



# **REFORMING THE MULTILATERAL TRADING SYSTEM: RETHINKING THE WORLD TRADE ORGANIZATION FOR AFRICAN DEVELOPMENT WITH A FOCUS ON KENYA**

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## **Abstract**

*This paper examines the need for reform within the World Trade Organization (WTO) and evaluates its developmental implications for African economies, with a particular focus on Kenya. While the WTO has historically provided a rules-based framework that promotes predictability and stability in global trade, its institutional structure increasingly reflects historical asymmetries that disadvantage developing countries. The study identifies key challenges, including the paralysis of the dispute settlement system, persistent agricultural trade distortions, constrained industrial policy space, and decision-making gridlock arising from consensus-based governance. Drawing on dependency theory, structuralism, and liberal institutionalism, the paper analyzes how existing WTO rules shape development outcomes and limit structural transformation in African economies. Empirical evidence from Kenya highlights continued export concentration in primary commodities, persistent trade deficits, and vulnerability to external shocks. The paper argues that WTO reform must go beyond procedural adjustments to address embedded inequalities by strengthening Special and Differential Treatment provisions, rebalancing subsidy disciplines, restoring dispute settlement functionality, and aligning multilateral rules with regional initiatives such as the African Continental Free Trade Area. Ultimately, a reformed WTO must reconcile multilateral stability with development equity to support inclusive and sustainable economic transformation in Africa.*

*Keywords: WTO, Reform, African, Kenya, Multilateral Trading System*



## INTRODUCTION

Since its establishment in 1995 under the Marrakesh Agreement, the World Trade Organization (WTO) has functioned as the central institutional framework governing global trade. International trade has been seen as a tool for economic security since many countries across the globe are now increasingly dependent on trade. With 166 members, it oversees trade in goods, services, and intellectual property through legally binding agreements and a rules-based dispute settlement system. While the WTO has contributed to trade expansion and predictability in international commerce, its structure and rules have been increasingly criticized for failing to adequately address issues of access as well as development asymmetries, particularly for African economies (Hopewell, 2016; Wilkinson, 2014). Of late, it has become quite common for countries to deploy export restrictions against competitors. There has also been concerns over structural trade imbalances and economic vulnerabilities that have arisen due to the extreme dependency on a few key suppliers of goods. Rather than policies being used to pursue trade objectives, there is now a tendency for trade policies being used to pursue non-trade objectives. Hence, the call for the WTO reforms.

African countries have been calling for WTO reforms to address issues of rebalancing rights and obligations, emphasising stronger and enforceable Special and Differential Treatment (SDT) to support developing countries. For African countries, including Kenya, WTO reform is not merely procedural but structural: it concerns policy space, aligning with regional integration efforts such as the African Continental Free Trade Area (AfCFTA), agricultural equity, industrialization capacity and economic development, and participation in global value chains.

### Historical and Institutional Background

The WTO evolved from the 1947 General Agreement on Tariffs and Trade (GATT), which primarily focused on tariff reduction among industrialized countries. The Uruguay Round (1986–1994) significantly expanded trade governance to include:

- The General Agreement on Trade in Services (GATS)
- The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)
- Strengthened dispute settlement procedures

Unlike GATT's flexible structure, the WTO adopted a "single undertaking" principle: members must accept all agreements as a package. This increased legal coherence but reduced flexibility for developing countries (Steinberg, 2002).

The WTO operates through a Ministerial Conference, General Council, and specialized councils. Its dispute settlement mechanism, once described as the "crown jewel" of the system, allowed smaller states to challenge more powerful economies. However, the paralysis of the

Appellate Body has weakened enforcement capacity and undermined confidence in multilateral adjudication (Hoekman & Kostecki, 2009).

The primary objective of this study is to critically examine the need for reform within the World Trade Organization (WTO) and assess its developmental implications for African economies, with particular reference to Kenya. Specifically, this study intends to:

- 1) Analyze the institutional and structural weaknesses within the WTO, particularly the dispute settlement crisis and consensus-based decision-making system.
- 2) Evaluate the extent to which existing WTO rules constrain development policy space for African economies, especially in agriculture and industrial policy.
- 3) Examine theoretical perspectives—dependency theory, structuralism, and liberal institutionalism—to explain the developmental implications of WTO governance.
- 4) Assess Kenya's trade structure within the multilateral trading system and identify structural vulnerabilities linked to current WTO disciplines.
- 5) Propose development-oriented reforms that reconcile multilateral stability with equity and structural transformation.

### **Why WTO Reform Is Necessary**

The need to reform the World Trade Organization (WTO) arises from a convergence of institutional paralysis, structural inequality, geopolitical transformation, and developmental asymmetry. While the WTO remains the central pillar of the multilateral trading system, its current architecture reflects historical compromises that are increasingly misaligned with contemporary economic realities. For African economies including Kenya, these shortcomings have material consequences for industrialization, agricultural competitiveness, and integration into global value chains.

