

Reconstructing an international trade order for the 21st century

Rob Davies

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Let me begin by thanking the organizers for arranging for me to participate in this important conference. I am particularly honoured and privileged to have been invited to make some remarks at this prestigious session.

The title of my contribution is “Reconstructing an International Trade Order for the 21st Century”, but before I make my own remarks, I would like to recall the memory of a great citizen of this country, Martin Khor, who I am certain would have been here with us today imparting great wisdom on the topic assigned to me had he not tragically and prematurely passed away in April 2020. Martin was the quintessential activist intellectual. His analyses were always thoroughly researched and rigorously argued. He was a tireless and committed campaigner for development and inclusivity in international trade and broader economic relations. I came to know him and appreciate his wisdom and energy when he was director of the South Centre in Geneva between 2009 and 2018. Martin was adored by many of us in the Global South, but he also had a knack for finding his way into all sorts of meetings where he was not always welcomed by the organizers or other participants. On these occasions he fearlessly spoke truth to power, but he was always very supportive and encouraging of any he saw as trying to defend and advance positions beneficial in particular for peoples of the Global South.

The overall theme of this conference is “The Creation of a New Just and Humane International Order”. This is indeed highly pertinent, particularly in the global circumstances we now find ourselves in. Over the course of this year, we have seen a massive acceleration of a trend evident now for more than a decade whereby leading countries and blocs in the Global North have unilaterally departed from and progressively violated the very multilateral trade rules they themselves were at the forefront of crafting and imposing on the rest of us in the heyday of hyperglobalization and neoliberalism. Indeed, I would go so far as to suggest that this year, we have seen a transformation of quantity to quality with what amounts now to an attempt to upend the entire rules-based multilateral trading system.

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Address: 131 Jalan Macalister, 10400 Penang, MALAYSIA Tel: 60-4-2266728/2266159 Fax: 60-4-2264505

Email: twn@twnetwork.org Website: www.twn.my

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It's not that the rules established during the era of hyperglobalization and neoliberalism were designed to support development and inclusivity, particularly in the Global South. They decidedly were not. As a statement made in 2022 to the World Trade Organization (WTO) by the Africa Group and other developing countries noted, the Uruguay Round (the foundation of the current multilateral trade rules) created and entrenched "many imbalances". These included the imbalances to the partisan advantage of the Global North that made perfectly legal regimes of high tariffs and subsidies in agriculture that were denied to countries of the Global South in Non-Agricultural Market Access rules. Provisions on Special and Differential Treatment [for developing countries] were often vague and difficult to access. Key demands of Least Developed Countries were ignored or marginalized and there was much constriction of policy space necessary to promote diversification, industrialization and development across the Global South.

These rules were a product of power relations established at the end of the Cold War when the United States emerged as the single undisputed hegemon at the head of an alliance embracing most of the industrialized countries of the Global North. But the so-called Washington Consensus established at that time at least exerted its power through the prism of a rules-based system. Now we are being confronted with an exercise of raw unfiltered power and outright bullying.

The so-called Trump tariffs introduced by the United States this year – both the national-security-justified Section 232 tariffs on steel, aluminium, copper, automotive products and more recently pharmaceuticals, and the so-called "reciprocal tariffs" imposed as a supplemental tariff on imports from practically every country in the world – manifestly disregard and violate multiple multilateral trade rules. They breach the US's WTO bindings, a ceiling above which applied tariffs are not supposed to rise. In several cases, they include capricious and subjective loadings on top of the base rates applied to specific countries (including my own) with whom the US has some (often political) difference, thereby blurring the lines between tariffs as a tool of economic policy and tariffs as a sanctions weapon. Applying such loaded "reciprocal tariffs" to specific selected countries violates the Most Favoured Nation (MFN) principle, and while WTO rules do allow for a national-security departure, this has to face a test of an imminent emergency – clearly something not applicable in this case. These unilateral departures have all been made possible by the disabling of the WTO's Appellate Body during the first Trump administration, an action that was not reversed under President Biden.

