

## **DOHA ROUND OF WTO AND AFRICAN DEVELOPMENT: AN APPRAISAL**

*Moses M. Duruji, PhD*  
*Faith Olarenwaju, MSc.*  
*Dominic E. Azuh, PhD*  
*Segun Joshua, PhD*

Department of Political Science and International Relations  
School of Social Science, College of Development Studies  
Covenant University, Ota

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### **Abstract**

World Trade Organization (WTO) emerged in 1994 to create global environment for free and unhindered trade. The belief was anchored on the fact that global cooperation will foster world peace through trade liberalization and reduction of the powers of domestic special interests through broad rules that cuts across national frontiers. These were hinged on the idea that greater cooperation through trade liberalization will promote common good on a global scale. In as much as this global trading system has benefited industrial societies who constitute the inner caucus of WTO, the same cannot be said of developing countries especially the states of Africa. One area that has been glaring is liberalization of agriculture which analyst agrees would give developing countries competitive advantage and offer those countries at the margin, greater share of world trade with significant impact on the development agenda of those countries. Good as this sound, it has been most difficult to achieve liberalization of trade in agriculture and the reason rests on the huge subsidies industrialised countries spends to augment their farmers which creates an imperfect market that is detrimental to developing countries. The paper examined the ways in which WTO has handled its fundamental objectives as it relates to the issues surrounding the Doha Round of talks which was dedicated to achieve liberalization of agriculture. The paper concluded that developing countries especially those in Africa have continued to loose out as a result of the inconsiderate stance of developed countries to maintain the global imperfect market structure, thus stalling an avenue that would have jump started Africa development.

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**Keywords:** WTO, Doha Round, Africa, Liberalization of Agriculture, Subsidy, Economic development

### **Introduction**

World Trade Organization (WTO) emerged in 1994 to create global environment for free and unhindered trade. The belief was anchored on the fact that cooperation on global scale has a high capacity to foster world peace through trade liberalization and reduction of the powers of domestic special interests through broad rules that cuts across national frontiers (Mitrany 1966). These were hinged on the idea that greater cooperation through trade liberalization will promote common good on a global scale. In as much as this global trading system has benefited industrial societies who constitute the inner caucus of WTO, the same cannot be said of developing countries especially the states of Africa (Wilson et al 2005). One area that that seem to be difficult in terms of negotiations of achieving is liberalization of agriculture which analyst agrees would give developing countries competitive advantage and offer those countries at the margin, greater share of world trade with significant impact on the

development agenda of those countries (van der Mensbrugghe, 2006). Good as this sound, it has been most difficult to achieve liberalization of trade in agriculture and the reason rests on the huge subsidies industrialised countries spends to augment their farmers which creates an imperfect market that is detrimental to developing countries (Jenson and Gibbon 2007). The paper examined the ways in which WTO has handled its fundamental objectives as it relates to the issues surrounding the Doha Round of talks which was dedicated to achieve liberalization of agriculture. What are the place of Africa in the WTO Doha negotiations and what outcomes has these produced and what is the relationship of this to the stance of powerful economic super powers in the negotiation process. The paper employs a descriptive method to analyse documentary materials so as to explain the politics behind the deadlock that have marred Doha Round of WTO negotiations.

### **The Brief overview of African Economies**

Before its contact with Europeans, African societies were pre-capitalist economies at different stages of development (Rodney, 1972). These African economies were self-sufficing in the sense that the productive forces were able to meet the needs of society prior to its integration into the European capitalist system (Diop, 1975).

Technological revolution which was vital for the European industrial take off, were already evident in some African societies. For instance, Benin culture were notable for bronze smelting, the technological attainment in terms of architecture in the Zambezi-Limpopo region were said to surpass that of Portugal, one of the colonizing powers at the time they ventured into Africa (Rodney, 1972). Some centre of commerce like the Songhai Empire, Dahomey and trans-Sahara trade were already booming, meaning that these economies have already attained certain levels of sophistication.

However, colonialism distorted the progressive development of African societies. This distortion was caused chiefly by European capitalist penetration into Africa (Rodney, 1972). This was achieved through imperialism represented by colonial conquest of African societies. Imperialism became necessary as a stage of capitalist development because the state was persuaded to aid owners of capital secure new markets and sources of cheap raw materials by the establishment of protectorate, colonies and spheres of influence (Ake, 2000). Notable scholars such as Hobson (1905) and Lenin (1939) sees imperialism as an inevitable and integral aspect of industrial progress associated with capitalism.