#### **1. Institutional Paralysis and Crisis of Legitimacy**

One of the most visible drivers of reform is institutional dysfunction. The paralysis of the Appellate Body has effectively undermined the binding dispute settlement mechanism, once described as the crown jewel of the WTO (Hoekman & Kostecki, 2009). Since 2019, the Appellate Body has been unable to hear new appeals due to insufficient appointments, hence weakening enforcement credibility.

Legal scholars argue that dispute settlement was central to the WTO's legitimacy because it constrained unilateral retaliation and power-based bargaining (Abbott et al., 2000). Without a functioning appellate system, powerful states may resort to unilateral trade measures, increasing uncertainty and undermining smaller economies that rely on predictable rules.

For African countries with limited economic leverage, weakened adjudication mechanisms reduce their ability to challenge trade barriers or discriminatory practices. Reform is therefore necessary to restore institutional authority and reinforce rule-based multilateralism.

## 2. Developmental Asymmetries and Unequal Gains from Trade

Although the WTO is grounded in formal sovereign equality, economic disparities among members remain profound. Developing countries collectively account for a minority share of global value-added manufacturing and remain heavily concentrated in commodity exports (UNCTAD, 2023). Scholars argue that trade liberalization does not automatically produce industrial upgrading. Instead, benefits are contingent on productive capacity, infrastructure, and technological sophistication (Rodrik, 2011). Uniform obligations under WTO agreements may therefore impose disproportionate adjustment burdens on low-income economies.

Chang (2002) contends that advanced economies historically relied on protectionist and industrial policy instruments before advocating liberalization internationally. If WTO disciplines constrain similar strategies for contemporary developing countries, the system may perpetuate structural inequality rather than promote convergence.

For Kenya, whose exports remain concentrated in agriculture and primary goods, the absence of effective development-sensitive provisions risks reinforcing low value-added specialization.

## 3. Agricultural Subsidies and Market Distortion

Agriculture remains one of the most contentious areas within WTO negotiations. Developed economies provide substantial domestic support to farmers, including trade-distorting subsidies that depress global prices (Anderson, 2015). These subsidies create competitive disadvantages for agricultural exporters in developing countries. Clapp (2012) links such distortions to rural poverty and food insecurity in the Global South. Despite the development focus of the Doha Round, progress in reducing trade-distorting support has been limited.

For African economies where agriculture employs a large share of the population, inequitable subsidy regimes directly affect livelihoods and export earnings. Reforming subsidy disciplines is therefore central to creating fairer trading conditions.

## 4. Constraints on Industrial Policy

Industrial policy has historically been instrumental in enabling structural transformation (Amsden, 2001). However, WTO rules, particularly under the Agreement on Subsidies and Countervailing Measures, restrict export subsidies and certain local content requirements.

While such restrictions aim to prevent unfair competition, critics argue they limit policy space for late-industrializing countries (Wade, 2003). Rodrik (2011) emphasizes that successful development often requires strategic state intervention, experimentation, and targeted support.

For countries like Kenya pursuing industrialization under long-term development frameworks, limited flexibility may hinder the transition from commodity dependence to manufacturing and services diversification. Reform that strengthens Special and Differential Treatment (SDT) provisions could provide transitional flexibility consistent with developmental objectives.

## 5. Consensus Decision-Making and Negotiation Gridlock

The WTO's consensus-based decision-making process was designed to ensure inclusivity. However, scholars increasingly view it as a source of paralysis. Steinberg (2002) notes that while consensus appears egalitarian, power asymmetries shape bargaining outcomes behind closed doors.

The failure to conclude the Doha Development Agenda illustrates systemic gridlock. Divergent interests between developed and developing countries, combined with the rise of emerging powers, have complicated negotiations (Hopewell, 2016).

For African countries, prolonged negotiation stalemate delays reforms critical to agricultural equity and development flexibility. Institutional redesign such as qualified majority voting or structured plurilateralism may be necessary to enhance responsiveness while preserving legitimacy.

## 6. Rise of Regionalism and Fragmentation of Trade Governance

The proliferation of regional and mega-regional trade agreements challenges the centrality of the WTO. Preferential trade agreements increasingly govern digital trade, environmental standards, and regulatory cooperation outside the WTO framework.

This fragmentation risks marginalizing countries unable to negotiate comprehensive regional agreements. Baldwin (2016) argues that mega-regionalism may create exclusionary trade blocs, weakening multilateral cohesion.

For African states, the development of the African Continental Free Trade Area (AfCFTA) represents both an opportunity and a challenge. Alignment between regional integration and WTO reform is necessary to prevent regulatory fragmentation and ensure that multilateral rules support continental industrialization strategies.

## 7. Geopolitical Realignment and Systemic Strain

The WTO was designed in a largely Western-dominated economic order. The rise of China and other emerging economies has altered the distribution of economic power, creating new tensions over state capitalism, subsidies, and industrial policy (Hopewell, 2016).