These measures have been implemented with the openly stated intention of tilting the balance in global trade to the partisan advantage of the United States. But there is another, less overtly proclaimed effect they are promoting as well. Raw materials needed by US industries are exempted and the tariffs target value-added products, including from developing countries and emerging markets. Taken together with a drive for "critical minerals" deals focused on supply of unprocessed commodities, their impact amounts to an ill-disguised attempt to reinforce the division of labour created under colonialism in terms of which countries of the Global South were relegated to the role of producers and exporters of raw materials transformed into value-added products elsewhere.

But it is not the United States alone that has been involved in upending the currently existing multilateral trading system. Several governments of economies of the Global North have also been complicit. Those that have negotiated transactional deals, particularly during the period of the pause of the reciprocal tariffs between April and August, have tacitly accepted US tariff increases that have breached WTO bindings. They have entered into agreements that fall far short of meeting the requirement that WTO-legal free trade agreements must cover substantially all trade, failing which all concessions granted or received are supposed to be, but have not been, extended to all other WTO members in accordance with the MFN principle.

Beyond this, several other countries or blocs in the Global North have made their own unilateral departures from established rules and practice. Sometimes justified as measures to combat the threat of climate change, it is not too difficult to unpack their underlying intention to protect domestic industries against competition. Next year we will be charged levies under the Carbon Border Adjustment Mechanism (CBAM) on our exports of specified products to the European Union if their carbon content is deemed to exceed the norms established in the EU's cap-and-trade Emissions Trading System. This is despite the fact that a study commissioned by the Africa Climate Foundation

found that even on the “lightest scenario” (lowest carbon price and least coverage), Africa’s exports to the EU could decline by as much as 4%, while the gains in terms of carbon emissions reductions will be negligible.

The question that arises is: what is driving this? I believe that there are two main drivers. The first is the growing discontent with the reality created by hyperglobalization and neoliberalism, spreading now to include working-class people and parts of the middle class in the Global North. In the 2018 revisited edition of his bestseller *Globalization and Its Discontents*, Joseph Stiglitz observes that the discontent he recorded in the 2002 original version had arisen in emerging economies and developing countries, and was a product of North-South inequalities summed up in the statistic that 85% of the world’s population located in poor countries were in receipt of only 39% of the world’s total income. Stiglitz saw this outcome not as a product of globalization per se but of the way in which late-20th-century and early-21st-century globalization had been managed. He critiqued the imposition of “one size fits all” macroeconomic policies that prioritized the achievement of preordained fiscal and monetary ratios over critical developmental imperatives, and oversold and unrealistic privatization programmes and trade agreements that were shaped by powerful vested interests in the developed world and skewed to the disadvantage of poor people in the developing world.

By 2018, however, Stiglitz noted that globalization’s opponents in the Global South had been joined by large numbers of people “in the middle and lower classes of the advanced industrial countries”. These had formed the base of anti-globalist populist nationalist movements springing up in the developed world with ideologies reflecting a nostalgia for the alleged golden days of empire and global dominance. Stiglitz argued that behind the ideologies of such movements were real socioeconomic issues. The incomes of most Americans had essentially been stagnant for three decades and life expectancy was falling. The American dream of regular decent work, a comfortable retirement and intergenerational upward mobility was “increasingly out of reach for a large part of the population ... While moving up the ladder seems increasingly difficult, everyone knows someone who has fallen down”.

It is, of course, not just in the US and Europe that such realities have emerged. Decades of austerity and neoliberalism have widened inequality both between and within countries, with working-class and middle-class people across the world facing a reality of stagnant living standards. Unsustainable debt is afflicting many countries in Africa and elsewhere, with debt service now eating into priority social programmes like health and education as well as developmental priorities. Indebtedness has ballooned since Covid and, coupled with austerity budgeting, has created a serious crisis of underfunding of public services across the world. What we need under such circumstances is a powerful progressive movement uniting working people and the poor across the world to promote radical structural change. The tragedy is that right now we are divided and reactionary ethnic nationalism is occupying that space.

