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The Gulf between Baghdad and Doha

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Several senators called on the United States to withdraw from the multilateral body. Wilbur Ross, chairman of International Steel Group, blamed the burgeoning balance of payments deficit on the rulings and regulations of the WTO.

According to Steve Seidenberg in the National Law Journal, defiance of the WTO is a growing trend. Gary Horlick of the Washington DC law firm, Wilmer, Cutler & Pickering, reckons that one in seven judgments rendered by the WTO's dispute mechanisms have been hitherto ignored.

Nor is the USA alone in its transgressions.

Ten polities - including the European Union and Canada - are serial violators. The WTO cannot enforce its decrees. It can only grant complainants permission to retaliate by imposing their own tariffs on products imported from the unrepentant country. This is a blunt and ineffective instrument. Experts warn of a return to unilateralism with the entire edifice of multilateral trade law discredited.

Revamping the dispute settlement rules is one item on the agenda of the current phase of trade negotiations, dubbed, in a November 2001 WTO Ministerial

Conference, the Doha "Development" Round. Like the rest of the itinerary, it is going nowhere fast.

Alarmed by a looming and unrealistic deadline on May 31, 2003 the Chairman of the Dispute Settlement Body (DSB), Peter Balas, proposed to first concentrate on a framework document, followed by a draft text. But, as James Wolfensohn, the former President of the World Bank, observed, with everyone preoccupied with Baghdad, Doha - arguably far more crucial to the global economy - is sidelined.

This is unfortunate - and ominous. The 146 members of the WTO - the newest one being Macedonia - failed to agree on the future shape of farm trade by the stipulated deadline of March 31, 2003. The goalposts were then moved again and again with a deadline conference in December 2005. The September 2003 Ministerial Conference convenes in Cancun, Mexico was an abysmal failure.

In the meantime, the multilateral regime which bolstered international trade in the past 10 years, is being supplanted by a patchwork of bilateral and regional treaties, albeit subject to WTO rules. Scholars disagree whether, in the absence of a global compact, these are preferable to the status quo. But everyone accepts that international rules are the best option.

But divisions run deep.

India - an important player and the unofficial spokesperson for the "less privileged" club - joined Cuba, Egypt, Malaysia, Dominican Republic, Honduras and Jamaica in demanding "special and differential developing country provisions". With Indonesia, Malaysia, Mauritius, Egypt, Kenya, Nigeria, Tanzania, Uganda and Zimbabwe, it insists on preferential market access for the group's non-agricultural goods.

The developing countries regard the previous Uruguay Round as a rip-off perpetrated by the club of developed and industrialized countries at the expense of the indigent. They have sworn not be led down the garden path again. Hence their furious resistance to demands to expand the negotiations to include such issues as animal welfare, food safety and labeling and the protection of geographical trade names. They see these as thinly veiled attempts to introduce trade restraints through the backdoor.

Instead, they want to concentrate on their main exports - agricultural produce and textiles - on tariff reductions and preferences, special treatment for certain products and safeguard provisions. Some of them want rich-world farm and export subsidies - totaling more than $300 billion a year - dramatically reduced, or even eliminated altogether. Export credits and state-owned trading enterprises are also contentious topics. The atmosphere is so dour that no one even broaches industrial tariffs and anti-dumping.

Poor countries are especially incensed at the United States for having torpedoed an agreement to grant poor countries access to generic drugs to fight AIDS and other diseases - and at the European Union for postponing any serious tweaking of its egregious Common Agricultural Policy (CAP) to 2013.

The United States - faced with inane European subventions - raised its own farm support by a whopping four fifths in May 2003. Yet, it is still far below EU largesse. America is also the prime driver - together with the Cairns group of agricultural exporters (including Canada, New Zealand, Australia and Brazil) - of a bold initiative to cut subsidies down to 5 percent of production, to slash tariffs to 25 percent and to abolish all export-related aid.

Japan, insensitively, is trying to reduce its rice import quota. Together with Norway, India, the EU and South Korea - known as the "friends of multifunctionality" - it is championing an unworkable "linear" formula by which countries should cut subsidies and tariffs equally, irrespective of prevailing levels of farm aid. Even so, the EU would like to slash subsidies by no more than 45 to 55 percent and tariffs by less than 36 percent, as per the WTO's Agreement on Agriculture.

Nor is the camp of developing countries either homogeneous or cohesive. African and Caribbean nations enjoy preferential access to markets in the EU and the United States. Others - notably India - are terrified of the inevitable onslaught of efficient competition following farm liberalization. But no country, rich or poor, seems to be preparing its agricultural sector to cope with the impact of a successful Doha round.

Time is running out. The term of Pascal Lamy, the EU's capable trade commissioner, ended in 2004 and he was replaced by Peter Mandelson. President George Bush's fast track negotiating authority expires in 2007, if he makes it that far. As The Economist warns, the "peace clause", yielded by the Uruguay Round, elapsed on December 31, 2003. While in force, it prevented a deluge of farm-related litigation from erupting on the scene. A trickle is already evident: Brazil has sued both the USA and the EU over cotton and sugar subsidies, respectively. Textile wars erupted between China and both the EU and the USA and were settled by inconclusive short-term agreements.

The crisis at the WTO is part of a global transition from the multilateralism that characterized the Cold War - to unilateralism or, rather, bilateralism. The breakdown of consensus-based alliances strains international institutions and laws. National - or supranational - interests emerge as renewed sources of legitimacy. While the United States may be blamed for the demise of political multilateralism - it is the EU that is largely responsible for the collapse of the international economic order.

The Doha Development Agenda falls prey to these geopolitical upheavals as it tries to tackle the most prickly issues. In a presentation in March 2003 to the 3rd International Temperate Rice Conference in Punte del Este, Uruguay, Dan Horovitz, of the Theodore Goddard law firm in Brussels, reminded the participants how uncertain the outcomes are:

"Whereas the average non-agricultural worldwide tariff is 4 percent, the average tariff imposed by developed countries on agricultural products is 40 percent, with peaks as high as 500 percent ... The new Round's negotiations are of paramount importance for the very viability and credibility of the WTO system. A failure to provide for proper solutions to the problems of the global agricultural trade would have particularly devastating results not only for trade in agriculture, but for the current trading system as a whole."