These tensions have contributed to institutional stalemate and increased unilateral trade measures. Without reform, the WTO risks declining relevance in a fragmented geopolitical landscape.

For smaller economies, including Kenya, weakening multilateral governance increases vulnerability to external shocks and power-based trade relations. Reform is therefore necessary to preserve a stable global trading environment.

## 8. Normative Legitimacy and Equity

Beyond efficiency concerns, WTO reform raises normative questions about fairness. Goldstein and Martin (2000) argue that domestic political support for trade agreements depends on perceived distributive fairness.

If multilateral trade rules are widely viewed as privileging advanced economies, political legitimacy erodes. In many African countries, scepticism toward globalization reflects lived experiences of limited industrial upgrading and persistent trade deficits. Hence embedding equity considerations into WTO reform through enforceable development provisions and subsidy rebalancing is critical for restoring legitimacy.

From the foregoing, the necessity of WTO reform emerges from five interlocking pressures:

- a) Institutional fragility (dispute settlement paralysis)
- b) Persistent structural inequality in trade participation
- c) Agricultural distortions harming developing economies
- d) Constrained industrial policy space
- e) Geopolitical fragmentation and rise of regionalism

For African economies such as Kenya, reform is not abstract. It determines whether the multilateral trading system functions as a platform for structural transformation or perpetuates commodity dependence. A reformed WTO must reconcile stability with equity: restoring dispute settlement credibility, recalibrating subsidy rules, expanding development-sensitive flexibility, and modernizing governance procedures. Without such reforms, the multilateral trading system risks declining relevance and legitimacy in an increasingly multipolar world.

## WTO Reform in a Kenyan Specific Context

As a member of the World Trade Organization since 1995, Kenya participates in the global trading system with a trade profile that reflects both opportunities and structural challenges.

Kenya's economy is export-oriented in agriculture and services. Tea, horticulture, and coffee dominate merchandise exports, while tourism and financial services contribute substantially to foreign exchange earnings. However, manufacturing contributes a relatively modest share (7.6%) to GDP (World Development Indicators, 2024, Manufacturing, value added (% of GDP) - Kenya | Data). This structural profile illustrates Kenya's vulnerability to commodity price volatility, external demand shocks, and non-tariff barriers in developed markets.

Kenya's trade performance is characterized by persistent trade deficits, heavy reliance on imports of capital and energy goods, and an export base dominated by agricultural and primary products with limited value addition.

### ***Kenya's Exports and Imports***

Recent official data show that Kenya's export earnings increased significantly in 2024. According to Kenya's National Bureau of Statistics Economic Survey, total merchandise exports grew by about 10.4% to KSh 1.11 trillion in 2024, with the leading export categories including horticulture (KSh 203.6 billion), tea (KSh 189.1 billion), apparel and clothing (KSh 56.8 billion), and unroasted coffee (KSh 38.4 billion) (Kenya Daily Chronicle, 2025). This expansion underscores the importance of agricultural and light manufactured products in Kenya's trade structure, even as higher-value industrial exports remain comparatively limited.

Revised data from the Kenya National Bureau of Statistics (KNBS) estimate that the value of goods and services exports reached KSh 1.48 trillion in 2024, driven partly by improved recording of fuel re-exports and services such as travel and financial services, which highlights the growing but complex composition of Kenya's external sector (Muiruri, 2025).

Kenya's export destinations in 2024 demonstrated regional and global linkages. The top export markets included Uganda (KSh 125.9 billion), the United States (KSh 88.9 billion), Pakistan (KSh 76.5 billion), the Netherlands (KSh 72.5 billion), and Tanzania (KSh 67.2 billion) (Kenya Daily Chronicle, 2025). According to the Ministry of Investments, Trade and Industry (MITI), around 38.3% of Kenya's export earnings in 2024 went to African markets, reflecting growing intra-continental trade engagement under regional frameworks such as the African Continental Free Trade Area (Trade Report, 2026).

WTO data also show Kenya's product export profile includes traditional commodities such as tea, coffee, cut flowers, and avocados, alongside manufactured goods and

medicaments, although agricultural and raw materials still dominate (WTO Tariff & Trade Data, 2026).

Despite export growth, Kenya continues to import substantially more than it exports. Data from international trade databases indicate that goods exports increased to approximately USD 8.25 billion in 2024, up from USD 7.19 billion in 2023, while imports of goods rose to about USD 20.12 billion, contributing to a persistent trade deficit (Lloyds Bank Trade Portal, 2026). Import categories are led by petroleum products, industrial machinery, plastic articles, and iron and steel, reflecting Kenya's ongoing need for energy, capital equipment, and intermediate inputs for industrial and infrastructure development (Kenya Daily Chronicle, 2025).

