advantage are expressed through the processes of

the mind in concretions with our emotional reactions to clothing. Our various sense of sight, smell and touch are quite relevant to how we react to textiles of our choice psychologically. Sight or seeing is the principal sense through which our visual experiences are received and colours when rightly perceived form one of the most important factors in clothing and wearing apparel's selection (Oguntona, 1986; Evans, 1974).

The human eyes with millions of its colour sensory organs have been shown to be able to distinguish an amazing 250 different shades of colour from the red of the colour spectrum to the violet. A very broad spectrum of colour selection is therefore available to a textile consumer and this gives him the privilege of classifying the colours perceived on the textiles of his choice to suit his psychological feelings. Colours in textile influence our moods; while bright colours encourage a gay mood, soft pastel shades are quite soothing. It is not only the psyche that reacts to colour but the body itself does. Findings have shown that the body's pulse rate, heartbeat, respiration and to some extent, the digestive system are all affected in a subtle manner by the colours on our wearing apparel (Iten, 1961; Bynton, 1979).

Our sense of touch contributes significantly to our psychological appreciation of textiles. It is through our sense of feel on the fabric expressed by touching that we experience the softness of a silk material for instance and the warmth of cotton and wool and the cold handle associated with rayon (Popoola, 2011).

Our environments no doubt too do modify our feelings and tastes in matter of the clothes we wear. Studies in child development do show that children are vitality influenced by the clothing they are made wear and the choice of clothes among children may lead to certain behavioural patterns normally associated with their psychological response to clothing. To the youth, the right choice of costume, colour, style, neatness and quality help to build self-confidence and even a sense of security. To them clothes are important for the

impression made on others and for social achievement. Good, clear and well groomed clothes gives the wearers a good sense of happiness and security and also help to build a favourable impression and self-confidence as it is often said 'we are what we wear' (Chevreul, 1967; Fabri, 1975).

It is important to note that this discussion on the relevance of textile will not be complete without some reference to its ritualistic relationship to religious practices. Susanna Wenger and Ulli Bear (1957) provided an exciting insight to this on the Yoruba people of South West Nigeria.

> It is significant for Yoruba culture that every activity in life has a basic religious significance. In iwo, dyeing is closely linked with the worship of a goddess called 'Iya Mapo'. 'Iya Mapo' is an important 'Orisa' who protects all exclusively female trades like dyeing, pottery, oil pressing, soap making, etc. She is also the deity of female sex. Every fourth day is her 'ose' or day of worship which happens to coincide with 'jakuta' the day sacred to 'Sango' (the god of Thunder). On this day, women will bring her sacrifices of 'ekuru' (made of beans) 'aadun' (made of maize) and groundnuts. Every fourth 'ose', however, the 'alaro' (dyer) will stop all work on the dyeing pots and spend the day celebrating and worshipping 'Iya Mapo'. Then they will dance in the shrine and sing the praise songs (oriki) of the goodess.

The origins of indigo and sources of colour in nature are often attributed to supernatural forces in most African societies and have a place in our religious myths, legends and folktales (Dendel, 1974).

The basic process of weaving for cotton as a typical textile making fiber for instance commences with the delivery of cotton bales from supplying growers to the factory store house from where they passed unto the ginning operation if this has not been previously carried out on the cotton. The ginning machine separates the fibers from the individual seeds which are not required for the weaving. After ginning the cotton fibers are passed on for opening and carding a twin process that looses and separates the compressed cotton fibers to enhance the preliminary process to spinning. The spinning is the yarn or filament making stage during which the loosened and straightened fibers are now twisted together to form long

and continuous filament which are subsequently wound onto bobbins ready for weaving (Popoola, 2011).

Weaving is essentially a process of converting spun years to fabric by laying yarns or filaments down the length (wrap yarn) and breath (or weft yarn) of the intended fabric. The traditional method of weaving on simple looms was to produce fabric by shuttle moving across the width of the cloth carrying the weft interlacing yarn in between alternating warp leading to the production of a plain woven structure. Other conventional method by which yarns are converted to fabric material is by knitting in which a spun yarn of the same construction is looped onto itself.

Woven fabrics can be designed by a wide range of systems and patterns. Traditional designs of fabrics produced on looms were limited to combining various yarns of different colours during the weaving process to produce cloth conforming to a predetermined order. This is commonly used for the production of table cloths, school uniforms, etc. This method of design undoubtedly forms the basis of production of Okene, Owo, Ekiti and Akwete cloths.

In the production of contemporary textiles, a lot of inspiration is drawn from the ingenuity and skilfulness of the textiles particularly in sub-Saharan African where much of textile production is carried out on a handicraft scale.

All over West Africa and a little beyond one notices a progression of intricate designs from one locality to another. From the simple ‘bokolanfini’ mud cloth of Mali to ‘Khorogo’ design of Cot devoire and the tie and dye cloth and Adinkra of Nigeria and Ghana, much development had been made in the production and design of modern African textiles.

For instance within the context of Nigeria contemporary textiles, apart from the industrial textiles which continue to witness tremendous growth and expression, the handicraft textiles of batik and tie and dye have continue to occupy unique socio-cultural status in our society.

Both batiks and tie-dye the two processes for making Nigerian pattern dyeing which started as household handicraft in places like Oshogbo, Ibadan, Abeokuta, etc, in the post independent days have now achieved unrivalled degree of craftsmanship and this has been further advanced in recent years through appropriate Research and Development efforts both into the manufacturing processes and technology and the raw materials of fabrics and dyestuffs used.

This traditional fabric making both batik and tie-dye materials are pure cotton and this remains till today as the mainstay of the industry. The two processes involve a form of resist printing in which prior application of an agent containing substance that will prevent fixation of dyes being used on the designed portions of the fabrics where they have been previously applied. Whilst in the case of batiks such agents used are chemical in nature such as paraffin wax, beeswax or animal fat etc. In case of tie and dye, the agents are merely ***physical*** resistance as in ***tieing***, knotting, sewing and crumpling etc. to prevent dye fixation where these effects have been created. Following the application of the resist agent, the fabric is dried and then dyed in a suitable cold-dyeing bath to avoid the melting of any wax or other agent used as the resisting agents. Often the names of the fabrics so produced are descriptive of the names of the resisting agent used. For instance in certain domestic processes where corn starch or sewing have been to create patterns, one hears of ‘ adire eleko’ or ‘adire alabere’ as the case may be.

It has been stated earlier that pure cotton fabric forms the mainstay of fabric for the Nigerian hand printed texture. However, because the chemistry of viscose rayon permits its use for the production of true batik effect the fabric is being developed for the use of this industry because of its good appeal of softer or colder handle and luster (Popoola, 2011).

Also, the traditional dyestuff for both batik and tie- dye effects has been exclusive indigo but a wide range of dyestuffs had been develop which have found wide- ranging use of patterned textiles.

First to be develop were the portion range of dyestuffs particularly the cold water dyeing types. They offer considerable scope for batik work and they are sufficiently reactive to fix under drying conditions. There are also the popular indanthrene vat used very widely among house hold practitioners. They are cold water dyes which are normally used by one of three well established dyeing methods involving the use of caustic soda and sodium hydrosulphite as application agents.

In recent years, a wide range of dyes from nature had been screened and their ability to dye cloth particularly for household handicraft work has been established. Dyeing of fabrics in dye baths prepared using natural dyestuffs and or pigments is an old technology dating far back to Bible times when Noah first instructed by God to coat his Ark inside a natural pigment pitch (Genesis. 6:14) Later at about 1500 BC the Israelites used the natural dyes of Indigo and Tyrian purple and kermes)(the latter two) to dye both cotton wool fabrics which were then presented as offerings to the Lord (Exodus 25:3-5)

ever since this early experiments man has increasingly exploited dyes and pigments of nature to his own advantage with application ranging from the painting of culturally relevant events to their uses as cosmetics in facial treatment and lipsticks to other areas of use which include the dyeing of various household articles of clothing, leather and carpets. Some of these dyes have displayed remarkable potentials for imparting fast and commercially acceptable colours to textile materials.

According to Popoola, it was observed that dyeing cotton fabric with indigo produced from Yoruba indigo vine using caustic soda both as wetting/swelling agent leads to acceptable

fastness ratings (a measure of the degree of performance of colour on textile materials) of 5.20 to light, 3.65 washing, 2.75 to dry ironing and 3.90 to rubbing of the dyed cotton fabric (poppola 1988; Popoola, 1990) Fastness ratings to light is considered on an 8 point scale while those of others specified are a 5 - point scale rating.

To further enhance the use of natural dye on cotton fabric, Popoola (1992) in a related study involving the use of dyestuff obtained from the plant Bixa orellana (annatto) observed that by treating the cotton fabric in 10% and 20% solutions of commercial alum' salt prior to dyeing in the dyestuff obtained from the plant, percentage increase of 9.12% and 21.82% respectively were observed in the dye uptake of cloth so dyed. This increase in the level of dyeing was attributed to the ability of the alum salt to promote swelling of the cloth and improved dye intake. In addition, a rather poor fastness rating of 3.0 to light and an average - good rating of 3.6 for washing were recorded.

Textiles featured early in Nigeria as a result of its central position it occupies in the hierarchy of man's basic needs. Textile material, particularly clothing is ranked second after food. The need for textiles has made every nation to encourage its development. In Nigeria, some ethnic groups developed local methods of textile production. Research reports by some indigenous writers such as Afigbo and Okeke (1985), Diogu (1989), and Okeke (2002) identified the following major cloth weaving areas in Nigeria: Akwete, Okenne, Igbira, Isheyin, Nsukka, Abeokuta, Kano, Bida, Aniocha, Oshogbo, Tiv, Ijebu –ode and some other parts of Igbo land were famous for the quality of their textile products which was able to satisfy both domestic and foreign demand.

4.2.1. Textile Production in Pre – Colonial Societies of Central and Northern Nigeria

The societies in the central and Northern part of Nigerian areas have a long history of traditional textile work on hand spinning, weaving tie dye and dyeing hard spinning by women and weaving by both men and women using horizontal and veridical looms respectively are age long crafts in most parts of the areas. The fabric, called ‘Saki’ in Hausa is usually woven white and later dyed with indigo. But when garments are to be constructed, the fabric is used in its white state. Traditional pit dyeing of fabrics and constructed garments was an important trade in the Northern Nigeria.

Eighteenth century was also regarded as remarkable period in Hausa city states, where textile production flourished. During the late eighteenth and the early part of the nineteenth century, the existing order of power in much of what is now Nigeria was upset by the impact of an Islamic jihad inspired by the Muslim Fulani leader Uthman dan Fodio. Across the city states of the Hausa in the North, down to the Nupe people on the banks of the river Niger, and as far South as the Yoruba city of Ilorin rulers were swept aside to be replaced by Muslim emirates. The main Yoruba power of Oyo was defeated and their capital city abandoned in the 1830s. The new Fulani rulers brought with them a style of male dress consisting of flowing robes and huge baggy trousers adapted for horseback riding. They also bought an Islamic tradition of "robes of honour" where embroidered gowns and the flowing turbans worn with them became badges of office for both rulers and court officials. Emirs and other rulers purchased the finest robes for themselves and distributed numerous others to their courtiers. An elaborate trade network developed, with both Nupe and Yoruba weavers and embroiderers, along with specialist tailors, cloth beaters, and dyers, serving the main emirates. Rulers of other courts such as Yoruba kings beyond the reach of Fulani power adopted the same style of dress, and in the twentieth century the gowns became the accepted dress of important men across a large area of Nigeria and into neighbouring countries.

The best robes were tailored from highly prestigious cloths, including plain white handspun cotton fari, beige local wild silk tsamiya (Yoruba name sanyan), imported magenta (wine red) silk alharini (Yoruba alaari) and handspun indigo-dyed saki (known to the Yoruba as etu.) They were embroidered with variations on two classic designs known as "two knives" and "eight knives". It is thought that, the embroidery might have had a protective role as well as a practical function in strengthening the pocket and neck of the gown. Hausa weaving on the double heddle loom is notable in particular for the diversity of cloth types produced. In the period weavers in the villages around kano produced huge quantities of lightweight turkudi cotton cloth in strip widths of ½ inch or less, which was dyed and glazed with indigo in Kano itself by specialist craftsmen, then exported throughout the Sahel and Sahara. Cotton blankets are woven in weft faced strips of 8-10 inch width, while other weavers produce lightweight cotton cloths with supplementary weft float decoration for use as women's wrappers in strip with a width of up to 18 inches.

4.2:2. Textile Production in Pre-Colonial Yoruba Societies

The indigenous evolution of the material inputs into *aso-oke* was ultimately resonated in intangible sociocultural essentials. In different communities of Yoruba land and at different times, *aso-oke* had important role serving as a functional clothing and serving as money, as well as between generations, families, and societies and as a key to the construction of group and individual identities (Clark, 1972; Lamb and Holmes, 1980; Olutayo, 1991). Yoruba clothe could be divided into three major categories of clothes for prestige, rites and ceremonies and clothes worn for daily use (Eicher, 1976; Lamb and Holmes, 1980). It is appropriate therefore to look into the context within which *aso-oke* operates.