According to Hobsbawn (1968), Britain's colonial trade which was 15 percent by 1700, have risen to 33 percent by 1775, as such providing limitless horizon of sales and profit for merchants and manufacturers with its attendant wealth. The effect of imperialism was the domination of African societies by industrialized western economies and the dependence of the former on the later. This domination and dependence is not necessarily the effect of the spread of capitalism, but resulted from the mode of articulation of colonialism (Rodney, 1972). Therefore, the condition of African economies today is traceable to the colonial period given the global structure of capitalism it left behind in which African countries were made to be suppliers of primary products, whereas the countries of the north were centres of manufacture. The outcome is the cycle of poverty that pervades the continent. Even though debates have raged over many decades ago on how to redress this state of affairs, the position of African countries within global economic management institutions including the World Trade Organization is marginal. However sustained pressure by scholars and statesmen from developing countries yielded an opportunity to redress Third World marginal position in the global economic system through the Doha Round of WTO negotiation that was christened 'Development Round' (Wang and Winters, 1998).

## **The African Predicament**

The global capitalist system in which Africa was integrated through colonialism, marginalized Africa and also impoverished them and created condition that led Africans into demanding for change especially political change which manifested in the independent struggles of the 20th century. However, flag independence which was the outcome of these struggles could not bring about the desired end of improving the life condition of the Africans (Ake 2000).

By late 1970's and early 1980's the recession that hit the world capitalist system, devastated African economies (Ihonvbere, 2000). This brought about a regime of massive economic downturn for African countries due to the fall in commodity prices in the international market, thus plunging these African nations into indebtedness and the consequent debt crisis owing to the long duration of the recession (Adedeji, 1993).

The Structural Adjustment Programme (SAP) imposed by International financial institutions, the International Monetary Fund/World Bank as panacea to the economic crisis, consolidated the integration into global capitalism. Today African countries are still in search of solution to underdevelopment and economic crisis that bedevil the continent. The enthusiasm that heralded independent and self rule and raised a lot of expectation has waned. Even though the realization to drastically structure the post colonial African state to meet those expectations, because not doing anything would make disaster inevitable led to forms of reforms, indicators points to a development experience that is disappointing (Adedeji 1993). For instance, around the early 1970s economic growth rates of African nations have started to decline (UNECA, 2004). That decline was due to the reduction in demand for export from Africa. The fall in export demand was compounded by rise in prices of goods imported into the continent (Ihonvbere, 2000). By the 1980s new sets of problems further worsened the already precarious situation. Africa's export earning fell disastrously as prices of its staple products such as coffee, cocoa etcetera, weakened and remain weak for decades and again the rise in World oil price made things worse for the continent (Ihonvbere, 2000).

To finance the short fall in export income and other resources, African countries resorted to borrowing. A greater proportion of what they borrowed was on commercial terms (Adedeji, 1993). The overall effect was a debt burden of which these countries are palpably unable to bear. As a result of this scenario, external capital inflow, which used to cover foreign exchange shortages shrunk to negligible proportion (Ihonvbere, 2000). The consequence was that import-strangulation beset the continent as machineries broke down for want of spare parts. Development programmes were threatened and even halted. Social services including health and educational facilities went into disrepair and left to ruin. The culmination of these entire events was spirit of despair that pervaded the continent (Ihonvbere, 2000).

This was the background that led to the introduction of Structural Adjustment Programme (SAP) in Africa. Beside this, multiple crisis hit Africa in the 1980s, drought that beset the continent, brought about the worst famine.

Fall in prices of Africa's commodities led to scarcity of foreign exchange as black market for foreign exchange became widespread. Many countries could not import enough goods nor produce it domestically. Domestic prices of goods rose and queue appeared everywhere and currencies in Africa became valueless. Low credit worthiness pushed African countries to seek financial assistance from the International Monetary Fund (IMF) and World Bank. This gave IMF-World Bank leverage as the primary lenders to African countries, to dish out conditionality on their own terms. The objective of IMF-World Bank imposition of conditionality was to discipline and re-orient instead of help Africa.

The policy package of Breton Woods's institutions was attached to these loans as condition. This is a system where prices are determined the invisible forces of demand and

supply and also where profitable enterprises provided engine for economic growth. Looking at Africa, the Breton Woods institutions observed sharp practices at odds with this free market model as many of the large industries were state owned. These state owned enterprises operated inefficiently and at loss. A good deal of agricultural products were bought and sold by the government using Commodity Boards. The Government kept domestic food prices artificially low through a policy of subsidy that is unsustainable.

African industries were less competitive by the policy of high import duties in the view of the Bank and Fund more so the institutions felt the civil service were over bloated which contributed to national budgets running in the red. Therefore, for African countries to access loan from IMF-World Bank, they must accept some conditionality and implement SAP.