But there is a second, and arguably more important, driver of unilateralism. That is the inexorable but highly contested transition from the unipolar world order with its single uncontested global hegemon established at the end of the Cold War to a new world order that will, without doubt, be more multipolar. Even the Trump administration now appears to recognize that the age of unipolarity is over. It sometimes speaks of two or three, or perhaps two-and-a-half, global powers, with China grudgingly respected as a peer competitor and Russia as a military power. Less acknowledged is the emergence of several regional powers among the so-called emerging economies and, even less than that, the voice and claims of countries and peoples outside of those groupings, demanding a role in shaping a new world order. It is this reality too that has shaped the unilateral departures from existing trade rules. Initially aimed at “containing” the rise of China, these are now targeting any other potential upstart and asserting US dominance within the trio of global powers.

The shape of a new global order is yet to emerge and it may well take years or even decades before a stable multipolar regime emerges. It will be the product, in part, of struggles and contestations that are underway right now. The well-known quotation from Antonio Gramsci’s *Prison Notebooks*, written in the late 1920s and early 1930s, well describes the situation that we find ourselves in today: “The old world is dying and the new world struggles to be born; in this interregnum a great variety of morbid symptoms arise.”

Contemporary “morbid symptoms” are not only, or even principally, confined to the disregarding and violating of existing multilateral trade rules. They are manifest in a broader retreat from multilateralism as it has existed since the Second World War. In the course of this year alone, we have seen the withdrawal by the United States from United Nations agencies – directly in the case of the UN Framework Convention on Climate Change, or indirectly by withholding funds and creating acute challenges for several other UN agencies as well as for the UN itself.

We have also witnessed not just blatant political interference in multilateral judicial bodies but active attempts to undermine the International Criminal Court and the International Court of Justice to prevent them ruling on the critical issue of genocide in Gaza. The threat to sanction judges involved in these cases is blatantly part of a broader provision of diplomatic cover and impunity for one of the grossest violations of human rights at any time since the Second World War.

What then is the way forward? The overall theme of this conference, “A New Just and Humane International Order”, points to the need to focus not on multilateralism as it once was but on multilateralism as it could become. Our quest is not to try to salvage or breathe life into an existing, much-challenged network of multilateral bodies and institutions in the name of defending a rules-based order against the onslaught of unilateralism. It is to strive to create a new and different kind of multilateralism, a multilateralism that is more just, more inclusive, more capable of supporting the developmental needs and aspirations of peoples across the world and unites humanity in a common effort to confront such global mega-challenges as the advance of artificial intelligence and the threat of catastrophic climate change.

Building a “New Just and Humane International Order” inevitably requires challenging many existing rules and procedures and striving for radical reform of many current institutions. This is of course highly contested terrain, and the fact that the “new world” envisaged by Gramsci in the late 1920s and 1930s ended up being stillborn reminds us that a progressive outcome is not guaranteed.

This will inevitably be a long-term struggle that may last for several more years or even decades until a stable new multipolar world order is established. In the meantime, we will have to find ways to survive and develop in circumstances of a weakened multilateralism. That will have to include identifying ways in which a weakening of unbalanced trade rules potentially opens up more policy space for industrial development. Let me cite here just one example. The disabling of the WTO’s Appellate Body by the US enabled Indonesia to ward off a challenge to its nickel-processing regulations. According to reports, that country’s prohibition on the export of unprocessed raw nickel has allowed it to increase thirty-fold its earnings from the nickel value chain as it positions itself to become a battery manufacturer. But while we do this, we need simultaneously to find new ways more effectively to insert progressive pro-development and inclusiveness perspectives in ongoing struggles and debates about “reform” of existing multilateral institutions. Indeed, if we are not more active and effective on this terrain, we will cede the space to other forces seeking outcomes that would further entrench patterns of domination.