Yoruba traditional setting maintains a reputable environment for the production of high quality and various textiles because the Yoruba culture has its scheme of values (Williams, 1998). Thus *sanyan* (Wild silk cloth) mostly referred to as *baba aso* ('king of cloths) in

Yoruba tradition was naturally coloured beige Anaphe silk, though it may have a white central warp band in each strip (Lamb and Lamb, 1973). It was particularly associated with special robes for high rank chiefs and *obas* (kings). *Etu*, particularly the variety of *sanyan* called senior *etu* (*etu nla*) which comes in colours of high blue on a dark indigo background form part of many traditional ceremonies and functions and their weaving also implied status (Lamb and Lamb, 1973). Here *sanyan* and *etu-nla* described above were only woven within the premises of the king's palace and such weaving tasks were taken by old master weavers specially chosen for such tasks. This could perhaps surround the myth around the *oba* in traditional Yoruba setting as *alase ekeji orisa* (the all powerful only next to God) whose clothing must be handled not just by any weaver. *Alaari* which was the third of prestige cloths, originally made from a mixture of red camwood-dyed *sanyan* was also material for garments for chiefs in Yorubaland (Lamb and Lamb, 1973).

The Yorubas also categorized *aso-oke* used for rights and ceremonies. Those used for such occasions were called the *aso alaro* group of cloths (Lamb and Lamb, 1973).These were made from hand spun cotton which was dyed with indigo, with, perhaps, warp patterns in varying blue shades and in the case of marriage some red warps as well (Williams, 1998). *Alaro* cloths had neither holes nor inlays patterns; they were often beaten to give them glossy appearance (Lamb and Holmes, 1980). The red pattern in *aso-alaro* for marriage reflected on the colourful environment that surrounded marriage in Yorubaland. Thus, *aso-oke* played an important role in marriage ceremonies that one should not be surprised to find a great variety of *aso alaro* amidst marriage ceremony. It was adequately important to note that the use of *alaro* cloth for marriage expresses celebration of affluence and the readiness to take the responsibilities of household and family.

4.2.3. Textile Production in Igboland and River Rine Area

In Igboland and river rine areas, textile production flourished like in most of societies in pre-colonial Nigeria. Areas of production of this industry included traditional hand weaving, off-loom weaving of rugs, foot mats, tapestry, knitting with knitting machines and crocheting. In the area of fabric embellishment, a variety of works were carried out like tie-dye, batik, cassava paste resist technique and silk screen printing process. Young men and women and women of this areas are fully engaged in various aspects of textile work. Traditional motifs symbolizing diverse cultural heritage of the state are used to create beautiful deigns that are appealing to the society. The finished fabrics were used to construct garments for men, women, youths and children.

Historically, raffia plant was growing abundantly in this area being it a river rine area. The plant was fibrous in nature, it was therefore, easier for the people of the area to process its fibres and used as clothing materials. The inhabitants of Igboland and river rine area used woven raffia sheets in pre-colonial era for different purposes among which was body covering. The traditional weavers began to weave hand woven fabrics in different varieties of designs and colours with names such as „Popo" cloth, „Ikaki", „Pelete" and "Bile".(Dodwell, 1955).

4.3. The implement used in Pre-Colonial Textile Industry in Nigeria

Implement used in pre-colonial text industrial in Nigeria virtually all the traditional texture industrials in Pre-colonial societies of Nigeria exhibited similarities in the implements and methods in weaving and dying. Before the colonial contacts, four type of loom existed in the traditional weaving science Williams (1998) and Fadipe (1970). In the south West there existed the "bush loom" which was found to be ideal for light weaving. The willing loom existed among the people and was widely used in the eastern part as well as societies in

central Nigeria. The traditional strip loom was found among the people of the North and it was common among, the people of Iseyin, Oyo, Ibadon and Abeokuta (Williams 1998, Lamb and Lamb, 1976, Dodwell, 1955). The fourth type of loom that existed before colonial contact was the vertical loom, which was also used in the river rine areas and the Northern part of the country. Various looms in the pre-colonial societies in Nigeria reflected environmental and cultural adaptation and the ability to develop a range of choices suitable for products manufacturing in the industry.

The origin of the horizontal looms in West Africa was unknown but it might have come from Asia through Arabia (Gilroy, 1987). This view corroborates the submission of Dodwell (1955) that although, the origin of weaving among the people of southwestern Nigeria was obscure it was thought to have been brought down along the trans caravan routes from the north. The chief feature of the weaving in per-colonial societies of Nigeria was the narrowness of the clothes made on the loom which was usually in strips Lanib arid Lamb, 1973; Ojo, 1966). The traditional strip looms were constructed in a house manner (rectangular form) with an open end. It was built with mud and bamboo sticks (Fadipe, 1970). Apart from the loom, instruments used in (traditional) weaving industry includes; yarn pegs shuttle, pattern divider, thread sorting equipment, , Meddle, weighted sledge (long iron for warping process). Consensus exists among scholars that the instruments used in the (traditional) weaving and production process were made, mainly, from iron, wood, bamboo, raffia palm and calabash and these instruments were sourced from the local environment and were mostly fabricated by carpenters, blacksmith and forebears of the industry themselves master weavers for instance-(Lamb and Lamb; Ojo, 1966; Dodwell, 1955; Wilkes, 1946).

4.3.1. Production Process in Pre-Colonial Textile Industry

The production process in the traditional form starts with the farmers. The process begins with the planting of local cotton. It takes three months for the cotton to reach harvesting stage when it becomes fully white. The harvesting was mostly done by the women and children and sold to those who process the seed cotton into threads or processed by themselves. This role is merely for division of labour and complementarity to enhance optimal productivity and does not suggest gender segregation, mainstreaming or outright subjugation.

On the input material processing, the seed cotton was indigenously processed by hand. Getting the cotton prepared for weaving starts with the removal of seed cotton from the cotton seed. To remove the seeds, ginning usually involved placing cotton balls on a block of wood and rolling an iron rod over them. The pressure exerted on the moving cylindrical object pushes the seeds out of the cotton fibres. After the seeds are removed, the fibres was aligned and this process is known as *ginning*. The ginning process the study was done indigenously through a bow type device (in Yoruba and Maari in Hausa. The device is used to fluff the cotton and straighten the fibres. This process produced the fluffy product which was ready to be spun into thread.

Spinning was mostly done traditionally, manually and very cumbersome. The spinner pulled and twisted enough fibres to secure it to a spindle. Though it was said that spinning could take two major forms, but in this case, the spindle was weighted by a clay whorl. The spinner sets the spindle in motion, draws fibres into a thread and turned them on the spindle. This instrument was called *akow in Yoruba and mazari in Hausa*

On the dyeing process, the desired colour of the thread was obtained with particular leaves and plants depending on the colour. In the case of blue colour, dyeing starts with the collection of leaves (Indigofera) which produces indigo blue. The leaves are fermented and

dried in balls. The indigo cakes are then placed in a perforated pot which contained ash (as source of soluble alkaline). Water was poured into the top filter through the perforated holes into the bottom pots to obtain dye. Preparation of dye in other colours however demanded more specialized skills.

As recorded by Fadipe (1964) "in those days (Pre-colonial era) people used to produce red colour from leaves of guinea corn, back and roots of African rosewood (*aga tree*)… black from physic nut tree (*opo owon)* beige from bark of mango tree". It was gathered that warps were made on the ground on pegs (*serin)* between which a weaver walks carrying from two to twenty threads at a time on a bobbin carrier. The length of the warp might sometimes be as long as five hundred metres. The warps were then entered into loom through the heddle through a meticulous process which might take a whole day. Strings from the heddle connected with the peddles. One heddle with every alternative thread was pulled down. It was connected with the other heddle by a rising pulley hanging from the top of the roof. The other heddle was pulled up making a shed through which the shuttle can be thrown. The reed beats the weft of the yarn and used to ensure a firm neat woven fabric. The warp is attached to a weighted sledge which was placed about sixty feet away from the loom and which is generally drawn up as the work proceeded with the aid of the cloth beam (Ojo, 1966).

4.3.2. Challenges of Pre-Colonial Textile Industries

The traditional textile industries in pre-colonial era used the same method, implements and process of production which was too long and cumbersome and it required high intensive labour with little output. Most of the industries were not formally organized, they located mostly within the family system and perpetuated usually through informal education. This however made it very difficult for new innovation and transfer of technology between the industries (Olutayo, 1991).

The industries lacked necessary technology to improve their quality and quantity of production. They depended largely on environment and ecology for their raw materials. Apart from rising and fluctuation of cost of raw materials, and the availability of the raw materials itself the traditional textile industries in pre-colonial societies also had a problem of diversification and production capacity. The loom was made to accommodate an average of fifteen to thirty weavers which is not adequate enough for mass productions, which made it difficult to satisfy local demand and export market (Renne, 1997).

4.4. Textile Production under Colonial Government

Even after the conquest of Nigeria areas and subsequent imposition of colonial rule on the conquered areas, traditional textile industry continued to occupy a place of dominance in spinning dying and clothing and garment making in Nigeria. For example, the traditional *Aso-Oke* textile industry in the south west and that of the North was the source of supply of colonial court officials uniforms, security personnel *(Yan Doka in the North)*, and West African Frontier Force (WAFF). (Poynor 1980).

In the years since the 1950s this kind of weaving declined drastically in both the Yoruba and Igbo speaking regions of Nigeria, partly because It was an extremely slow and laborious process, but also because women had wider opportunities for trading, education and other careers. In the south of Nigeria, it only survived on a very small scale in a few areas where local specializations are still in demand, notably in the Yoruba town of Ijebu-Qde and far to the east in the Igbo village of Akwete. In central and northern Nigeria, where there was less development, the picture was brighter. There was still relatively large number of women using these looms in the Ebira town of Okene, the Nupe capital Bida, and in Hausa cities, particularly Kano. Although these largely decline (including in Okene in the past few years), fine examples of older cloths could still be found, and where the weaving continued, as in

Akwete, some very high quality new cloths were woven for local use. The industries started declining in the late 40s, shortly after the Second World War. The numerous problems associated with the production process of these industries made it so difficult to satisfy local demand and export market. The industries were slow in production and proved to be time consuming with low quality as well quantity. However, in recognition with these challenges the colonial government began to find a way for replacing them with modern textile technology and processes.(Bascom 1969).

However, the first real textile manufacturing establishments in Nigeria under colonial period was that of Kamson singlet factory established in early 40s, in Lagos. Kamson singlet factory confirmed a fundamental characteristic of the textile industry with capital intensive in its technology, but labour – intensive in its operation. There were serious efforts by the colonial government to improve on textile production in the country, especially during the lather years of decolonisation phase. This period saw a remarkable change in colonial government's policy toward textile production in the country. Where in 1955, the colonial government concluded an arrangement between Northern Nigeria government officials, with the British textile firm, *David whitehead and son* to build the first large textile manufacturing mill in Nigeria known as Kaduna textiles Ltd (KTL). RY 1956, the Kaduna Textiles limited was therefore established and began production in 1957 (Dodwell, 1955).

4.4.1. Challenges of Textile Industry during Colonial Era

One of the fundamentals challenges that confronted textile industries at the period of colonial rule, was the issue of raw materials and lack of viable infrastructure such as roads transportation, availability of water and sources of power supply. Cotton which was the major raw material for textile production lacked required quality for production. This also affected the quality of materials produced by these textile industries especially in global market.

However, it was also noted that during colonial rule, Nigeria lacked basic infrastructure that could support textile industries in the country. There were no basic utilities for these industries to survive and operate. The supply of water and power was not adequate to maintain constant production. Another problem associated with these textile industries during the colonial period was the issue of enabling environment and support from colonial government. There was no industrial policy that can enhance textile production and distribution in the country. Under colonial government, industrial policies were not viable and effective to protect industries in the country. Due to this, it was difficult for any single individual to muster the requisite financing required to establish a textile factory at that time and except on the scale of a knitting mill which was basically of modular nature. (Murray, 1936).

4.5. Textile Production in Post-Colonial Period

The new methods of production involving modern techniques, equipment and designs have been evolved to cater for the ever changing demands for textiles with better performance properties in terms of both aesthetic properties and serviceability (Popoola, 2011).

Looking at the organization of the textile industry today, it is also evident that a wide variety of employment opportunities exist for trainees in this industrial sector. The career opportunities which are available can be categorized into:

i. Education, science and technology

ii. Management (including marketing and purchasing)

iii. Fine arts and design

The textile and wearing apparel industry today in spite of its glorious past is however, beset by a host of very complex problems that need urgent attention of both government and

various stakeholders within and outside of the industry. Some of these problems vary from operational difficulties, ageing machinery, raw materials sourcing etc to very difficult and unfavourable business environment. Whilst it is quite easy for the textile industries to solve problems arising from their various operational environments, this is not quite so for those involving the hostile and unfriendly business environment as they are political in nature. For instance, Afprint Nigerian PLC, a textile conglomerate also quoted on the Nigerian stock exchange for the first time in 22 years posted a loss of N142 million naira in its operations during the business year ending 31st March, 2000 as a result of what management termed unfavourable business environment.