The continued deficit in goods trade has contributed to a broader negative trade balance, although services exports somewhat offset the gap. According to World Bank sourced data, Kenya's combined exports of goods and services grew roughly 7.5% in 2024, while imports of goods and services also expanded, keeping the overall trade balance in deficit (Lloyds Bank Trade Portal, 2026). Persistent trade imbalance underscores Kenya's dependence on imported capital and energy goods, which limits foreign exchange reserves and exposes the economy to external price volatility.

### ***Regional and International Trade Agreements***

Kenya's trade performance is also shaped by global preferential agreements. For instance, the African Growth and Opportunity Act (AGOA) and the European Union Economic Partnership Agreement (EPA) provide duty-free access for many Kenyan exports to major markets. In 2024, apparel exports to the United States under AGOA contributed significantly to foreign exchange earnings (Associated Press, 2025). Meanwhile, Kenya's EPA with the EU aims to deepen market access for agricultural and manufactured goods, though legal and institutional disputes (e.g., a regional court injunction) illustrate the complexity of harmonizing regional and external trade commitments (Reuters, 2025).

### ***Implications for WTO Engagement***

Kenya's empirical trade data illuminate several structural realities relevant to WTO reform debates. These are:

1. **Export Concentration and Value Addition:** While exports have grown, they remain concentrated in primary and agricultural goods with limited movement into high-value manufacturing. This is a dynamic that WTO rules on market access and domestic support must consider if they are to support development objectives.

2. Persistent Trade Deficits: Kenya's reliance on imports for energy and industrial inputs highlights the need for policies that improve competitiveness and reduce external vulnerabilities. These are issues that intersect with WTO principles on tariffs and non-tariff barriers.
3. Regional Integration Dynamics: The significant share of export earnings from African markets, Kenya included suggests that WTO reforms should be compatible with regional integration goals under frameworks such as AfCFTA to enhance intra-African trade linkages.

Collectively, these empirical patterns underscore the importance of revising WTO rules to better align with Kenya's developmental trade needs, particularly in agro-processing, services, and integration into global value chains.

## LITERATURE REVIEW

An analysis of the World Trade Organization (WTO) reflects enduring tensions between multilateralism, power asymmetry, and development. While early scholarship celebrated the WTO as a triumph of legalized global governance, more recent work emphasizes institutional paralysis, unequal bargaining power, and developmental constraints.

This literature is organized into five interrelated strands: (1) legalization and institutional design, (2) power asymmetries in negotiation outcomes, (3) development and policy space debates, (4) agricultural distortions and structural inequality, and (5) African agency and multilateral participation.

### (i) Legalization and Institutional Design

The WTO represents one of the most legalized regimes in international relations. Abbott et al. (2000) conceptualize legalization along three dimensions: obligation, precision, and delegation. The WTO scores highly on all three, particularly due to its binding dispute settlement mechanism. This level of legalization distinguishes it from many other international organizations and enhances predictability in global trade.

Goldstein and Martin (2000), however, caution that legalization does not eliminate power politics. Instead, formal rules coexist with strategic bargaining behaviour. Similarly, Steinberg (2002) argues that consensus-based decision-making often masks asymmetrical bargaining, with powerful states shaping outcomes through informal processes.

From an institutionalist perspective, the WTO's strength—its binding legalism—has also become a vulnerability. The Appellate Body crisis illustrates how delegation mechanisms can be undermined by member state resistance (Hoekman & Kostecki, 2009). As a result, the

organization faces what scholars describe as a legitimacy and effectiveness dilemma: maintaining strong rules while adapting to shifting geopolitical realities.

(ii) Power Asymmetries and Negotiation Dynamics

A second strand of scholarship interrogates power asymmetries within WTO negotiations. Although formally operating under sovereign equality, outcomes frequently reflect economic leverage and coalition strength (Hopewell, 2016). Emerging powers such as China, India, and Brazil have altered bargaining coalitions, but this has not necessarily translated into systematic gains for least developed countries.

Narlikar (2003) demonstrates that developing country coalitions have achieved episodic successes, particularly during the Doha Round, yet these gains remain constrained by structural inequalities in negotiation capacity. Odell (2009) further shows that bargaining outcomes depend on negotiation strategies and issue framing, suggesting that procedural reforms alone may not fully address distributive imbalances.

For African states, limited diplomatic capacity in Geneva and resource constraints in litigation reduces effective participation (Hoekman & Kosteki, 2009). Thus, the literature suggests that formal inclusivity does not automatically yield substantive equality.

(iii) Development, Policy Space, and Structural Transformation

The relationship between trade rules and development strategy constitutes a central debate. Rodrik (2011) argues that deep integration agreements may constrain domestic policy experimentation necessary for structural transformation. In contrast, proponents of trade openness emphasize efficiency gains and export-led growth.

Chang (2002) critically observes that advanced economies historically relied on protectionist and industrial policy tools before advocating liberalization internationally. This kicking away the ladder thesis suggests that stringent WTO disciplines on subsidies and performance requirements may limit development pathways for late-industrializing economies.