The implementation of SAP for a good number of African countries worsened the economic condition of the continent and failed woefully to provide panacea to the challenges confronting Africa. Moreover the failure of dwindling aid and foreign assistance to ameliorate the African predicament raised concerns that the approach has to change to turn the tide of gloom in the continent (Ihonbere, 2000).

The opportunity to turn things around and play actively in the decision and pace setting of global economic direction was provided by the Uruguay Round of the General Agreement on Trade and Tariff (GATT) that sought the expansion of the elite club of global economic player nations. The World Trade Organisation (WTO) was presented as the best path through which openness can be made to work for Africa. A region hampered by the fundamental problem of macroeconomic instability, poor infrastructure and low and skewed foreign investment.

### **Africa in the WTO Doha Round**

Though some scholars reasoned that the WTO is not the only or necessarily the best, path through which openness can be made to work for Africa because many of the major impediments to African trade, such as macroeconomic instability, poor infrastructure and low and skewed foreign investment, which are outside the scope of the WTO (Jensen and Gibbon 2007). Beside this, other argument see the probable outcomes of the Doha Round as likely to hurt rather than help Africa's global economic integration. This argument was stressed by the fact that preference erosion, for instance, would be a real threat to Africa. That is to say that a lowering of Most Favoured Nation (MFN) rates which is vital within the WTO framework, will increase the competition that Africa faces, especially in the EU market, and might lead to competitive middle-income exporters such as Brazil replacing African ones (Jensen and Gibbon 2007).

This point of view notwithstanding, it is still a fact that the main reason for the Doha Development Round exercise was to mollify a strong belief on the part of developing countries, including African ones, that they were short-changed during the Uruguay Round (Wang and Winters 1998). Thus, the explicit goal of the Doha Round was to pay special attention to correcting past mistakes and target reform of the multilateral trading system on developmental problems (van der Mensbrugghe, 2006).

The intransigence of global economic super powers reflects in the issues that the Doha Round has so far been settled upon most of which has only a limited relevance in an African development context (Jensen and Gibbon 2007). For instance issues such as agricultural and industrial protection, trade in services and obstruction of trade by red tape at the border are all important in principle for African countries, but they are considerably more important for other groups of countries were the issues in which the Doha Round had successfully dealt with. It can thus be argue of course that the main proposals made in relation to these issues are

not likely to create new opportunities on the continent, but might end up in some cases creating challenges.

The pressing issues for Africa such as problems of depressed commodity prices and commodity dependence are of equal relevance for Africa, were hardly on the agenda of discussion during the Doha Round negotiations before it was suspended.

These developments made Africans to be sceptic towards the Doha Round in that after September 2003 when it was agreed to amend the Agreement on Trade-Related Intellectual Property Rights (TRIPs), most African countries have seen Special and Differential Treatment (SDT) including Aid for Trade as their sole positive interest in the agenda. This fact, should correct the impression that African scepticism towards the Round simply as reflecting nostalgia for protectionist import-substitution policies, policies which have long since proved inferior in development terms to open trade regimes. However, this scepticism should be seen as reflecting the reality that the Doha Round agenda and the objectives of the main negotiating parties in relation to it do not address Africa's trade problems.

### **Implication of WTO and Doha Round**

It is incomplete to discuss African predicament within the structure of global economy without talking about the experience of the continent within the framework of WTO (Rodrik, 1997). WTO emerged in 1994 following the conclusion of Uruguay Round of General Agreement on Tariff and Trade (GATT) in Marrakech Morocco. The creation of WTO which expanded membership and competence of the GATT system was to mitigate problems faced by trading nations (Achterbosch et al, 2004). Third world nations who felt marginalised by the GATT framework believed that membership will grant voice and benefits of world trade. Apart from membership, the reform of the GATT also saw expansion from trade in goods to trade in services, agriculture, trade related investments and intellectual property (TRIPS). The aim of WTO was to create global environment for free and unhindered trade so as to foster world peace through trade liberalization (UNECA, 2004).

The organizations also fight domestic special interests through broad rules such as generalised non-discrimination principle. Members were required to grant one another Most Favoured Nation (MFN) status which implied that previous preferential treatment be either extended or discarded. To be specific, WTO was created to perform the following functions:

- The administration of international trade liberalization agreements;

- Provision of forum for trade negotiations;

- Handling trade disputes Monitoring international trade policies;

- Rendering of technical assistance and training for developing countries;

- Cooperating with other international institutions to promote free trade.