Commenting further on this, an executive director with the company elaborated further saying that the textile industry in Nigeria has suffered from the unfavourable government policy of imports, increase in fuel price and man power costs, high working capital needs leading to higher interest payment and poor infrastructure. The textile industry in Nigeria has been exposed to unfavourable foreign competition involving indiscriminate dumping of substandard textiles particularly from Asian countries without government showing any commitment to protect the local industry. The continuation of this practice unchecked will eventually lead to the permanent closure of textile manufacturing in the country leading to job losses and further deterioration of the state economy. Ironically, whilst importers of these foreign textiles escape the payment of taxes and duties, local manufacturers are levied unnecessary and multiple taxes and duties (Mojeed, 2000).

On recognition of the important of textile industry on national development, shortly after Nigerian independent both Federal and regional governments embarked on deliberate programmes of promoting industrial development in the various regions through a policy of import – substitution industrialization. This effort witnessed the establishment of such

integrated composite textile mills like Kaduna textile limited, Nigerian Textile mills, Aba Textile mill and Asaba textile mill. (Ojo 1966).

The **Nigerian Textile Mills Plc** was a large Nigerian textile firm that started production of a variety of textiles inducting the spinning, weaving, printing and bleaching of finished cotton goods in 1962. It started out as a joint venture between the Western Nigeria Development Corporation and some foreign firms including Trans -Continental Mercantile Company of Milan, Chase Manhattan and Maurer Textiles. Its first mills was located in Ikeja.

The company was established with a capital of 2.6 million pounds and incorporated in 1960. The Ikeja mill started production on September 1, 1961 with the spinning, weaving and printing of different cotton goods including bafts and finished shirts utilizing new machines but its printing equipment was later purchased and put to used. Major early textile firms such as J.F. Kamson and the Kaduna Textiles Mills originally started production with the capital intensive spinning and weaving before jumping into bleaching unlike NTM which focused on the capital intensive aspects and also the printing aspects of the textile industry that required great technical skill. The firm was also one of the earliest to make use of computers within the industry. In 1967, it expanded its production to include coloured woven and dobby and printed cloths. Early on, the Kaduna textile mill focused largely on the Northern Nigeria market while the Ikeja mill tapped into the Southern Nigerian market. (Olutayo 1991).

The next major wave of textile manufacturing outfits came with the decision of the erstwhile textile importers (invariably of Lebanese and Indian origin) to transform themselves into manufacturers. Thus, came the mills belonging to the Clianrajs, the Chellarams, the Bhojsons and several others. It must be said that this transformation of erstwhile textile traders into textile manufacturers was the single most significant impetus to the growth of the textile industry in Nigeria. It was on record that, from less than *5* establishments in 1962, the textile industry had as many as 178 units in 19-75.

Afprint Nigeria PLC (ANPLC) was established in Kano. The textile company was part of the world wide kewalram/ chanrai group, which had business interests and social commitments in America, UK, Asia and west Africa. Afprint had a subsidiary called Aflon Nigeria. Afprint had a subsidiary called Aflon Nigeria PLC. The mill was incorporated in 1985 but commenced operation in April 1988. Similarly in the same period, Sunflag Nigeria Limited was established. Nigeria Textile Limited was a textile company which manufactures knitted fabrics and read-made garments with substantial interests in Kenya, Tanzani, India and the UK. It subsidiary, Spintex mills Nigeria limited (SMNL) was established in 1980' and began commercial operation in June 1982. (Olutaya and Omobowale, 2007).

However, both Afprint Nigeria PLC (ANPLC) and Spintex mills Nigeria limited (SMNL) were conceived as the means of meeting the yarn requirements of their parent companies. SMNL's establishment was influenced by the announced intention of the Nigerian government in 1979 of not only discouraging the importation of yarn but also imposing a blanket ban on it. Both firms achieved such tremendous expansion exporting yarn as well as selling on the local market. Both companies had at different times been accorded pioneer status, which entitled them to a 5-year tax holiday under the provisions of the Industrial Development (Income Tax Relief) Decree (1971). Since they were both set up in compliance with the provisions of the Nigeria Enterprises Promotions Decree of 1977 there was a considerable Nigerianization of manpower in both organizations. (Olutaya and Omobowale, 2007).

Since its inception, ANPLC focused exclusively on the production of cotton yarn, dividing its yarn output simply between finer and coarser counts. Its success story was reflected in the astronomic growth in the asset base and modest but respectable growth in sales turnover, operating profit and the number of employees (Olutaya and Omobowale, 2007).

Cotton lint remained the only raw material. The company was able to obtain sufficient virgin cotton of the required quality locally to meet 25-35 per cent of its requirement for exports and all of its requirement for domestic sales. The balance of its export requirement was coming from imports, on which the company enjoyed a Duty Draw Back benefit.

The SMNL appears to be at least a step ahead of ANPLC, having successfully diversified its output. It now produces spun cotton, synthetic yarns, polyester filament yarn and sewing thread for domestic and industrial purposes. The plant for the manufacture of polyester filament yarn was commissioned in 1985 and that for sewing thread in 1988. Because of its diversified output, more types of input are used in the production process. The main types are polifis cotton, polyester chips, polyester fibre, viscose fibre, coning oil and spin finish oil. Apart from cotton, polyester fibre and viscose fibre, which were used in the production process between 1981 and 1986, the others were later additions, used in polyester filament yarn and sewing thread. Of all the raw materials, only polifis cotton is supplied by both the local and import markets. All the other raw materials were imported (Olutaya and Omobowale, 2007).

ANPLC's export activities began in 1991 with export sales of US$1.6 million or ₦16 million. This rose to $4 million or ₦51 million in 1992. Cotton yarn is the company's sole export item. The market channels used by the company are agents which are its associate companies and which bear all risks relating to credit. The target market was the developed countries of Europe and North America, with France, Belgium, Germany, Italy, the UK and the US constituting the major focus.

SMNL entered the export market for the first time in 1987 with cotton yarn and polyester filament yarn. Sewing thread joined the list in 1988. The export sales in 1987 amounted to US$784 464. This rose and fell sharply in succeeding years, with as little as $25 912 in 1988

and as much as $4.3 million in 1992. In the years in which there was a drastic fall in export value, i.e. 1988 and 1989, the company was actually withdrawing from the export market. Company sources explain this move in terms of the relatively lower profitability of export business *vis-vis* the domestic market, which was experiencing a chronic shortage of yarn in the period. The export arm of the company was reactivated in 1990 following the massive depreciation of the Naira, which significantly improved the profitability of the export sector. The company also saw the development of its export business as a way of widening the market segment of its products and as a long-term development strategy (CBN, 2005).

The third wave of development in this industry followed the textile import ban which was imposed in 1978 and the; vigorous pursuit of government's policy of backward-integration in the industry through the use of import licenses, concessionary finance and tariff protection. This period witnessed rapid expansion of spinning capacity, to enhance self-sufficiency, expansion of investment in both the ginning and the local spinning of cotton, as well as the emergence of the high-technology projects in the manufacture of polyester.- staple fibre, (PSF), partially oriented yarn (POY) and polyester filament yarn (POY), all of which offer the textile industry a direct linkage to the petrochemical industry and a reasonable degree of freedom from the limitations of natural fibres. (Poynor 1980).

4.5.1. Nature of Operation and Ownership Structure of the Textile Industries

The post independent textile industries developed to incorporate fibre production, spinning, weaving, knitting, lace and embroidery makings, carpet production, dyeing, printing and finishing. The sector produces a varied series of fabrics annually, ranging from African prints, shirtings, embroideries, etc., to Guinea brocades, wax prints, jute and other products. The Central Bank of Nigeria (CBN) Annual report for 1995 showed that out of 13 subsectors in the Manufacturing sector, the Textile sector -comprising Cotton Textile and Synthetic

Fabrics - continued to account for a significant proportion of the overall growth of manufacturing production. The synthetic fibre section of the textile industry has recorded substantial growth over the years.

A trend towards integration could be observed in the textile industry. Today, almost all large companies are active in several sub-sectors. Many of the companies in this sector are quite small. A process of concentration is taking place, and a number of important groups are emerging (Ojo, 2007).

Between 60% and 70% of the raw materials used in the industry are sourced locally, the main exceptions being high quality cotton and synthetic materials. The industry is labour intensive, with little mechanization; it is estimated that it provides employment to around 150,000 Nigerians, excluding the thousands who are directly employed in the cottage sector of the industry. The major textile enterprises in Nigeria are located around Lagos which have the majority of the country's spinning mills and weaving mills. Other significant textile operations are located around Kano and Kaduna (Renne, 1997).

4.5.2. Ownership Structure

There is presently no restriction in ownership in the Nigerian textile industry but foreign ownership is limited. Through privatization, most of the equity investments held by government has been transferred to private hands. The performance of the industry has improved significantly as a result. Foreign investment is mainly by Chinese and Indian investors, although Europe, the U.S., Japan and Syria are also represented. Some of the big groups which have emerged as a result of mergers, vertical integration, and take-overs are linked to the international Groups such as the Cha Chi Ming and Churchgate groups. The significance to the Nigerian economy of these groups is high as, in addition to financial resources, they bring the experience of other developing countries (Renne, 1997).

1. Supply and Demand

In the early 1990's, most of the local needs were met by local industry, the balance being made up by high quality fabrics Entering through unofficial trade from Holland, Austria, China, and Japan, and technical textiles for specific uses such as in the automobile industry. At the same time, exports were estimated at between 25% and 30% of production, making the industry an important earner of foreign exchange. The Nigerian market had a Strong demand for African prints, as well As for satin and brocade (Renne, 1997).

2. Plant and Equipment

The textile machinery and equipment in operation in the Nigerian textile industry can broadly be grouped into the following categories:

- Spinning
- Carding
- Ring Spinning
- Open-end Spinning
- Air-jet Weaving
- Schall- looms
- Winding
- Twisting
- Finishing
- Printing

Washing and Bleaching (Renne, 1997).

3. Distribution Channels

There are two main channels of distribution employed by Textile Mills in Nigeria. The direct method involves the sale of goods directly to the final consumers through retailer ship and on the spot selling by the Textile Mills involved. Mills sell their products through licensed and appointed retailers as well as through on the spot selling. Some smaller mills and firms in the spinning subsector also dispose of their yarns by supplying their sister companies or other mills primarily involved in weaving production. The indirect method entails only the use of a

wholesale channel of distribution. This method is mostly used by the big textile companies. In this method, the appointed distributors are only licensed for distribution and sales in the market. These distributors are financially strong and play advisory role to the mills with regard to the designs of the products and customers' preferences. The only serious competition facing the textile industry in Nigeria appears to be the significant quantity of textile products entering through unrecorded trade, mainly from the Asian country (Ojo, 2007).

4.6. Challenges of Post Independence textile industries

It is most evident from the much that has been said here that the textile industry and indeed African textile have come a long way. From all available records, there is no doubt that a great deal from the past has survive in the living traditions of textile weavers and designers across Africa (Popoola, 2011). The textile industry in Nigeria for instance is the hard times, seems to have a promising future. The textile industry in Nigeria for instance is the largest employer of labour with each firm employing an average of 5000 workers. This, however, does not tell on its efficiency as it presently produces well below 30% of installed capacity. The situation is that precarious.

This situation nonetheless is set for an improvement courtesy of a new initiative by USA organized private sector.

In May 2000, a legislation known as the African Growth and Opportunity Act (AGOA) was passed into law by US congress. This Act, which expected to run initially for ten years, will enable imports of African textile into US without payable duty. While it is instructive to note that some other African countries like Zambia, Tanzania, Senegal and South Africa are ready to take full advantage of this legislation, Nigeria textile manufacturers are still in the doldrums as they are just not ready. Thus scheme is expected to boost capacity utilization

within the industry which is presently below 30% . As it is now, some textile manufacturers in Lagos, Kaduna, Kano and Aba could be said to be well equipped with modern technology to enhance their participation in the African Growth Opportunities Act. Even so, the textile and garment manufacturers would still need to form a synergy in terms of production if they must meet export requirement to the US under the new legislation. (Popoola, 2011)

Infrastructure in terms of improved information technology, upgrading the service of the NEPA, good road networks are essential for Nigeria manufacturer to maximize the benefit by this scheme. The new legislation will no doubt in the next couple of years provide an opportunity for an increased capacity utilization, a reduction in the level of unemployment and above all more foreign exchange earnings to the national treasury.