Amsden (2001) similarly highlights the role of state-led industrialization in East Asia, questioning whether contemporary WTO rules allow similar strategies. Wade (2003) contends that global trade governance has narrowed developmental policy space, reinforcing global income disparities.

UNCTAD (2023) provides empirical evidence that developing countries remain concentrated in low value-added segments of global value chains, reinforcing structural vulnerabilities. Together, these studies suggest that WTO reform must address not only procedural inefficiencies, but also developmental asymmetries embedded in trade disciplines.

(iv) Agricultural Trade and Global Inequality

Agricultural trade remains emblematic of systemic inequity. Anderson (2015) quantifies the distortionary impact of subsidies in high-income economies, demonstrating that they suppress global prices and disproportionately harm producers in developing countries.

Clapp (2012) further links agricultural trade governance to global food security, arguing that subsidy regimes in the Global North exacerbate rural poverty in the Global South. The Doha Development Agenda's failure to substantially reform agricultural subsidies underscores persistent distributive conflict within the WTO.

For African economies dependent on agricultural exports, these distortions represent not merely market inefficiencies but structural barriers to income growth and rural development.

(v) African Agency and Multilateral Strategy

More recent scholarship challenges narratives portraying African states as passive actors. Hopewell (2016) documents coalition-building efforts among developing countries that disrupted traditional power hierarchies. Narlikar (2003) emphasizes strategic coalition diplomacy as a tool for enhancing bargaining leverage.

However, capacity constraints remain significant. Limited technical expertise and financial resources constrain effective participation in complex negotiations and dispute settlement processes. This dual reality—growing collective agency but persistent structural disadvantage—frames contemporary African engagement within the WTO.

The interaction between regional integration and multilateralism also features prominently in the literature. Scholars debate whether regional trade agreements complement or fragment multilateral governance. For African economies pursuing integration under the African Continental Free Trade Area (AfCFTA), alignment between regional and multilateral frameworks is increasingly critical (UNCTAD, 2023).

## Overview of the Literature Review

The literature suggests three core analytical tensions:

1. Legalization vs. Legitimacy: Strong legal rules enhance predictability but may entrench asymmetries if not development sensitive.
2. Formal Equality vs. Material Inequality: Sovereign equality masks disparities in bargaining power and productive capacity.
3. Liberalization vs. Structural Transformation: Trade openness does not automatically produce industrial upgrading without complementary policy flexibility.

For African economies such as Kenya, these tensions are central to the reform debate. The literature indicates that meaningful WTO reform must move beyond procedural adjustments to address embedded structural inequalities, while preserving the stabilizing benefits of multilateral legalism.

This literature review establishes the intellectual foundation for the theoretical framework that follows, situating WTO reform within broader debates on dependency, structuralism, and liberal institutionalism.

### **Theoretical Framework: Competing and Complementary Perspectives on WTO Reform**

Reform of the World Trade Organization cannot be fully understood without situating it within broader theoretical debates in international political economy. The WTO embodies both liberal institutional aspirations for rule-based cooperation and structural inequalities embedded in the global economy. To critically assess reform prospects and implications for African countries such as Kenya, this framework engages three major traditions: dependency theory, structuralism, and liberal institutionalism. Rather than treating these as mutually exclusive, this section evaluates their explanatory power, limitations, and relevance to contemporary multilateral trade governance.

#### **(i) Dependency Theory: Hierarchical Integration and Unequal Exchange**

Dependency theory conceptualizes the global economy as a hierarchical system divided between core industrial economies and peripheral commodity-exporting states (Frank, 1967; Amin, 1976). Trade relations are not neutral exchanges but mechanisms that reproduce structural inequality through unequal exchange and value extraction.

From a dependency perspective, the WTO institutionalizes global capitalism in a manner that stabilizes core dominance. Key mechanisms include:

- Tariff reductions that expose weaker industries to competition.
- Intellectual property protections under TRIPS that consolidate technological monopolies.
- Constraints on industrial subsidies that limit developmental state strategies.

African economies, including Kenya, largely export primary commodities and low value-added agricultural goods while importing higher-value manufactured and technological products. This trade pattern aligns with dependency predictions of structural subordination.

The WTO's formal equality principle (one member, one vote) does not alter material asymmetries in production, capital, or technological capacity. Thus, dependency theory suggests that without significant reform, the WTO risks perpetuating structural dependency rather than enabling transformation.

In essence, dependency theory is powerful in explaining persistent commodity dependence and asymmetric gains from trade. However, this theory underestimates domestic policy variation and the possibility of strategic engagement within multilateral institutions. The rise of emerging economies such as China challenges strict core-periphery binaries.

For Kenya, dependency theory highlights the risk of continued reliance on tea, coffee, and horticulture exports under unchanged trade rules.

(ii) Structuralism: Terms of Trade and Developmental Policy Space

Structuralism, associated with Raúl Prebisch and later development economists, focuses on the structural characteristics of global markets that disadvantage primary commodity exporters. The declining terms-of-trade thesis posits that over time, prices of primary goods fall relative to manufactured goods (Prebisch, 1950).

