I wish I shared Ganesh’s optimism about the chances of salvaging the Doha round. Alas, I do not. We are are in a mess. And we won’t get out of it unless we are clear what got us into it in the first place. I see four main reasons:

**First.** Doha’s troubles are not due primarily to deficiencies in the WTO as an institution, and they won’t be solved simply by tinkering with its mechanics. They are rooted in deeper dysfunctions affecting multilateralism more generally. The problem is not that the WTO has too many members, but that the ones who matter cannot agree on much. Their differences extend far beyond trade. Much the same fault lines also divide other multilateral forums, from the G20 to the climate change talks. That is why expectations that deadlocks in Doha can be broken by kicking them upstairs to G20 summits have been repeatedly disappointed.

To understand why the post-war multilateral model no longer works as it once did, one needs to recognise, first, that paradoxically it took a global hegemon to create and then maintain the system. Its foundations were laid in an utterly different era, when the US enjoyed quite overwhelming economic, financial and military power that enabled it to set the rules of international co-operation and to ensure others kept to them.

It did so because of exceptional, arguably unique, historical circumstances that created an identity of US and global interests, enabling it to view its national interest from a broad, long-term, perspective that transcended short-term
advantage. Its overarching objective was enhancing global security: initially, to prevent a return to the ruinous conditions that led to the second world war, and then to contain Communism. The means was promoting the development of prosperous and stable allies. Free trade was one of the tools.

The end of the Cold War undermined a central pillar of that geopolitical imperative. Meanwhile, two other things happened: America’s economic and financial capacity to bear the costs of leadership declined, while new industrial and economic powers have arisen – first Europe, then Japan and now China and the rest of the Brics. All these new players have been emboldened to advance their own interests more vocally; yet none has proved either willing or able to shoulder the responsibility of global leadership that the US once bore.

The result has been a diffusion of power between different centres, producing what economists call a state of stable disequilibrium – basically muddling through by means of ad hoc compromises and accommodations. A Martian visitor to earth today might ask: “Who, if anyone, is in charge here?” So far, we have no good answer. Until we do, we are unlikely to move beyond the current flux towards a new structure of international co-operation.

The second reason for Doha’s troubles is profound and complex changes in the structure of the world economy and of international trade that are not reflected in either the WTO’s agenda or its negotiating methods. One of the most
important is the simultaneous emergence of foreign direct investment as the main driver of global integration and the re-configuration of much world trade around cross-border production networks.

The consequences of those trends are far-reaching, for the politics as well as the economics of trade. They have challenged the old assumption, central to past trade rounds, that the interests of countries and the companies headquartered in them are largely the same. The breaking of that link can have positive benefits: for example, in many developing countries, particularly in Asia, the drive to attract FDI and link deeply into global supply chains has provided a positive impetus for autonomous liberalisation.

However, there are big negatives, too. In the US and much of the west, multilateral trade liberalisation has traditionally been sold to public opinion on the argument that it created jobs at home. But with high, and probably structural, unemployment in many industrialised economies, and with companies increasingly scattering production around the world, the argument has lost much of its power. However, persuasive new ones capable of rallying public support have yet to be found.

The third reason is China. While China has generated much of the world’s growth during the global crisis, the competitiveness of its exports has created pushback in both developed and developing countries. If many of the latter are unwilling to lower or even bind industrial tariffs at applied levels – one of the main stumbling blocks in Doha
– one of the main explanations is fear of being overwhelmed by Chinese exports. Such fears are shared by other Brics countries, raising doubts about how far they can act as a cohesive grouping in global policy-making.

Finally, the **fourth** reason for Doha’s difficulties is reform fatigue in much of the world. Trade liberalisation usually yields its biggest benefits when integrated with policies that aim to bulldoze domestic as well as external market barriers. Yet the great wave of productivity-enhancing, market-oriented, structural reforms that swept across the US, the EU, China and other countries in the 1990s has largely subsided. It has been succeeded, at best, by piecemeal incrementalism – and at worst, by backsliding.

Today, in many countries, widening economic inequality, stagnating median real incomes and rising popular expectations are all pushing the distribution, as distinct from the generation, of wealth higher up the policy agenda. How far coping with those pressures can be reconciled with the short-term dislocations and political controversy that tend to accompany structural reforms remains an open question.