An executive director of one of the textile conglomerates in Nigeria and Chairman, Nigerian Textile Manufacturers' Association, however, has highlighted some of the operational problems facing the textile industrial sector which includes the opening up of the country's door to unguided import under the World Trade Organization treaty which in effect is expected to provide for exchange of goods and services. According to him, what we have presently is an unprecedented rate of dumping of especially cheap low quality textiles from Asian countries in Nigeria. He noted that African wax prints (Ankara) from Nigerian Textiles and similar ones from across sub-Sahara Africa ranked some of the best in the world, adding that the dumping of inferior textiles from Asian countries has put many textile manufacturers in the country out of business. Within the last few years, many textile firms have closed up with many seriously distressed and about 100,000 jobs already in jeopardy if the current wave of dumping still continues. This unfortunate situation calls for an urgent redress by the government if our textile industries must survive in the face of harsh and hostile operation environment (Eburajolo, 2000).

As at 1987, the 37 textile firms in the country were operating 716 000 spindles and 17 541 looms. However the output of the sector has never exceeded 55 per cent of annual domestic consumption, allowing for a thriving trade in imported (mostly smuggled) textiles. Technological gaps in the industry are illustrated by the fact that 12 mills, representing 61 per cent of the total capacity, spin only cotton. Although nearly 25 per cent of existing mills are integrated mills, modernization of spinning capacity is generally lagging behind technological improvements in the weaving mills. Labour productivity in spinning operations was not high because of low capacity utilization and inadequate provision for on-the-job training. Low productivity levels limit export possibilities. Nevertheless, the substantially liberated economic environment and the opportunity Nigeria offers to avoid quota restrictions under the Multi Fibre Agreement (MFA) - which was not applicable to Nigeria induced some foreign entrepreneurs, mostly from Asian countries, to establish export-oriented plants. This negatively impacted on the indigenous textile industries in the country. The problem of textile industries in the country can be categorized into the following:

1. *Finance*

Challenges concerning fund was regarded as the major problem confronted textile industries in Nigeria. Textile Companies cannot afford high-level exposure in the conventional loan market because of the unusually high lending rates, which have not fallen below 45 per cent for over a year now. Assistance with finance usually takes the form of a soft loan from the parent company and a special export financing scheme such as the African Development Bank's sponsored Export Stimulation Loan (ADB/ESL), which is administered in Nigeria by NEXIM. However, occasional long application processing times at NEXIM often reduce the attractiveness and benefits of loans under such special financing schemes.

2. *Raw materials*

Domestic cotton-seed production in the country has continued to be inadequate for domestic demand. The domestic cotton output fell from 82 000 tonnes in 1976/77 to 19 900 metric tons in 1982/83. The present level is an estimated one-tenth of that achieved during the mid-1970s. Given the continuous expansion of the activities of existing firms and the growing list of new entries into the industry (the country now has over 46 large textile firms, as opposed to fewer than 35 in 1980), there is obviously price pressure. This implies increasing costs of production as imports are very expensive under the present exchange rate regime.

3. Inflation

The country's current inflation is unprecedented in its 55 years of independence. Available statistics put the current price inflation at about 50 per cent. Almost every aspect of the operations of the firms - labour, raw materials, utilities, equipment and rents- is affected, with the consequences eventually expressed in the cost of production.

4. Infrastructural bottlenecks

The infrastructural amenities in the country are in a sorry state and are grossly unreliable. As a result, textile mills had to make arrangements for treated water, compressed air, standby power generation and storage and warehousing facilities. All of these divert funds from actual operation and ultimately increase the cost of production.

Electricity from National Grid costs around 9.5 – 10.5 Naira/kwh on average companies in Nigeria have to completely rely on their own diesel generators. With the current fuel prices diesel general electricity, this costs at least 14US cents/kwh. Nigerians can be seen, has the highest power costs in comparison with other countries of the world (Olutayo, 1991).

CHAPTER FIVE

5.0 DATA PRESENTATION AND ANALYSIS OF THE EFFECTS OF THE EXPIRATION OF MULTI–FIBRE AGREEMENT (MFA) ON NICHEMTEX NIGERIA LIMITED; 2001- 2010.

5.1 Introduction

This chapter presents analysis of data generated from the field in the course of investigating the problem under study. The study relied on both In-depth Interview and Questionnaire for the generation of data. To strengthen the analysis, highpoints of some valid views and opinions of respondents interviewed as relates to the objectives of the study were appropriately cited. For convenience of effective presentation and analysis, the chapter is subdivided into sections and each addresses the objectives of the study as stated in the introductory chapter of this work.

The target of our research was to get at least two hundred questionnaires administered and recovered. To achieve that, the researcher administered a total number of three hundred questionnaires (300) to the population of this study in order to attain the target. That was purposefully done realising the fact that not all the questionnaires administered will be duly completed and returned. Two hundred and forty questionnaires (240) were administered at Nichemtex Limited Ikorodu, among the various Departments within the company, Sixty (60) questionnaires were distributed at the three principal markets in Lagos where textile materials are sold, that is Oshodi market, Ikorodu market and Balogun market and additional 15 were given to both Retailers(10) and Wholesalers(5). These all together totalled 60 stated above. In each of these markets, the researcher targeted ten retailers and five wholesalers. This was done using the instrumentality of purposive sampling techniques to administer questionnaire to respondents whose response would add value to the work.

Consequently, out of the three hundred (300) questionnaires administered, two hundred and fifty (250) were duly completed and returned. Two hundred and fifteen were received from Nichemtex Limited, nine questionnaires received from Ikorodu market, twelve questionnaires received from Oshodi market, nine questionnaires received f0rom Balogun market and five questionnaires recovered from the shareholders.

PRESENTATION OF THE QUESTIONNAIRE ADMINISTERED AND RECOVERED

SN	Description	Number of Questionnaire Distributed	Number of Questionnaire Retrieved	Percentage %
1	Nichemtex Ikorodu	240	215	71.6
2	Ikorodu Market	15	9	3
3	Oshodi Market	15	12	4
4	Balogun Market	15	9	3
5	Shareholders/Retailers	15	5	1.67
6		300	250	83.33

Field survey, 2015

The total number of questionnaires recovered as shown on the table above constitute 83.33% of the total questionnaires administered. The analysis of the work is based on the 83.33%.

5.2. Socio-demographic characteristics of Respondents

Table 5.2:1 the Age category of the respondents.

		Frequency	Percent
Valid	No response	4	1.6
	18-25	49	19.6
	26-35	80	32.0
	36-45	66	26.4
	45-55	29	11.6
	56 and above	22	8.8
	Total	250	100.0

Field survey 2015

From the table above 19.6% of the respondents are between 18 to 25 years of age, 32.0% are aged between 26 to 35, 26.4% are aged between 36 to 45, 11.6% are aged between 45 to55, while 8.8% of the respondents are aged 56 and above . This shows that majority of the respondents are between the ages of 26 to 35. This is because the age category falls within the active labour force who are engaged in some productive activities at the time of the study.

Table 5.2:2 Sex category of the respondents

		Frequency	Percent
Valid	No response	4	1.6
	Male	153	61.2
	Female	93	37.2
	Total	250	100.0

Field survey 2015:

Table 5.2.2 shows that 61.2% of the respondents are male and 37.2% are female. This shows that male participated more than female in the survey. This is because male were more available essentially because of job differentiation where factory or textile work is mostly male dominated.

Table 5.2.3 Marital status of the respondents

		Frequency	Percent

Valid	No response	7	2.8
	Single	88	35.2
	Married	148	59.2
	Divorced	5	2.0
	Widowed	2	.8
	Total	250	100.0

Field survey 2015:

From the above table 35.2% of the respondents are single, 59.2% are married, 2.0% are divorced, 0.8% are widowed while 2.8% of the respondents did not respond to the question. This shows that married people participated more in the survey than any other category of the respondents. The reason is because majority of the respondents are aged between 26 to 35 years which falls within the active age of productivity.

Table 5.2:4 Educational level of the respondents

		Frequency	Percent
Valid	Non Formal Education	14	5.6
	Primary	5	2.0
	Secondary	65	26.0
	Tertiary	162	64.8
	No Response	4	1.6
	Total	250	100.0

Field survey 2015:

As regards to the level of education of the respondents the table shows that those with primary school certificate constitute 2.0%, those who possess secondary leaving certificate constitute 26.0%, those with tertiary education are 64.8%, while those with no formal education constitute 5.6%. This shows that those with tertiary education participated more in the survey, which implies that there is a high level of education in the study area.

Table 5.2:5 Occupation of the Respondents

SN	Description	Frequency	Percentage
1	**Factory workers**	**74**	**29.6**
2	**Wholesalers/Retailers**	**100**	**40**
3	**Shareholders**	**30**	**12**
4	**No Response**	**46**	**18.4**
5	**Total**	**250**	**100**

Field survey 2015:

In terms of the occupation of the respondents the table above shows that 18% of the respondents are not willing to divulge their occupation therefore categorized under no response. However, 40% are Wholesalers and Retailers, 29.6% are Factory Workers, 12% are Shareholders. This implies that most of the respondents who participated in the survey are Wholesalers and Retailers. The high level of commercial activities in the area is responsible for more participation of traders (Wholesalers and Retailers) in the survey.

5.3 Objectives of the study

Table 5.3.1 Respondents understanding of WTO liberalization policies

		Frequency	Percent
Valid	No response	8	3.2
	Yes	163	65.2
	No	50	20.0
	Indifferent	29	11.6
	Total	250	100

Field survey 2015

From the table above 65.2% of the respondents have indicated that they are knowledgeable of the WTO liberalization policy, 20.0% say they do not know WTO liberalization policy, 11.6% are not sure of the knowledge they have while 3.2% did not respond to the question. Majority of the respondents seem to be knowledgeable about the WTO liberalization policy. We can conclude from table that knowledge of the world trade liberation policy is high in the study area.

Table 5.3:2 Respondents view on whether the Nigeria's textile industries have benefitted from the WTO liberalization policy?

		Frequency	Percent
Valid	No response	10	4.0
	Yes	81	32.4
	No	59	23.6
	Indifferent	100	40.0
	Total	250	100.0

Field survey 2015:

The table above shows that 32.4% of the respondents agree that Nigerian textile have benefited from the WTO liberalization policy, 23.6% say no 40.0% said they are indifferent while 4% did not respond to that. The results show that majority of the respondents are indifferent which implies that they seem not to be sure of the benefit that Nigerian textile derived from the policy. We can deduce that Nigerian textile industries do not benefit much from the WTO policy.

Table 5.3:3 Respondents' view on whether there are benefits the Nigerian textile industries could derive from WTO's trade liberalization?

		Frequency	Percent
Valid	No response	9	3.6
	Yes	129	51.6
	No	45	18.0
	Indifferent	67	26.8

	Total	250	100.0

Field survey 2015:

The table above shows that 51.6 % of the respondents agree that there are benefits that Nigerian textile industries could derive from the WTO trade liberalization, 18.0% said there is no benefit while 3.6% did not respond to the question. This shows that majority of the respondents do not believe that Nigerian textile industries could benefit from the WTO trade liberalization.

Table 5.3.4 views of the respondents on how Nigerian textile benefit from WTO trade liberalization

		Frequency	Percent
Valid	No response	205	82.0
	Ensured goods are produced, enable competitiveness and regularize production cost	5	2.0
	Free flow of import and export of textile materials and market access	23	9.2
	Makes Nigerian textile products more favourable, available and	17	6.8

	affordable to encourage patronage		
	Total	250	100.0

Field survey 2015:

The table above shows that 82% did not state any benefit derived, 2.0% said the benefit is that it enables competitiveness and regularize production cost so as to ensure goods are produced. 9% said the benefit is the free market access while 6.8% said the benefit is in terms of affordable products being produced so as to encourage patronage. This implies that many of the respondents do not specifically know the benefits as they did not mention any.

Table 5.3:5 Respondents' views on whether the near collapse of the Nigeria's textile industries is related to the WTO liberalization policy.

		Frequency	Percent
Valid	No response	15	6.0
	Yes	108	43.2
	No	46	18.4
	Indifferent	81	32.4
	Total	250	100.0

Field survey 2015:

From the table above 43.2% agree that the near collapse of the Nigeria's textile industries is related to the liberalization policy, 18.4%, of the respondents disagreed while 32.4% are not sure of the reason. This shows that the near collapse of the Nigerian textile industry is attributed to the WTO liberalization policy since majority of the respondents subscribed to that.

Table 5.3:6 Respondents view on the knowledge of Multi Fiber Agreement

		Frequency	Percent
Valid	No response	11	4.4
	Yes	157	62.8
	No	54	21.6
	Indifferent	28	11.2

	Total	250	100.0

Field survey 2015:

As regards to respondents' knowledge of the Multi fiber agreement, 62.8% are knowledgeable of the agreement, 21.6% do not know about the agreement while 11.2 % are indifferent of whether they understand the agreement or not. This implies that there is high understanding of the Multi fiber agreement among people in the study area since majority of the respondents (62.8%) subscribed to that.

Table 5.3:7 Respondents' view on whether the elimination of quotas and restriction on exports and imports affects textile industries in Nigeria.