These were hinged on the idea that greater cooperation through trade liberalization promotes better common good. As such WTO was designed as an instrument to counter domestic pressure against liberalization and to persuade governments of the benefits of free trade. Traditional trade theories propose the notion of gains to be made resulting from complementarity between two or more countries. These complementarity were originally thought to stem from different technological capabilities and also from different factor endowment in countries (Cline, 2004).

In as much as these systems have benefited industrial societies who constitute the inner caucus of WTO, the same cannot be said of Third world countries especially African states. One area that has been glaring is liberalization of agriculture which would have given Third World countries competitive advantage and confer them greater share of world trade (Valdes and McCalla, 1999). The reason for failure of Doha Round of WTO negotiations to liberalize agriculture is solely because developed industrial countries are not ready to do away with the huge sum of money spent on subsidies to their farmers (Valdes and McCalla, 1999).

These subsidies create an imperfect market detrimental to third world societies. The realisation that this paradox need to be corrected, WTO dedicated the Doha Round of talk as Development Round so as to trash these issues (Wang and Winters, 1998).

These were started in November 2001 Fourth Ministerial Conference in Doha, Qatar, to negotiate on a range of subjects that are of concern to trading nations. The negotiations include those on agriculture and service particularly the removal of subsidies which farmers in developed economies enjoy. The 'Doha Development Round' label came about shortly after the WTO Ministerial meeting in Doha in November 2001. The main reason for the inauguration 'Development Round' was to mollify developing countries, including African ones, who feel strongly that they were short-changed during the Uruguay Round (Hoekman and Anderson, 2000).

Thus, the explicit goal of the Doha Round was to pay special attention to correcting past mistakes and target reform of the multilateral trading system on developmental problems. To pacify developed countries, issues related to liberalized investment and trade in manufacture was included. Though some of these issues have been tackled, efforts at brokering agreement on the original mandate are dragging without concrete agreement in spite of negotiations at Cancun in 2003, Geneva in 2004, and Hong Kong in 2005 (Anderson and Martin, 2005).

For instance the fifth Ministerial Conference in Cancun Mexico, in September 2003, was intended as a stock-taking meeting where members would agree on how to complete these negotiations. But the meeting was soured and deadlocked on agricultural issues, on what is referred to as "Singapore issues". The Sixth Ministerial Conference in Hong Kong, December 2005, could not make appreciable progress on the issue.

However, the final declaration of that meeting included agreement on a range of questions, which further narrowed down members' differences and edged the talks closer to consensus (Wilson et al, 2005). A new timetable was agreed for 2006 and members resolved to finish the negotiations by the end of the year. That resolution to arrive at an agreement met a brick wall at the meeting of the General Council on 27-28 July 2006. At this point a recommendation by then Director-General Pascal Lamy to suspend the Doha negotiations was generally supported by the developed countries. Since then, Doha Round of WTO negotiation has been deadlocked, therefore impeding the development aspiration of African countries.

## Conclusion

The latest World Trade Organization (WTO) negotiation round, launched in November 2001 in Doha, was seen as a positive response to the terrorist attacks on the USA. The negotiations, known as the 'Development Round', had the ultimate objectives of reducing poverty and promoting development.

Thirteen years later, the outlook is bleak. The Doha talks were suspended in July 2008, with trade negotiators increasingly lacking support from their governments. Future elections and rising food and energy prices have exacerbated protectionist tendencies and shifted the focus from international development to self-interest. There are serious concerns as to whether talks can be revived. Developed nations have argued that the success of Doha would only benefit big developing countries such as Brazil, China or India, while African countries and, in particular, smallholder farmers, would lose. This argument assumes that African countries lack the capacity to benefit from broad tariff cuts on the export side and would become more vulnerable on the import side if tariffs were reduced still further. This can only be tested if the developed countries can muster courage to liberalise the agricultural sector.

The structure of global capitalism which puts African as producers of primary product consigns most of the countries in the continent at the margins of global economy. The GATT which for most of the post war era controlled global trade was more a club of developed

economies that left Third World countries mostly African without a voice, this situation has remained largely the same notwithstanding the expansion of the GATT to embrace more membership and competence including African and other developing countries. However the enthusiasms of African countries that a leg in would result in the creation of fair and perfect market in the area of comparative advantage which could leap frog their development aspiration has hit brick wall nearly two decades since the formation of WTO.

This view is glaring when we juxtapose the outcome of Doha Development Round of WTO negotiation which for many years stagnated due to the double standard of powerful developed countries that has refused to allow the principle of liberalization upon which their economies were purportedly constructed to be extended to trade in agriculture.

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