Within the WTO framework, structuralists identify three central issues:

1. Agricultural Subsidies: High-income countries' domestic support distorts global markets, suppressing world prices and undermining African producers.
2. Uniform Liberalization Rules: Identical obligations applied to structurally unequal economies ignore developmental asymmetries.
3. Limited Industrial Policy Tools: Restrictions on export subsidies and local content measures reduce the capacity for state-led industrial upgrading.

For Kenya, structuralist analysis underscores the need for:

- Stronger and enforceable Special and Differential Treatment (SDT).
- Flexibility for infant industry protection.
- Strategic use of public procurement and subsidies.

Unlike dependency theory, structuralism does not reject integration into global markets. Instead, it calls for managed integration that supports industrial upgrading.

Structuralism provides a more policy-oriented reform agenda than dependency theory. It supports WTO reform rather than systemic exit, advocating recalibration of rules to accommodate development diversity.

(iii) Liberal Institutionalism: Rules, Cooperation, and Constraint

Liberal institutionalism views international organizations as solutions to collective action problems (Keohane, 1984). Institutions reduce uncertainty, lower transaction costs, and constrain unilateralism. From this perspective, the WTO benefits smaller economies by:

- Ensuring non-discriminatory market access under Most-Favoured-Nation (MFN) rules.
- Providing dispute settlement mechanisms to challenge powerful states.
- Enhancing predictability in trade policy.

For Kenya, WTO membership secures access to global markets that might otherwise be subject to arbitrary restrictions. The dispute settlement mechanism, despite its current crisis, offers legal recourse unavailable in purely power-based systems.

However, liberal institutionalism also recognizes that institutions must adapt. The Appellate Body paralysis illustrates institutional fragility when powerful members withdraw support. Consensus-based decision-making has become a source of gridlock. Reform, therefore, is necessary not to abandon multilateralism but to restore its credibility and effectiveness.

From the foregoing, each theoretical approach illuminates different dimensions of WTO reform as shown in Table 1.

Table 1: Theoretical Approach and WTO Reform

<b>Theory</b>	<b>Core Insight</b>	<b>Policy Implication for Africa</b>
Dependency	Trade reproduces hierarchy	Expand policy space; reconsider rigid liberalization
Structuralism	Structural market asymmetries hinder development	Reform agricultural subsidies; strengthen SDT
Liberal Institutionalism	Rules constrain power and provide stability	Restore dispute settlement; preserve multilateralism

The key analytical question is whether WTO reform can reconcile these perspectives since dependency theory demands structural transformation of global trade hierarchies; structuralism seeks development-sensitive rule adjustments while liberal institutionalism emphasizes maintaining a stable, rules-based system. Meaningful reform must balance development equity with institutional stability.

Applying this integrated framework to Kenya reveals several tensions. First, using commodity dependency lens, Kenya's export profile risks reinforcing structural subordination. Using the industrialization strategy or the structuralist lens, Vision 2030 requires policy flexibility beyond current WTO constraints. On the other hand, using the legal security or the institutionalist lens, Kenya benefits from predictable multilateral rules protecting it from unilateral trade measures.

Thus, Kenya's optimal reform strategy is not withdrawal or radical restructuring but calibrated reform that expands developmental autonomy while preserving multilateral protections. Hence, WTO reform should pursue embedded developmental multilateralism, characterized by legally binding but differentiated obligations; institutional flexibility without

abandoning legal certainty; rebalanced subsidy disciplines; and enhanced technical and legal support for developing members.

Such a strategy integrates structuralist sensitivity to inequality with institutionalist commitment to rules. The theoretical framework reveals that WTO reform is not solely a technical adjustment but a contest over the normative foundations of global economic governance. Whether the system prioritizes efficiency, equity, or sovereignty shapes its impact on African economies.

For Kenya and other African states, the challenge is to leverage multilateralism strategically: expanding policy space without undermining the legal protections that multilateral rules provide. Reform must therefore navigate the tension between power and principle, ensuring that globalization becomes a platform for structural transformation rather than a mechanism of perpetual dependency.

### **What Reformed WTO Governance Should Look Like**

In the context of African countries and Kenya in particular, a reformed World Trade Organization must move beyond general institutional efficiency and instead embed development, structural transformation, and fairness at its core. For these countries, reform is not simply about improving trade governance; it is about reshaping the global trading system so that it actively supports inclusive growth, industrialization, and poverty reduction. A development-oriented reform agenda would therefore need to integrate several mutually reinforcing elements.

