

Need a stronger WTO to fight Trump's trade pivot

The Cameroon ministerial meeting this week offers a platform for countries, including India, to secure the global trade body from American unilateralism

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In the 1960s and 70s, post-colonial States — India playing a paramount role — launched an ideological movement known as the New International Economic Order (NIEO), which emphasised economic redistribution, solidarity among the Third World, and substantive (not just formal) equality of nations in economic matters. It was a gallant pushback against the West-dominated international economic order, which retained the remnants of imperialism. While the NIEO movement lost steam in the 1980s and 90s due to the emergence of a neoliberal consensus, it did manage to blunt some of the sharp edges of the West-dominated economic order.



Today, we are witnessing a new NIEO moment, this time launched by the US because of its disenchantment with the WTO. (Getty Images via AFP)

Today, we are witnessing a new NIEO moment, this time launched by the US because of its disenchantment with the WTO, which is pushing the global trade regulator to the margins. The US's NIEO, rhetorically dubbed the Trump Round by US Trade Representative Jamieson Greer, aims to legitimise American coercive power to secure market access and to prioritise American interests through non-reciprocity and unilateral enforcement. The recent US Agreements on Reciprocal Trade (ART) provide a sneak peek into this American NIEO.

It is against this background that the member-countries of the WTO are meeting for the 14th ministerial conference in Cameroon beginning Thursday. While a breakthrough is unforeseen, countries will do well to remember what is at stake and use this ministerial as a signalling opportunity to defend the WTO. To examine

what countries need to do in Cameroon, it is first necessary to understand the crisis.

Historians like Quinn Slobodian argue that the formation of the WTO in 1995 was a neoliberal triumph. Rooted in the ideas of Friedrich Hayek and other Geneva School neoliberals, the WTO was supposed to act as a global legal structure that would encase capitalism from democratic interference, without necessarily shrinking the State. On the other hand, the story of the evolution of the international trading order from the General Agreement on Tariffs and Trade (GATT) to the WTO is more nuanced. According to this account, GATT reflected what John Ruggie called the compromise of embedded liberalism, which represented a qualified support for free trade and permitted State intervention. Arguably, the journey from GATT to the WTO diluted embedded liberalism, with stronger neoliberal elements incorporated into the multilateral trading regime, such as binding rules on trade in services and intellectual property, and limitations on countries' rights to adopt industrial policies.

While there is dissonance over how the WTO came to fruition, what has happened over the last three decades is pivotal to understanding the US's disenchantment. The US's political power was chiefly responsible for the creation of the WTO. The belief in Washington was that the WTO would help consolidate US trading interest by imposing restraints on others.

The inclusion of China in the WTO was expected to discipline the Chinese Communist State. Alas, it did not happen. China used WTO law effectively to expand its trade; some call it mercantilism. The US lost high-profile disputes to China and others on sensitive issues such as trade remedies and failed to push for new rules that suit its interests at the WTO.

The US's frustration with the WTO's failure to establish new trade rules is echoed by many countries. This legislative crisis has diminished the WTO's importance and led to the proliferation of free trade agreements (FTAs) as new sites for legalising trade relations. These FTAs encompass trade rules that go beyond the WTO framework, arise from asymmetrical power dynamics, and often impose neoliberal constraints on States. The US's ARTs push this several notches further by unleashing an imperial global trade structure that goes beyond even typical neoliberal approaches.

Thus, in Cameroon, developing countries like India that stand to benefit most from augmenting the multilateral trading system, which gives them some agency at the global level, need to revive the WTO's legislative arm. A chief reason for the WTO's failure to agree on new rules is the consensus-based decision-making process, where even plurilateral agreements — trade agreements that do not bind all members — require consensus to be added to the WTO rulebook, unless they are unilaterally inscribed by countries in their schedules of commitments. This gives virtually every WTO member a right to veto a plurilateral agreement, even if it doesn't wish to be bound by it. This WTO practice is contrary to what happened under GATT during the Tokyo Round of negotiations, when willing countries agreed to plurilateral trade agreements that were later multilateralised.

WTO member countries have taken several plurilateral initiatives covering a wide array of issues, including investment facilitation and electronic commerce. Bernard Hoekman and others argue that, given the varying needs of the 164 WTO members, it is time to seriously consider “variable geometry” in WTO rule-making. This approach would allow subsets of countries, subject to certain thresholds, to pursue deeper trade integration without requiring the consensus of all 164 members. Pursuit of this variable geometry should be subject to guardrails, including not diminishing the rights of non-signatories, non-discrimination, and the ability of non-signatories to join later. True, it will fragment the WTO system following a “clubs within clubs” approach. But it’s a small price to pay to keep the WTO relevant, which is the best antidote to fight the US’s imperial NIEO and pursue embedded liberalism. What is at stake is not just a ministerial meeting but also the future of trade multilateralism.

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