		Frequency	Percent
Valid	No response	4	1.6
	Yes	191	76.4
	No	24	9.6
	Indifferent	31	12.4
	Total	250	100.0

Field survey 2015:

From the table above, 76.4% said the elimination of quota and restriction on import and export has affected the Nigerian textile industries, 9.6% did not subscribed to that while 12.4% did not take a stand on that. We can deduce from the table that Nigerian Textile industries are affected by the elimination of quota and restriction on import and export since majority of the respondents agree to that.

Table 5.3:8 Respondents' view on whether the dominance of Chinese textile products in Nigeria's markets has affected textile industries in Nigeria

		Frequency	Percent
Valid	No response	4	1.6
	Yes	200	80.0
	No	22	8.8
	Indifferent	24	9.6
	Total	250	100.0

Field survey 2015:

The table above show that 80.0%of the respondents believed that Nigerian textile industries are affected by the dominance of Chinese textile products in Nigerian markets, 8.8% disagree to that while 1.6% did not respond to the question. This invariably implies that the collapse of the Nigerian textile industries is attributed to the availability of Chinese textile materials in the Nigerian market, since majority of the respondents subscribed to that.

Table 5.3:9 Respondents' view on whether the influx of cheap Chinese textile proc markets has affected textile industries in Nigeria.

		Frequency	Percent
Valid	No response	6	2.4
	Yes	181	72.4
	No	32	12.8
	Indifferent	31	12.4
	Total	250	100.0

Field survey 2015:

In respect to whether the influx of cheap Chinese textile product in Nigerian markets has affected the textile industries, 72.4% said yes and 12.8% said no, 12.4% are not sure while 2.4% did not take any stand. Since majority agree to this view, it implies that the availability of cheap Chinese textile product in the Nigerian market will continue to affect the product of the Nigerian textile industries as people will prefer to go for the cheaper product considering the level of income.

Table 5.3:10 Respondents' view on how the expiration of Multi Fiber Agreements impacts on Nigeria's textile industries.

		Frequency	Percent
Valid	No response	8	3.2
	Positive	66	26.4
	Negative	128	51.2
	Indifferent	48	19.2
	Total	250	100.0

Field survey 2015:

From the table above 26.4% affirmed that the elimination of the multi-fiber agreement has impacted positively on Nigerian textile industries, while 51.2% said the impact is negative, and 19.2% are not sure of the impact. We can therefore deduce from the table that expiration of the Multi fiber agreement has a negative impact on the Nigerian textile industries since that is the opinion held by 51.2% of the respondents. This was corroborated by additional evidence from in-depth interview.

For instance, an Assistant Director in charge of WTO African Affairs, Abuja, interviewed affirmed that:

> Well... am not saying necessarily just that. But in as much as liberalization allows products to come in. It also provides you with the measures to also protect and address any adverse effects of liberalization. Now the issue is that we have not taken any advantage of those measures and our borders are very porous that we allow everything to come in. 1. We don't have the necessary frame work in terms of law, institutions, 2. And we also have the problem of our porous borders which are numerous and that is compounded by corruption and so many vices. We all know the situation that we are in Nigeria. Our officers can allow anything come in provided you give them something. We know that one for sure. I am not trying in any way suggesting that a particular agency is corrupt or is taking bribe to allow cheap substandard products to come in.

In another development, the Director General of the Nigerian Textile Manufacturing Association in an interview had observed thus:

> You see the WTO, we are talking about free access, free trade, whatever, whatever. You know it will be good if we have comparative advantage. That is if we are good in an area. And to disadvantage somebody you can again come to my assistance to buy from you…which area I am good. It means that whatever advantage we have we can utilize. Unless you are saying agricultural goods. I don't see where Nigeria is at an advantage. There is none. And if it is agricultural goods you are talking about, they say there will not be subsidy here and there. UST subsidized its agricultural products we in Nigeria what value of agricultural products can we export? Okay cocoa, we export cocoa. But when you compare the quantity Cote vore ought be better than Nigeria. So other people now bombard us with their cheap goods where as we are not in a position to export any of our things. If our finished goods rotate around West Africa sub-region. But talking about going to advance countries, I did not see which area we really have an advantage. And that is our contention on the issue of WTO.

The Director General further added that to him:

> It is just as I earlier said, If we are all operating on the same pedestal it could have been good. For instance we are producing actually at same cost. It means in Nigeria, if I have cheap labour. The ability to produce cheaper than yourself. And we have cotton in Nigeria which is a major raw material . we have an advantage we have cheap raw material. We have cheap labour. So we

> can produce. You are operating on high labour, we cannot export our products to you. And where even you have advantages you then export to us. China is also losing in terms of textiles now because labour in China which have been very cheap is now going up. So they have started going to Bangladesh, or some other country which produces cheaper than them. Bangladesh people are now taking over the US market and UK. They are now pushing Chinese out now. And the Chinese are now looking for other areas. Now they are more into electronics. Because they feel they still have advantage there.

From another point of view, the former Deputy Director, but currently serving in the capacity of the Director General of the Nigerian Textile Manufacturing Association Headquarter, at Ikeja, Lagos in an interview remarked that:

> At times, when we look at quality of what we are doing here, we don't have any problem. The Standard Organization of Nigeria (SON) have checked and confirmed this. But it is not only smugglers and infrastructure that are our issues, they go ahead to china and counterfeit. They counterfeit our design and bring it into Nigeria and sell it cheaper. So the consumer could not distinguish which is which and they put each one "Made As Nigeria". And the consumer they couldn't know this. Once they see the designs, they will rush for it and it is cheaper – "Made As Nigeria". Because no , legally, they didn't say "Made In Nigeria", and they will abbreviate the name. If it is "UNTS", they will put "UMTS", which will circumvent the law. Their company is "UMTS" and not "UNTS". That is why they brought it. They will like to trade and will bring the material and write "Made As Nigeria". They will change the abbreviation and so we find it difficult to challenge these things. So this is the trick they devise to smuggle in their goods.

In his own contribution, the Deputy General Manager, Nichemtex Limited, Lagos, in an interview has remarked that:

> As far as I know, we have no benefit. If there is any benefit, it is not known to me. Though I am at the lowers step in the ladder. Maybe people very close to the government can, not in our company oo, i mean at the very top of government do. Those of us in the textile industry, we have not enjoyed anything. We have not. And one thing it gave us was the confidence to stay in power, to compete quality for quality. And if i may tell you, Standard Organization of Nigeria (SON), they know that products in Nigeria are far better in quality than those things you are seeing all over the places. Was it last week on Thursday, go and look for "Punch", you will see the interview of Olarewaju. Did you read the comment of our Nigerian women? They said that our quality is better. Please go and read it. Go there, sit down, read it and digest it. Hear the comment of those market women. But it is what the customer want that you will give. They are looking forward to the time when Nigerian products will be allowed to stay in the market. Go and read it you will capture the sense in that particular interview – Punch, June 26. I wanted to call you but I forgot it. My colleague saw it and we discussed it. The picture of Olarewaju was there at the centre. So if people are condemning our products, those market women will tell you. He further added that

> Inconsistency of policy, when you said you ban something, you don't monitor it, you allow everybody to bring it in. It was even worst in the last four years –this Jonathan regime. It was worst, to be candid.

In an interview with the Human Resource Personnel Manager of Nichemtex Limited, reiterated thus:

> You know WTO is an agreement between two unequal parties. A situation where somebody has had it all. We are talking about a situation whereby you are dealing with people who the machinery, the chemical, the dye stuff, the technology, all the things to manufacture comes from them. And compared with someone who has nothing in terms of technology apart from the traditional technology like we do have in Africa. And now we are saying that we are trading or competing with a person that is producing with machine. Just like a farmer who is working with tractor and harvester, and the other using hoe. And we said we want to trade in the same market. That we want to compete. You will see that it will be an unfair trading. So in a nutshell, my company has not benefitted anything. The people has taking away our market from us. In this company we employ close to 5000 people before but today staff has drop to 2116. And presently we are on a compulsory leave now because of the situation in the market. So what we are saying in effect is that WTO of a thing has opened our nation's border wide for anybody to bring in anything not minding if the companies in the country have the capacity to compete with those foreign countries that has it all.

The Assistant Director, Agric Sector of the NIPC, ABUJA observed in an interview that;

> From the little that I know, I know that trade liberalization has really affected our textile industry in Nigeria. It is just that our textile industry cannot compete with the foreign ones in terms of quality and price. The demand for the locally produced textiles has gone down considerably. But then it will also not be fair to attribute the fault to the imported textiles, to dumping as it is called, the issue also is that the business environment, the investment climate is not conducive and that is why we cannot compete with the imported ones.

A respondent working with the Nigerian Textile Union Association, heading the Kano Zone in an interview had a similar view. In his response, he said:

> Even me and you talking, are we wearing made in Nigeria. For instance, the cloth we are wearing now is made in China. The radio you are using is made in China. Everything China. Look at our army, navy, police, their uniform are produce in our countries. When we can even produce better ones in this country. That is the reason why the textile industry is collapsing. Again there is corruption. You have customs at the border. But they even assist illegal goods to come in. Through bribery and corruption. Let us say that we have 15 containers coming into Nigeria and the custom is 5 million. The custom will tell you bring 1 million for each to clear you. So these goods brought illegally will be cheaper than the locally made ones. Even the Military that are

> supposed to be patriotic are not. The military came to Nigerian Textile industry here at Shalawa and for a sample. They brought specification. Do you know that this company did exact or even better than their specification. But they took the same sample and went to China. The samples are still there in the company. If you will go there they will show you. So where is the patriotism? They are not there. These are the simple things that lead to the collapse of the Nigerian textile industry. Smuggling. There is the one we call mongers. Because one is above the law, they will bring in trailers into the market without following the correct channel.

5.4 Discussion of Major Findings

The results from the findings are here discussed in relation to the set objectives of the study.

The objective one of the study was to ascertain the nature of Multi-Fibre Agreement. Available evidence from the data generated from the Respondents have shown that 129 respondents representing 51% have demonstrated their understanding of the nature of MFA. When corroborated with IDI, the study has revealed that while MFA focused on imposing quotas and restrictions on the import and export of textile materials, it is the expiration of the MFA that provided basis for the liberalization of market which has posed considerable negative effects on textile industries in Nigeria.

The findings of the response rate of t are of the view that he respondent's view on whether the Nigeria's textile industries have benefitted from the WTO liberalization policy suggests that majority (51%) of the respondents seem not to be sure of the benefit that Nigerian textile derived from the policy. We can deduce that Nigerian textile industries do not benefit much from the WTO policy.

According to Muhammad (2010:136) in an empirical study on Globalization and Nigerian Textile industry: An Analysis of Three Kano Textile industries:

> The fast occurring deindustrialization is as a result of distorted policy frameworks which has compelled the textile industries to struggle against an unfair competition over the years. In addition, Duke(2014) also corroborated this findings when he ascertained that there is a direct and negative relationship between trade liberalization in the textile and garment industry and national development in Nigeria. The trade liberalization policy favours

> advanced countries over the less developed nations which enabled their goods to be cheaper in the global market and therefore affect Nigeria's textile and garment industry negatively.

In regards to whether there are benefits the Nigerian textile industries could derive from WTO's trade liberalization suggests that majority of the respondents do not believe that Nigerian textile industries could benefit from the WTO trade liberalization. We can therefore conclude that Nigerian textile industries benefit less from the WTO trade liberalization. On the benefits Nigerian textile stand to gain from WTO trade liberalization, many of the respondents do not specifically know the benefits as they did not mention any.

The data has also shown that the near collapse of the Nigerian textile industry is attributed to the WTO liberalization policy since majority of the respondents subscribed to that. However, this position was corroborated by an empirical study conducted and reviewed for this work by Muhammad (2010:135) who opined as follows:

> Liberalization policies that underpin globalization exposed all developing countries (Nigeria) to fierce competition. 1990-2008 represents a tragic turning point for the worse for the textile industry in particular and manufacturing value adding activities in general. Indeed, between 2007 to date (2010), Nigeria took a miserable leap to wholesale deindustrialization and idle capacity comparable only to colonial era.

The data above and corroborated with the IDI has also validated the first assumption of the study that the liberalization of market by the WTO have negative effects on Nichemtex Nigeria Limited. This is evident by looking at the number of textiles industries that collapsed during the period under study.

The second and third objectives which the study set out to investigate were to examine the extent to which the expiration of WTO's Multi-Fibre Agreement (MFA) and the subsequent accession of China into WTO have significantly affected the Nichemtex Nigeria Limited between 2001-2010. The data generated and presented has shown that the expiration of the MFA created room for the accession of China into WTO which is ultimately responsible for

the dominance of Chinese textile products in Nigeria's markets. This findings suggests that lack of proper functioning of the Nigerian textile industries is attributed to the availability of Chinese textile materials in the Nigerian market, since majority of the respondents subscribed to that. This was corroborated by Comrade Aminu Suleiman, Asst Secretary General, National Union of Textile Garment and Tailoring Workers of Nigeria cited in (Muhammad, 2010:136) that:

> The WTO agreements allows for free trading, thereby having serious effects on our indigenous textile industries. He further asserts that countries with more advanced technology like China and Malaysia used the opportunity provided by WTO trade agreements to produce in mass and flood the Nigerian market. He however noted that apart from the external influence, there are other internal disadvantages which include high cost of inputs like power, fuel, water and cotton. Deregulation of the oil sector made it difficult for textile industries to obtain primary fuel for steam generation, etc.