First, binding and enforceable Special and Differential Treatment (SDT) must form the foundation of any meaningful reform. For many African economies, SDT is not merely a concession but a critical tool for development. Current provisions are often weak, non-binding, or vaguely defined, limiting their effectiveness. A reformed WTO should make SDT legally binding and enforceable, ensuring that Least Developed Countries and low-income economies retain sufficient policy space to pursue their development strategies. This includes the ability to use tariffs, local content requirements, and subsidies to nurture domestic industries. In the case of Kenya, such flexibility is essential for advancing initiatives like “Buy Kenya, Build Kenya” and for protecting infant industries in sectors such as textiles and agro-processing. Without robust SDT, African countries are effectively required to compete on unequal terms within the global economy.

Second, reform must address long-standing imbalances in global agricultural trade, particularly through the reduction of subsidies in advanced economies. Agriculture remains central to livelihoods across Africa, yet global markets are heavily distorted by subsidies in

wealthier regions such as the European Union and the United States. These subsidies depress global prices and undermine the competitiveness of African farmers. A reformed WTO should therefore prioritize the elimination or substantial reduction of trade-distorting agricultural support in developed countries. For Kenya, this would create fairer market conditions for key exports such as tea, coffee, and horticultural products, thereby enhancing export earnings and improving rural livelihoods. This issue remains one of the most critical areas for reform from an African perspective.

Third, the restoration of a fully functioning dispute settlement system, including the Appellate Body, is essential to maintaining a credible rules-based system. The effectiveness of WTO rules depends on the ability of members to enforce them through impartial adjudication. However, the current paralysis of the dispute settlement mechanism undermines trust in the system. Reform should not only restore the Appellate Body but also make dispute resolution more accessible to developing countries by reducing costs, simplifying procedures, and ensuring timely rulings. For Kenya and many other African states, limited financial and technical capacity has historically constrained their ability to engage in complex trade disputes. A more accessible and efficient system would enable them to challenge unfair practices by larger economies, thereby leveling the playing field.

Fourth, greater flexibility for industrial policy is crucial for enabling African countries to move beyond reliance on primary commodity exports. Structural transformation requires the active use of policy tools such as subsidies, tariffs, and public procurement to support strategic sectors. A reformed WTO should therefore avoid overly restrictive rules that limit state intervention and instead allow countries to pursue development-oriented industrial strategies. For Kenya, this would facilitate growth in value-added sectors such as agro-processing, textiles and apparel, and digital services. By supporting the transition from raw material exports to higher-value production, such flexibility would contribute to more sustainable and inclusive economic development.

Fifth, institutional reforms are needed to address the persistent problem of consensus paralysis within the WTO. The requirement for unanimous agreement among members often leads to deadlock, preventing progress on critical issues. A reformed system should allow for greater use of plurilateral agreements, enabling groups of willing countries to move forward while maintaining the multilateral framework. At the same time, it is important to strengthen the representation and influence of African countries within WTO decision-making processes, including through coordination with organizations such as the African Union. For Kenya, participation as part of a broader African coalition can enhance bargaining power and reduce the risk of marginalization in global trade negotiations.

Closely related to this is the need to align WTO rules with Africa's regional integration efforts, particularly the African Continental Free Trade Area (AfCFTA). Regional integration is a key pathway for African countries to build productive capacity, develop regional value chains, and strengthen their position in the global economy. A reformed WTO should recognize and support such initiatives, ensuring that its rules do not constrain but rather complement regional trade arrangements. For Kenya, which serves as a major logistics and trade hub in East Africa, stronger regional integration under AfCFTA provides an opportunity to consolidate its role in regional supply chains before competing more broadly on the global stage.

In addition, WTO reform must address emerging issues in digital trade in a manner that reflects the development needs of African countries. While digital trade offers significant opportunities, there is a risk that new rules could limit policy space, particularly in areas such as data governance and digital taxation. A development-oriented approach would avoid imposing overly restrictive disciplines and instead support capacity-building, infrastructure development, and technology transfer. Kenya, as a leader in digital innovation and mobile financial services, stands to benefit greatly from a supportive global framework that allows it to regulate and expand its digital economy while fostering local innovation.

Finally, the relationship between trade and sustainability must be carefully managed to ensure that environmental measures do not become disguised forms of protectionism. As countries increasingly adopt climate-related trade policies, such as carbon border adjustment mechanisms, there is a risk that African exports could face new barriers. A reformed WTO should ensure that such measures are fair and accompanied by financial and technological support for developing countries to transition to greener production methods. Kenya, which has made significant progress in renewable energy, could benefit from expanded opportunities in green trade, but only if global rules are designed to be inclusive and supportive rather than exclusionary.

Taken together, these reforms would produce a WTO that is more development-oriented, equitable, flexible, and inclusive. For Kenya and other African countries, this would mean a system that prioritizes industrialization and poverty reduction, corrects long-standing imbalances in global trade—particularly in agriculture—allows the use of policy tools necessary for structural transformation, strengthens Africa's voice in global governance, supports regional integration through AfCFTA, and ensures that trade rules are enforceable through a restored dispute settlement mechanism. Ultimately, such a reformed WTO would not only enhance multilateral stability but also create the conditions for more balanced and sustainable global economic development. Such reforms would balance development equity with multilateral stability.