Let me then reflect on what this means in the area I was asked to address: creating a new, more inclusive and developmental global trading system. In 1974 the UN General Assembly adopted a resolution calling for a New International Economic Order. Among other things, the NIEO called for an “overhaul of the rules of international trade”, for reform of the international financial system, for recognition of the full sovereignty of each state over its natural resources, and for the right of all countries to choose their own social and economic systems. Critically, the NIEO also identified “industrialization [as] ... essential for the diversification of economies, which during colonization focused on a very restricted range of raw materials”. As we strive to build a new multilateralism, it is imperative that we recover and reassert key principles we have formulated and fought for such as those of the NIEO, whilst of course updating specific proposals to take account of current realities and challenges.

Let me then relate this to ongoing struggles over the meaning and direction of “reform” of the WTO, an issue that can be expected to loom large at the 14th WTO Ministerial Conference due to take place in Cameroon next year. There is, of course, not just one project or proposal for WTO reform, but we would be naïve to ignore the fact that there is one that has become much louder than the others and is striving to establish itself as the exclusive pathway to reform. This perspective is manifestly rooted in key demands of powerful vested interests in the Global North,

including in the United States even though the US is now the leading violator of WTO rules. It seeks to weaken and constrain the application of the principle of Special and Differential Treatment, particularly for so-called emerging economies, in order to limit their policy space and restrict their ability to pursue diversification and industrialization. More immediately, it seeks to modify the principle of consensus decision-making to prevent any blockage of proposals emanating from plurilateral Joint Statement Initiatives becoming WTO rules without further modification by the broader WTO membership. Let us be clear: if we let this happen, we will find that the JSI on Electronic Commerce, already concluded, will in the near future become the basis of global rules on digital trade – something strongly supported by the US administration even as it refuses to be bound by other rules. Among other things, this would permanently proscribe “customs duties on electronic transmissions”, which some have called “Special and Differential Treatment” for the global tech oligarchs worth, according to a calculation by UNCTAD, at least \$10 billion per annum.

I have already referred to the 2022 submission on this topic by several developing countries. This argues, by contrast, that “WTO reform does not mean either accepting inherited inequalities or new proposals that would worsen imbalances”. I have also already summarized some of its key proposals and will only add that it cites the Uruguay Round Declaration’s assertion that trade is not an end in itself but a means of “raising living standards and ensuring full employment”, and calls for a systematic addressing of asymmetries to bring greater balance to WTO rules that also need to support an enlargement of policy space for development and industrialization.

What we have on this issue, then, is a clear clash of paradigms, but if we are honest and objectively examine the balance of forces as they exist at the moment, we would have to conclude that if the 14th WTO Ministerial Conference in Cameroon agrees on anything next year – and it may well not, if the US chooses to veto a Ministerial Declaration – it is more likely to be a step in the direction of the currently dominant paradigm of “reform” – a “new proposal that would worsen imbalances”. This paradigm is gaining traction in part because too many of us are succumbing to a seductive siren song telling us that if we want to save multilateralism from the ravages of unilateralism, we have to recognize the “legitimacy” of the unilateralists’ complaints and appease them with concessions. I think I know what Martin Khor would say about this, but the point was also made in the 2022 submission I have repeatedly cited – reform for development and inclusivity does not and should not mean either accepting existing inequalities or surrendering to new proposals that would create new inequalities.

This example at this time of aggressive unilateralism must become a wake-up call to reinvigorate our campaigns and struggles for a new, inclusive and developmental trade order for the 21st century. The harsh reality is that unless we change the balance of forces significantly, the new order struggling to be born could be the opposite of the just and humane order we want, as it was in Gramsci’s time. Beyond reshaping debates in the languishing WTO, the struggle for a more inclusive and developmental trade order for the 21st century must embrace working to forge our own alternative rules and arrangements in our regional bodies – the African Continental Free Trade Area (AfCFTA) in the case of Africa – as well as in groupings like the BRICS and in new models of South-South trade and cooperation.

Rob Davies is a former South African Minister of Trade and Industry. He is currently Honorary Professor at the Nelson Mandela School of Public Governance, University of Cape Town.