From the data, it can be deduced that the influx of cheap Chinese textile product in Nigerian markets has affected the textile industries. It implies that the availability of cheap Chinese textile product in Nigerian market will continue to affect the product of the Nigerian textile industries as people will prefer to go for the cheaper product considering their level of income.

This was given credence by Muhammad (2010:135) as:

> Unlike in 2006, when the misfortune of the remaining textile firms was caused by markets distortions due to unabated influx of imported and smuggled textile goods, 2007 witnessed a landslide towards the end to the entire textile industries as a whole. The collapsing of the surviving mills that included the giant United Textiles Ltd (UNTL) Kaduna and Atlantic Textile Mills in Lagos was (were) unthinkable two decades ago.

The elimination of Multi Fiber Agreements impacts on Nigeria's textile industries, we can therefore deduce from the table that removal of the elimination of the multi-fiber agreement has a negative impact on the Nigerian textile industries. This has led to the collapse of industries as shown in Appendix3.

The findings from the study implies that the adoption of the WTO policies was not favourable to the Nigerian textile industries as it was suggested by majority of the respondents. For instance, as regards to how the elimination of quotas and restriction on

exports and imports (expiration of MFA) affects textile industries in Nigeria, we can deduce from the study that Nigerian Textile industries are affected by the elimination of quota and restriction on import and export since majority of the respondents agree to that. This position was corroborated by Comrade Aminu Suleiman, Asst Seceretary General, National Union of Textile Garment and Tailoring Workers of Nigeria cited in (Muhammad, 2010:136):

> The WTO agreements allows for free trading, thereby having serious effects on our indigenous textile industries. He further asserts that countries with more advanced technology like China and Malaysia used the opportunity provided by WTO trade agreements to produce in mass and flood the Nigerian market. He however noted that apart from the external influence, there are other internal disadvantages which include high cost of inputs like power, fuel, water and cotton. Deregulation of the oil sector made it difficult for textile industries to obtain primary fuel for steam generation, etc.

5.5 Relating Research Assumptions To Research Findings

This section is designed to relate the assumptions of the study to the research findings. Hence, each of the assumptions would be identified and juxtaposed with the findings in order to refute or validate the assumptions.

The first assumptions of the study states that the liberalization of market by the World Trade Organisation is having negative effects on textile industries in Nigeria. This assumption has been validated with an overwhelming proportion of respondents interviewed and corroborated with the official documents and other empirical studies conducted that were examined which manifested in the collapse of textile industries. However, the findings have shown that even though both internal and external factors affected the collapse of textile industries, the internal factors such as multiple taxation, poor or lack of infrastructural facilities, corruption and poor technological and business environment played major roles in the collapse of the industries. In addition, Duke (2014) also corroborated this findings when he ascertained that there is a negative relationship between trade liberalization in the textile and garment industry and national development in Nigeria. The trade liberalization policy favours advanced countries over the less developed nations which enabled their goods to be

cheaper in the global market and therefore affect Nigeria's textile and garment industry negatively. This was also given credence by Muhammed (2010:136) in an empirical study on Globalization and Nigerian Textile industry. An Analysis of Three Kano Textile industries, who opined that ‘’’the fast occurring deindustrialization is as a result of distorted policy frameworks which has compelled the textile industries to struggle against an unfair competition over the years’’;.

On the second assumption of the study which states that the abolition of Multi Fibre Agreement (MFA) and the subsequent accession of China in WTO have significantly affected the textile industries in Nigeria, available data generated from respondents aggregated and interwoven with the in-depth interview have shown that majority of the respondents have indicated that Respondents' view on the knowledge of Multi Fibre Agreement reveals that there is high understanding of the Multi Fibre Agreement among people in the study area. However, majority of the respondents have indicated that the dominance of Chinese textile products in Nigeria's markets has affected textile industries in Nigeria. This findings suggests that lack of proper functioning of the Nigerian textile industries is attributed to the availability of Chinese textile materials in the Nigerian market, since majority of the respondents subscribed to that. This was corroborated vy Comrade Aminu Suleiman, cited in (Muhammed, 2010:136) that: the WTO agreements allows for free trading, thereby having serious effects on our indigenous textile industries. He further asserts that countries with more advanced technology like China and Malaysia used the opportunity provided by WTO trade agreements to produce in mass and flood the Nigerian market.

The third assumption states that the increase in importation of Chinese textile products significantly affects retailership in the Nigerian textile industries. Available data generated from the official documents examined and interwoven with the in-depth interviews have validated the assumption. It is apparent from the data that majority of the respondents

interviewed had indicated that the availability of cheap Chinese textile product in Nigerian market will continue to affect the product of the Nigerian textile industries as people will prefer to go for the cheaper product considering the level of income. This was given credence by Muhammed (2010:136)as unlike in 2006, when the misfortune of the remaining textile firms was caused by market distortions due to unabated influx of imported and smuggled textile goods, 2007 witnessed a landslide towards the end to the entire textile industries as a whole. The collapsing of the surviving mills that included the giant United Textiles Ltd (UNTL) Kaduna and Atlantic Textile Mills in Lagos was (were) unthinkable two decades ago.

CHAPTER SIX

6.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

This chapter is the last chapter of this study and as such, presents the summary of the research and the conclusion focuses on the analysis of the findings of the effects of the expiration of WTO's Multi-Fibre Agreement (MFA) on Nigeria's Textile Industries with a focus on Nichemtex Industry between 2001-2010. This is followed by recommendations which is based on the findings of the research in order to provide plausible solutions to the challenges identified in the course of the study.

6.2 Summary

The study basically attempted to look at the effects of the expiration of WTO's Multi-Fibre Agreement (MFA) on Nigeria's Textile Industries with a focus on Nichemtex Industry between 2001-2010. with a view to determining its implications on the industrial sector. Based on this, specific objectives were drawn to achieve the aim and these include: To ascertain the nature of WTO's Multi-Fibre Agreement; To examine the extent to which the expiration of WTO's Multi-Fibre Agreement (MFA) has affected the Nichemtex Nigeria Limited between 2001-2010; and to identify the extent to which the accession of China into World Trade Organization (WTO) arising from the expiration of the Multi-Fibre Agreement (MFA) has affected the Nichemtex Nigeria Limited between 2001-2010.

In view of this, literature (published and unpublished) related to the subject matter under investigation were reviewed following thematic, theoretical and analysis of empirical studies. This study therefore adopts liberal economic theory of comparative advantage to demonstrate how the theory helps in the accurate analysis of the effects of the expiration of WTO's Multi-Fibre Agreement (MFA) on the Nigerian economy, particularly her industrial sector with a focus on Nichemtex Industry between 2001-2010.

Through qualitative research and field observations; data was generated through the use of both primary and secondary data using the instruments of questionnaire, In-depth interview and analysis of official documents and empirical studies for the purpose of complementarity.

The study is divided into six chapters. Chapter one is the introduction which presents the outline of the study with the following components. Background to the study, statement of research problem, research questions, research aim and objectives, research assumptions, among others. Chapter two is centred on literature review and theoretical framework. In this review, concepts that are central to the work are identified and works on them are reviewed thematically. Others include theoretical and examination of official documents and empirical studies on related issues under study. The essence of this chapter is to gain insight into the extent and extant of coverage of available literature in order to identify the gap (lacuna) and fill it so as to make our contributions to existing body of literature. Chapter three of the work is the research methodology. Here, all the procedural steps taken to generate, collate and analyse data used for the study are described. The types and sources of data used, instruments of data collection, sampling techniques used to draw sample size and respondents were also discussed in this section and finally, the method of data analysis was also described. Chapter four focused on the historical evolution of Nigerian Textile Industries in Nigeria before and beyond the establishment of WTO and when Nigeria became a member of this multi-lateral trade body. Chapter five focused on data presentation and analysis of the effects of the expiration of Multi-fibre Agreement on Nichemtex Nigeria limited 2001 – 2010. It provides introduction, socio demographic characteristics of respondents, objectives of the study, discussion of major findings and relating research assumption to research findings. Chapter six, which is the last chapter presents the Summary of findings, conclusion and recommendations based on the findings above.

6.3 Conclusion

This section deals essentially with the presentation of major findings. In assessing the effects of the expiration of WTO's Multi-Fibre Agreement (MFA) on the Nigerian economy, particularly her industrial sector with a focus on Nichemtex Industry between 2001-2010. the major findings of the study are as follows:

First, contrary to the popular and general perception of the people that the collapse of textile industries in Nigeria was as a result of the trade liberalization policies of the WTO; this study has shown that there are both external and internal factors responsible for the collapse of these industries. However, the internal factors played major roles. This is evident by the fact that the trading environment with which the local textile industries had to compete with their foreign competitors in the era of liberalization created by the expiration of the MFA tend to favour foreign competitors. These internal factors have greatly exposed local textile industries to fierce international competitive difficulties thereby placing them strongly for competition which are not enjoyed by the textile industries in Nigeria. For instance, while foreign competitors have better access to cheaper sources of fund, enjoy various forms of government subsidies, and operate in an environment characterized by high technological advancement, these are near non-existent in Nigeria. Aside the challenges arising from absence of technological advancement which forced these industries to rely heavily on imported machinery and equipment, they also grapple with the incessant volatilities in exchange and interest rates, power failures, shortage of energies and water supplies and multiple taxes and levies.

Second, unlike other studies and work reviewed that focused essentially on globalization and textile industries, trade liberalization policies and developing countries, this study as a point of departure concentrated on the WTO's Multi Fibre Agreement and how the expiration of Multi Fiber Agreements impacts negatively on Nigeria's textile industries.

Thirdly, the study has also shown from as available evidence suggests that Nigeria's textile industries within the period under investigation operated under unfavourable environmental conditions compared to their competitors from Asia particularly China.

Fifthly, the study has shown that the trade liberalization policies of the WTO favours Advanced Countries over the developing countries which enabled their goods to be cheaper in the global market and therefore cripple textile industries in Nigeria.

Finally, trade liberalization policies of the WTO arising from the expiration of the MFA has reduced effects of textile industries' contributions to national development in terms of its Gross Domestic Product, employment generation and flow of Foreign Direct Investment (FDI).

In conclusion, even though some of our respondents suggested government intervention through revitalization fund, it is important to note that government intervention to revitalize textile and garment industries has not yielded any tangible results even though some of the industries got the intervention fund (See appendix 4 for the details. Even though 21 of the textile industries benefitted from government intervention fund for textile and garment industries, none of these industries were actually revitalized. The implication of these is that the management of the industries have not properly managed their resources properly leading to challenges of accountability and transparency.

6.4 Recommendations

Based on the above findings, the study makes the following recommendations:

1. Generally, the central challenge in this age of globalization is for nations to make its industries competitive and the task of doing that must be a shared responsibilities for government and management of these industries. Specifically, government is expected to play the following roles.

i. Tax regime is very critical to trade liberalization and the textile industries. As such, government should ensure that taxes payable by these industries should be fewer in number, broad based and high revenue yielding with positive impacts on industry's production.

ii. Government must aggressively work to promote and improve the business environment so as to help these industries break into the globalizing markets. This can be done by improving infrastructure, skills and institutions required by modern production and distribution.

iii. Government can take advantage and invoke WTO safeguards on textiles which allows countries to temporarily protect industries that is considered a threat to foreign competitors

iv. Government should support textile industries to combat smuggling and lower import taxes on mechanical equipment and other inputs.

v. Nigeria must build the environment for conducive competitiveness by developing all the physical and human infrastructure for the fierce competition. Nigeria should therefore use her enormous human and material resources to build a coherent, internally consistent, self-sustaining economy which will be competitive in the world market.

On the part of the management of these industries, there is need for proper management of available funds as available evidence has shown that even the intervention fund given to them were not properly managed.

On the part of the Advanced Countries, they must understand that the developing countries cannot be ignored without them addressing the economic imbalances. This is to justify what Ake (1998) predicts that the world will not survive without solving the problem of uneven development and poverty of most of the world population.