## CONCLUSION

The analysis demonstrates that while the WTO remains a cornerstone of global trade governance, its current institutional design is insufficiently aligned with the developmental priorities of African economies. For Kenya, the multilateral trading system presents both opportunities and structural constraints: it provides access to global markets and legal predictability yet simultaneously limits policy space needed for industrialization and perpetuates reliance on primary commodity exports. The persistence of agricultural subsidies in advanced economies, the erosion of an effective dispute settlement system, and rigid trade disciplines collectively undermine equitable participation in global trade.

Meaningful WTO reform must therefore strike a balance between preserving the benefits of a rules-based system and addressing longstanding structural inequalities. This requires restoring the credibility of the dispute settlement mechanism, strengthening enforceable Special and Differential Treatment provisions, and allowing greater flexibility for development-oriented industrial policies. Additionally, reform must ensure compatibility with regional integration initiatives such as the African Continental Free Trade Area, which are critical for enhancing intra-African trade and building productive capacity.

For Kenya and other African countries, WTO reform is not merely a technical or procedural issue but a strategic imperative for achieving structural transformation, economic diversification, and sustainable development. Without such reforms, the multilateral trading system risks losing both legitimacy and relevance in an increasingly fragmented global economy. Conversely, a development-oriented WTO has the potential to serve as a platform for inclusive growth, enabling African economies to participate more effectively in global value chains while safeguarding their long-term development objectives.

## WAY FORWARD

While this study has highlighted the structural and institutional challenges within the WTO and their implications for African economies, particularly Kenya, it also opens up several avenues for policy action and future research. Addressing these issues requires both immediate strategic engagement and longer-term analytical inquiry.

First, African countries, including Kenya, need to strengthen collective bargaining power within the WTO through coordinated negotiation platforms such as the African Group. Acting as a unified bloc would enhance influence in negotiations on key issues such as agricultural subsidies, Special and Differential Treatment (SDT), and dispute settlement reform.

Second, Kenya should adopt a dual strategy that leverages both multilateral and regional frameworks. While advocating for WTO reform, it should simultaneously deepen engagement with the African Continental Free Trade Area (AfCFTA) to build regional value chains, enhance industrial capacity, and reduce dependence on extra-continental markets.

Third, there is a need for increased domestic investment in trade-related institutional capacity. This includes strengthening technical expertise in trade negotiations, legal capacity for dispute settlement participation, and data systems for monitoring trade performance. Such capacity would enable Kenya to better utilize existing WTO provisions while advocating for reforms.

Fourth, policy coherence at the national level is critical. Trade policy should be closely aligned with industrial policy, agricultural strategy, and digital economy frameworks. This alignment would ensure that Kenya fully exploits any expanded policy space arising from WTO reforms.

Fifth, strategic use of existing flexibilities within WTO rules should be prioritized. Even before reforms are achieved, Kenya can maximize current provisions such as safeguards, subsidies within permissible limits, and regional trade arrangements to support domestic industries.

Finally, African countries should actively participate in shaping emerging global trade rules, particularly in areas such as digital trade and climate-related measures. Early engagement is essential to ensure that new rules do not replicate existing asymmetries but instead support inclusive development.

## **AREAS FOR FURTHER STUDY**

This study also points to several important areas where further research is necessary:

### **1. Quantitative Impact of WTO Reforms on African Economies**

Future research could employ econometric and simulation models to estimate how specific reforms—such as subsidy reductions or enhanced SDT—would affect trade flows, industrialization, and welfare outcomes in countries like Kenya.

### **2. Interaction Between AfCFTA and WTO Rules**

There is a need for deeper analysis of how regional integration under AfCFTA can be harmonized with WTO obligations, particularly in areas such as rules of origin, tariffs, and industrial policy.

### **3. Digital Trade and Development Policy Space**

As digital trade becomes increasingly important, further study is required on how global digital trade rules may affect developing countries' ability to regulate data, support local innovation, and capture value from the digital economy.

#### 4. Dispute Settlement Accessibility for Developing Countries

Research could examine barriers faced by African countries in utilizing the WTO dispute settlement system and propose institutional reforms to enhance accessibility and effectiveness.

#### 5. Sector-Specific Industrialization Pathways

Detailed case studies on sectors such as agro-processing, textiles, and pharmaceuticals would provide insights into how WTO rules interact with national industrial strategies.

#### 6. Climate-Trade Nexus and African Competitiveness

With the rise of environmental trade measures, further research is needed to assess their potential impact on African exports and identify strategies for green industrialization.

Ultimately, the way forward requires a combination of strategic engagement, institutional strengthening, and evidence-based policymaking. WTO reform alone is not a panacea; its developmental impact will depend on how effectively African countries, including Kenya, position themselves within both global and regional trade systems. At the same time, continued research is essential to inform policy choices and ensure that trade governance evolves in a manner that supports equitable and sustainable development.

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