2. There is also the need to critically assess the potentials, prospects and even challenges associated with Nigeria Membership of WTO and reposition Nigeria's textile industries so as to cope international competitiveness in the age of globalization.
3. There is also the need for a rethink on the ideological and uncritical commitment to wholesale acceptance of trade liberalization policies without considering the peculiarities of our local environment

7.5 Contributions to existing body of knowledge

- Most works reviewed concentrated on globalization, international economic system and its impacts on textile industries but this study, as a point of departure focused on the effects of the expiration of multi-fibre agreement as it effects textile industries.
- Contrary to general or public perception, that the collapse of Nigeria's textile industries was as a result of policies of WTO as they relate to trade liberalization, this study has shown that the collapse of Nigeria textile industries resulted from internal factors within our domestic environment.
- The policies of WTO were entered and implemented under a military regime, it is important to critically examine the details of policies as they relates to our own domestic peculiarities in the present democratic era.
- In addition, in this age globalization, it is important to think global but act local to reflect our domestic interests so as to exploit the gains of globalization

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APPENDIX 1 : LIST OF PEOPLE INTERVIEWED WITH DATE

SN	NAME	POSITION/ORGANIZATION	DATE
1	Mr. Aliyu Mohammed Abubakar	Assistant Director, WTO, African Affairs, Abuja	14/7/2015
2	Adamu M. Abdulhameed,	Assistant Director in charge of WTO Matters	3/7/2015
3	Mr. Jaiye Olarenwaju,	Director General Nigerian Textile Association, Ikeja Lagos	26/06/2015
4	Mr. Hammed Aliyu Quajaffar,	Deputy Director General. Nigerian Textile Association, Ikeja Lagos	26/6/2015
5	Mr. Andrew Ogunmakin,	Deputy Director, Nichemtex Limited, Ikorodu	30/6/2015
6	Mr. Samuel Adebayo,	Human Resource and Personnel Manager, Nichemtex Limited, Ikorodu	30/6/2015
7	Abayomi Salami,	Assistant Director and Head of the External Relations Unit,	6/7/2015

		NIPC, Abuja	
8	Mr. Adeshina Emmanuel	Assistant Director, Agric Sector, NIPC, Abuja	6/7/2015
9	Dr. Adeyaki	Former Head, Department of Textile and Polymer, Yaba College of Technology, Lagos	23/6/2015
10	Commrade Aliyu Baba	The Head, Textile Manufacturing Union, Kano Zone	11/7/2015

Appendix 2 showing list of countries in chronological order of accession to the WTO.

Albania 8 September, 2000; Angola 23 November, 1996; Antigua and Barbuda 1 January, 1995; Argentina 1 January, 1995; Armenia 5 February, 2003; Australia 1 January, 1995; Austria 1 January, 1995; Bahrain 1 January, 1995; Bangladesh 1 January, 1995; Barbados 1 January, 1995; Belgium 1 January, 1995; Berlin 1 January, 1995; Benin, 22 February, 1996; Bolivia 12 September, 1995; Botswana 31 May, 1995; Brazil 1 January, 1995; Brunel Darussalam 1 January, 1995; Bulgaria 1 December, 1995; Burkina Faso 3 June, 1995; Burundi 23 July, 1995; Cambodia 13 October, 2004; Cameroun 13 December, 1995; Canada 1 January, 1995; Central Africa Republic 31 May, 1995 Chad 19 October, 1996; Chile 1 January, 1995; China 11 December, 2001; Columbia 30 April, 1995; Congo 27 March 1997; Costa Rica 1 January, 1995; Cote d'ivoire 1 January, 1995; Croatia 30 November, 2000; Cuba 20 April, 1995; Cyprus 30 July, 1995; Czech Republic 1 January, 1995; Democratic Republic of the Congo 1 January, 1997; Denmark 1 January, 1995; Djibouti 31 May, 1995; Damascus 1 January, 1995; Dominican Republic 9 March, 1995; Ecuador 21 January, 1996; Egypt 30 June, 1995; El Salvador, 7 May 1995; Estonia, 13 November 1999; European Communities, 1 January, 1995; Fiji, 14 January 1996; Finland, 1 January, 1995; Former Yugoslav Republic of Macedonia, 4 April 2003; France, 1 January, 1995; Gabon, 1 January, 1995; The Gambia, 23 October 1996; Georgia, 14 June 2000; Germany, 1 January, 1995; Ghana, 1 January, 1995; Greece, 1 January, 1995; Grenada, 22 February 1996; Guatemala, 21 July 1995; Guinea, 25 October 1995; Guinea Bissau, 31 May 1995; Guyana, 1 January, 1995; Haiti, 30 January 1996; Honduras, 1 January, 1995; Hong Kong, China, 1 January, 1995; Hungary, 1 January, 1995; Iceland, 1 January, 1995; India, 1 January, 1995; Indonesia, 1 January, 1995; Ireland, 1 January, 1995; Israel, 21 April 1995; Italy, 1 January, 1995; Jamaica, 9 March 1995; Japan, 1 January, 1995; Jordan, 11 April 2000; Kenya, 1 January, 1995; Korea Republic of, 1 January, 1995; Kuwait, 1 January, 1995; Kyrgya Republic, 20 December 1998; Latvia, 10 February, 1999; Lesotho, 31 May 1995; Liechtenstein, 1 September 1995; Lithuania, 31 May 2001; Luxembourg, 1 January, 1995; Macao, China, 1 January, 1995; Madagascar, 17 November 1995; Malawi, 31 May 1995; Malaysia, 1 January, 1995; Maidives, 31 May 1995; Mali, 31 May 1995 Malta, 1 January, 1995; Mauritania, 31 May 1995; Mauritius, 1 January, 1995; Mexico, 1 January, 1995; Moldova, 26 July 2001; Mongolia, 29 January 1997; Morocco, 1 January, 1995; Mozambique, 26 August 1995; Myanmar, 1 January, 1995; Namibia, 1 January, 1995; Nepal, 23 April 2004; Netherland, (including the Netherlands Antilles), 1 January, 1995; New Zealand, 1 January, 1995; Nicaragua, 3 September 1995; Niger, 13 December 1996; **Nigeria, 1 January, 1995**; Norway, 1 January, 1995; Oman, 9 November 2000; Pakistan, 1 January, 1995; Panama, 6 September 1997; Papua New Guinea, 9 June 1996; Paraguay, 1 January, 1995; Peru, 1 January, 1995; Philippines, 1 January, 1995; Poland, 1 July 1995; Portugal, 1 January, 1995; Qatar, 13 January

1996; Romania, 1 January, 1995; Rwanda, 22 May 1996; Saint Kitts and Novis, 21 February 1996; Saint Lucia, 1 January, 1995; Saint Vincent and the Grenadines, 1 January, 1995; Senegal, 1 January, 1995; Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, 1 January 2002; Sierra Leone, 23 July 1995; Singapore, 1 January, 1995; Slovak Republic, 1 January, 1995; Slovenia, 30 July 1995; Solomon Islands, 26 July 1996; South Africa, 1 January, 1995; Spain, 1 January, 1995; Sri Lanka, 1 January, 1995; Suriname, 1 January, 1995; Swaziland, 1 January, 1995; Sweden, 1 January, 1995; Switzerland, 1 July 1995; Tanzania, 1 January, 1995; Thailand, 1 January, 1995; Togo, 31 May 1995; Trinidad and Tobago, 1 March, 1995; Tunisia, 20 March, 1995; Turkey, 26 March 1995; Uganda, 1 January, 1995; United Arab Emirates, 10 April 1996; United Kingdom, 1 January, 1995; United States of America, 1 January, 1995; Uruguay, 1 January, 1995; Venezuela, 1 January, 1995; Zambia, 1 January, 1995; Zimbabwe 5 March 1995.

Source: WTO,2005.

APPENDIX 3: STRUCTURED QUESTIONNAIRE GUIDE

DEPARTMENT OF POLITICAL SCIENCE,

FACULTY OF SOCIAL SCIENCES,

AHMADU BELLO UNIVERSITY, ZARIA

Dear Respondent,

SECTION A: INTRODUCTION

I am a post graduate student of the Department of Political Science and International Studies, Ahmadu Bello University, Zaria. I am currently undertaking a research aimed at assessing the effect of Nigeria's membership of World Trade Organisation (WTO) on the industrial sector. A study of textile industries in Nigeria. The purpose of the research is to collect a comprehensive data on the effects of Nigeria's membership on World Trade Organisation and its impact on industrial sector – A study of textile industries in Nigeria and this a part of my M.Phil dissertation.

You should please assist in answering the Questionnaire before you. You are expected to give your honest and since views on the questions ticking the options that bear your view to the questions below. I promise and urge you to be of rest assured that all information given here shall be treated for academic purpose.

Your response will be treated in total confidence.

Thank you for the anticipated cooperation.

Ahmed Aliyu Tanko

M.PHIL/P13SSPS9010

SECTION B: BIO-DATA OF RESPONDENTS

Please can you introduce yourself by name, qualification, position held and name of your organization.

Instruction: Please tick (√) where appreciate.

1. Age (a) 18-25 (b) 26-30 ( ) (c) 30-40 ( ) (d) 41-50 ( ) (e) 51 and above ( )
2. Sex (a) Male ( ) (b) Female ( )
3. Marital Status (a) Married ( ) (b) Single ( ) (c) Divorced ( ) (d) Widowed ( )
4. Educational Level (a) primary ( ) (b) secondary school (c) Tertiary ( )
5. Occupation (a) Farming ( ) (b) Trading ( ) (c) Civil Servant ( ) (d) Student ( ) (e) Hawking ( )
6. Did you engage in textile business? (a) Yes ( ) (b) No ( )
7. If yes, for how many years _____ _____ And in what capacity (a) producer ( ) (b) Wholesaler ( ) (c) Retailer ( )

SECTION C

WTO'S MARKETS LIBERALIZATION AND TEXTILE INDUSTRIES IN NIGERIA

8. Nigeria has been a signatory of the WTO since 1995 and the agreement aims to achieve fair trade among members, principles such as non discrimination, free market access, special and differential treatment for developing countries, are meant to achieve balanced trade in an environment devoid of oppression by biggest and more developed countries, promotes free trade globally. What implication has over the local textile industries in your area? (a) Positive ( ) (b) Negative ( )
9. Is there any benefits textile sector could derives from WTO's trade liberalization? (a) Yes ( ) (b) No ( ) (c) little ( ) (d) Not at all ( )
10. If yes, state the benefits _____

    _____

    Considering the ultimate objective of World Trade Organisation as that of increasing the low standard of member countries attainment of full employment, the growth of trade income and expansion of production and trade in goods and services.
11. How has liberalization of markets by WTO affected textile output in your mill (a) Positive ( ) (b) Negative
12. If negative, state in what way_____
13. Is the current decline of the textile sector in the country attributable to WTO's liberalization of market (a) Yes ( ) (b) No ( )
14. WTO's Liberalization of markets saw massive influx of foreign firms into textile market in Nigeria. How is your firm surviving in this condition? (a) Fair ( ) (b) very fair ( ) (c) tough (d) very tough
15. Is your firm going by its industrial achievement operating at a comparatively disadvantage position (a) Yes ( ) (b) No ( )

16. Nigeria has a long history of textile and clothing manufacture due to the abundant of cotton-sustained dawn stream processing industries, from basic gaining to more complex fabric weaving activity. But recently, the textile sector, however, suffered a protracted decline. What do you think are the factors that are responsible for the decline? (a) poor infrastructure ( ) (b) low patronage ( ) (c) Stiff competition from external markets ( ) (d) lack of viable policy to protect textile sector in the country ( ) (e) all of the above ( )

SECTION D

EXPIRATION OF MULTIFIBER AGREEMENT (MFA), ACCESSION OF CHINA INTO WTO AND IT IMPLICATION ON TEXTILE SECTION IN NIGERIA

Textile and clothing industries was until recently one of the manufacturing Industries not subject to rules of GATT, issues instead it was subject to quotas and quantitative restriction on imports and exports otherwise known as Multi-fiber-Agreement.

17. As a textile producer, are you aware about the expiration of multifiber agreement? (a) Yes ( ) (b) No ( )
18. Is your firm (mill) better off during the MFA period? (a) Yes ( ) (b) No ( ) (c) Fair ( ) (d) Worst ( )
19. Prior the removal of MFA, was your textile mill operating at its maximum capacity utilization level? (a) Yes ( ) (b) No ( )
20. If yes explain _____

    _____
21. In the post MFA period what is the level of capacity utilization of your textile mill?_____
22. How does the elimination of the multi fiber agreement (MFA) impact on the textile out in your area? (a) Positive ( ) (b) Negative ( )

22(a) Please could you justify your answer above:

23. What are the potential implications of abrogation of MFA on textile raw materials and markets in your area? (a) Positive ( ) (b) Negative ( )

23(a) Please could you justify your answer above:

24. Do you agree that MFA removal has given china a global supremacy and dominance over textile production and imports across the developing countries? (a) Strongly Agreed ( ) (b) Strongly Disagreed ( )

25. Do you think that the phasing out MFA provided greater opportunity for Chinese to make a significant inroad into Nigeria's textile markets? (a) Agreed ( ) (b) disagreed ( ) (c) Strongly Agreed ( ) (d) strongly disagreed ( )

25(a) Please could you justify your answer above:

26. With the accession of china into WTO, did you felt that the future of textile sector in Nigeria is at stake? (a) Yes ( ) (b) No ( )

26(a) Please could you justify your answer above:

27. How does the accession of china to WTO impacted on your textile mill?
(a) Positive ( ) (b) negative ( )

27(a) Please could you justify your answer above:

28. Has your mil threatened by increased influx of cheap Chinese textile imports in Nigeria? (a) Yes ( ) (b) No( )

28(a) Please could you justify your answer above:

29. If yes, in what way _____

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30. What do you consider are the factors that aided the importation of Chinese textile products to floade Nigeria's textile markets? (a) cheap price ( ) (b) They are more qualitative than locally made ones ( ) (c) they are well-designed ( ) (d) they are more durable ( ) (e) All of the above ( )

SECTION E

WTO TRADE RULES, POLICIES AND TEXTILE INDUSTRIES IN NIGERIA

31. Are you of the view that Nigeria's adoption of WTO agreement greatly undermined her industrial sector particularly the textile industries? (a) yes ( ) (b) No ( )
32. If Yes, in what way _____
33. Was your textile mill recording more productive success and markets successful under the era of GATT agreement (a) Yes ( ) (b) No ( ) (c) Partially ( )
34. During GATT era what was capacity of production of your textile mill? (a) high ( ) (b) optimal ( ) (c) relatively optimal ( ) (d) under capacity Utilization ( )
35. Has your textile mill affected by any WTO's trade rules and policies? (a) Yes ( ) (b) No ( ) (c) Partially ( )

35(a). Please could you explain in what ways?

36. Have these policies and trade rules paved a way for Chinese dominance in local textile market in your area? (a) Yes ( ) (b) No ( ) (c) Partially ()
37. Do you agree with the view that weak enforcement of the import prohibition policy by the Nigerian government affected textile industries in Nigeria? (a) Agreed ( ) (b) Not Agreed ( ) (c) Strongly Agreed ( ) (d) Strongly Disagreed ( )
38. Are you of the view that inadequate domestic demand and low patronage led to collapse of local textile industries in Nigeria? (a) Yes ( ) (b) No ( )

38(a) Could please expatiate how?

39. Can Nigeria still be part and committed to some of the WTO's trade rules and agreement? (a) Yes ( ) (b) ( )

39(a) Please could you justify your answer above:

40. Can you suggest a possible ways for Nigeria to overcome some of these challenges that confronted her industrials and textile sector?

_____

_____

_____

Some Constructed Interview Questions For Data Collection

QS(1) The most important agreement that established the World Trade Oganisation (WTO) is the MARRAKESH AGREEMENT ESTABLISHING THE WORLD TRADE ORGANISATION 1994. It was initially believed that the Uruguay Round would improve chance of developing countries like Nigeria, by increasing the exposure to foreign markets as well as rendering easier their access to the said markets. But this did not happen in reality. What do you think are the factors responsible for that?

Qs(2) WTO agreement such as Doha Round, Urugauy Round and Marakesh agreement have always been a conflict between developed countries on the one hand and developing countries on the other as to how to accommodate the interest and needs of the letter group within the multilateral trading system. What effort has Nigeria putting in place to protect her own needs and interest in WTO?

Qs (3) WTO's trade liberalization policies encourages countries to export as much as they can and to import as little as they can. Behind this background, therefore, countries tend to guard their domestic markets jealously while aggressively seeking access to the market of other countries. Is Nigeria doing the same, to expand her exports horizons and also to limit the imports in the country?

Qs(4) Existing commitments to WTO trade agreements was regarded by many as the most toxic commitment to her industrial sector. Is there any way for the country to look for a new modalities for such commitment?

Qs(5) Nigeria is poorly represented at the WTO, the country's trade mission in Geneva lacks expertise that can strategies and fast track Nigeria's trade benefits. Beside, anybody who has been closely following the trade policy processes in Nigeria for a reasonable period of time would agree that, the participation of stakeholders at the domestic front in shaping the country's position at the WTO has been minimal and uncoordinated. With this, many tend to believe that such attitude has also negatively affected industrial sector. What is your take on this?

Qs(6) The WTO rules on anti-dumping, subsidies and counter veiling measures, and safe guard measures require a country to establish legal and institutional framework for the enforcement of these rules. The absence of such an institution in Nigeria means that we are handicapped to take anti-dumping, counter-veiling, or safeguard measures to protect the domestic economy from unfair competition arising from exports when the need arises. So what are we doing to see that we adopt and implement such measures?

Qs(7) the MFA governed world trade in textile for decades. MFA's effective conclusion in 2005 reshaped world textile and fiber markets. How was Nigerian textile industries able to adjust or cope to this new changes after the removal of multi fibre agreement?

Qs (8) In some countries, the practical implementation of the WTO agreement sometimes lagged behind its theoretical prescriptions, but in this country, we fully embraced such agreements without reflecting on their significant effects on our industrial sector. Is there any shift on that?

Qs(9) Can we say that Nigeria is now regretting her embracing full commitment on WTO's trade agreements?

Qs(10) Please could you give plausible solution for the current predicaments of textile industries in Nigeria?

APPENDIX 4

LISTS OF SOME TEXTILE COMPANIES THAT CLOSED DOWN IN NIGERIA

S/N	Companies	Types	Location
(a)	**(b)**	**(c)**	**(d)**
1.	Hufawa	Textile	Kano State
2.	Intertan	Textile	Kano State
3.	Multitan	Textile	Kano State
4.	Nakudu	Textile	Kano State
5.	Kano Textile Limited	Textile	Kano State
6.	Afrimpex	Textile	Kano State
7.	Harmatan	Textile	Kano State
8.	Enpee	Textile	Ilupeju, Lagos State
9.	Nelco	Textile	Ilupeju, Lagos State
10.	NSF	Textile	Ilupeju, Lagos State
11.	Weaving and Processing	Weaving	Ilupeju, Lagos State
12.	Swantex	Textile	Ilupeju, Lagos State
13.	Textile Specialities	Textile	Ilupeju, Lagos State
14.	ASSAN Industries	Textile	Ilupeju, Lagos State
15.	Jaybee	Textile	Ilupeju, Lagos State
16.	K-Issardas	Textile	Ilupeju, Lagos State
17.	Bhojaraj	Textile	Ilupeju, Lagos State
18.	Teev-Gold Star	Textile	Ilupeju, Lagos State
19.	Amarito-Umbrella	Textile	Ilupeju, Lagos State
20.	AD Gulas	Textile	Ilupeju, Lagos State
21.	Five Star	Textile	Isolo, Lagos State
22.	Afprint	Textile	Isolo, Lagos State
23.	Daltex	Textile	Isolo, Lagos State
24.	Varaman	Textile	Isolo, Lagos State
25.	Royal Spinners	Textile	Isolo, Lagos State
26.	GDM	Textile	Isolo, Lagos State
27.	Aswani	Textile	Isolo, Lagos State
28.	Arcee	Textile	Isolo, Lagos State
29.	Rekha	Textile	Isolo, Lagos State
30.	King Carpet	Textile	Isolo, Lagos State
31.	Emar	Textile	Isolo, Lagos State
32.	President	Textile	Isolo, Lagos State
33.	Elite	Textile	Isolo, Lagos State
34.	Moon Diamond	Textile	Isolo, Lagos State
35.	Pacific	Textile	Isolo, Lagos State
36.	Eurosport	Textile	Isolo, Lagos State
37.	Barclays Clothing	Textile	Isolo, Lagos State
38.	ITI	Textile	Isolo, Lagos State
39.	Wabterry	Textile	Isolo, Lagos State
40.	Nigeria Fishing Net	Textile	Isolo, Lagos State
(a)	**(b)**	**(c)**	**(d)**
41.	Shiram	Textile	Isolo, Lagos State
42.	Monarch	Textile	Isolo, Lagos State

43.	Aflon	Textile	Isolo, Lagos State
44.	Texlon	Textile	Amuwo Odofin, Lagos State
45.	Diamond Spinners	Textile	Amuwo Odofin, Lagos State
46.	United Spinners	Textile	Amuwo Odofin, Lagos State
47.	Top Star	Textile	Amuwo Odofin, Lagos State
48.	Tarpaulin	Textile	Amuwo Odofin, Lagos State
49.	Steep	Textile	Amuwo Odofin, Lagos State
50.	Coats West Africa	Textile	Amuwo Odofin, Lagos State
51.	Panache	Textile	Amuwo Odofin, Lagos State
52.	Pyramid	Textile	Amuwo Odofin, Lagos State
53.	Central Bag Subaco	Textile	Amuwo Odofin, Lagos State
54.	Globe Spinning	Textile	Amuwo Odofin, Lagos State
55.	Abel Abu	Textile	Ikorodu, Lagos State
56.	First Spinners	Textile	Ikorodu, Lagos State
57.	Century and Platinum	Textile	Ikorodu, Lagos State
58.	Kay Industries	Textile	Ikeja, Lagos State
59.	NTM	Textile	Ikeja, Lagos State
60.	Specomill	Textile	Ikeja, Lagos State
61.	Reliance	Textile	Ikeja, Lagos State

Source: V Olote, "Nigeria: Over 100 Textile Companies Shut Down", **This day Newspaper**, (Wednesday, 8 Nov. 2012), pp. 2-3.

APPENDIX 5

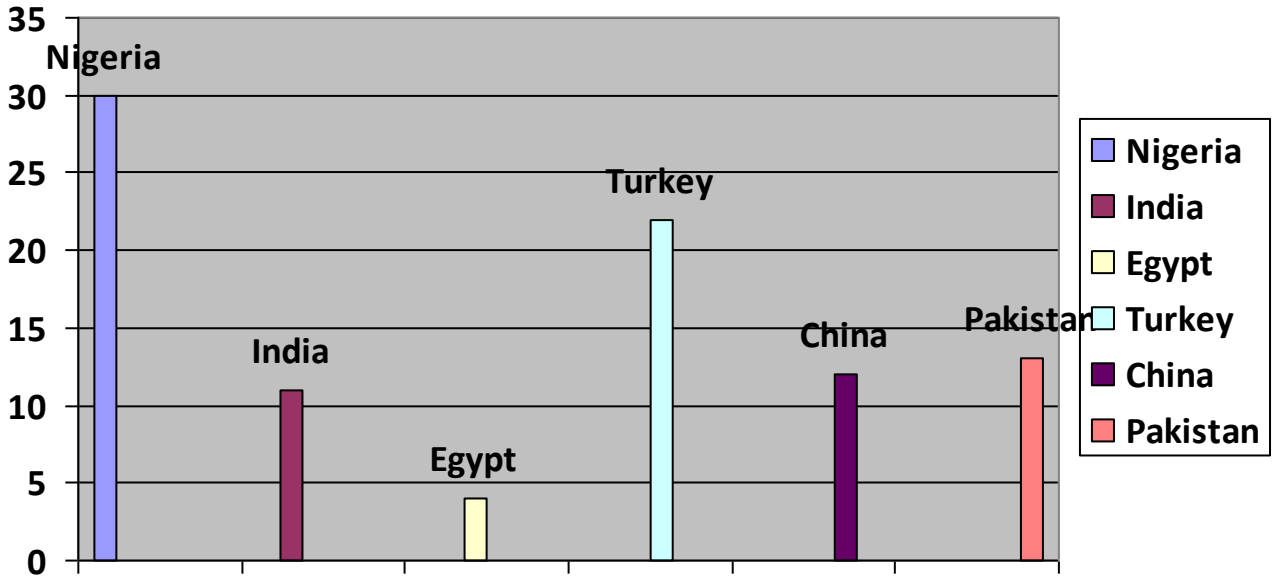
LIST OF TEXTILES COMPANIES THAT BENEFITTED FROM COTTON TEXTILE AND GARMENT LOAN SCHEME

S/N	Names	Remarks
(a)	(b)	(c)
1.	Alkem Textile	
2.	Atlantic Textile	
3.	Coats Textile	
4.	Coysyn Textile	
5.	Fermro 3 Textile	
6.	Globe Spin Textile	
7.	Haffar Textile	
8.	Ijora Tex	
9.	Spinex	
10.	Sunflag Textile	
11.	Stallion	
12.	United Nigerian Textile Limited, Lagos	
13.	Woollen and Synth	
14.	African Tex	
15.	Angel Textile	
16.	Adhama Garment	
17.	Holbourn Textile	
18.	Integrated Textile	
19.	Nigerian Spinner and Dyes	
20.	Terry tex	
21.	Universal Textile	

Source: Bank of Industry, 2015

TABLE 6.5 AND A CHART SHOWING THE ELECTRICITY CONSUMPTION IN SOME SELECTED COUNTRIES

Cost parameter	**Nigeria**	**India**	**Egypt**	**Turkey**	**China**	**Pakistan**
Power cost (range)	**(Grid)**	**(Grid)**	**(Grid)**	**(Grid)**	**(Grid)**	**(Grid)**
Source of power	**Disel**					



Source: Gherzi report 2009.

From the table above, Nigeria has the highest rankings of the range and source of power. The implication of this is that it has direct effects on the cost of production and ultimately the productive capability of the textile industries which led to the collapse of these industries.