



Globalization: Perception vs. Reality

Why Opposition to International Trade and Open Borders is Misplaced, Counter-Productive and Harmful to our Future Security and Prosperity

*“Our true nationality is mankind.”
-H.G.Wells*

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Synopsis

The World Information Technology and Services Alliance is the global voice for the information and communications (ICT) industry, spanning 80 countries across the developed and developing world. The purpose of this paper is to address some of the most worrisome misconceptions and threats to the multilateral trading system that has served the ICT industry as well as all other industries, citizens and consumers so well in modern times.

While anti-globalization forces are not new nor necessarily ICT specific, WITSA feels compelled to challenge them as the recent mushrooming of nativist populist leaders, including in certain key markets, are now engaging in dangerous rhetoric and implementing destructive policies that go well beyond discussions over protectionism or even past concerns over labor and environmental standards, and which - if unchecked- can have long-term detrimental implications for our current, rules-based international order as well as for the future and prosperity of our children and future generations.

Globalization has proved to work for most people and has improved countless lives. If this case isn't made and voiced in strong terms, the case for protectionism and nationalism remain as potent and dangerous as it has been for the past centuries. This paper attempts to debunk some of the main misinformation and misconceptions that are all too often presented as “facts” and identifies several recommended actions and policy principles which WITSA believes can rekindle our faith and trust in international collaboration and trade, as an acknowledgement of our mutually shared interests, interdependencies, values and economic wellbeing.

Context

About WITSA

WITSA is a global consortium of leading ICT industry association members from over 80 countries/economies. WITSA members represents over 90% of the ICT industry.

As the leading recognized voice of the global ICT industry, WITSA aims to drive transformation and expand the use of ICT globally; given that ICT is the key driver of the global economy.

WITSA's members and stakeholders comprise national associations, multinational corporations, institutions and organizations, researchers, developers, manufacturers, software developers, telecommunication companies, suppliers, trainers and integrators of ICT goods and services. As such, they represent a large and obviously vital constituent group for whom the effective balancing of concerns and rights affecting the security, privacy and information capability provided by ICT products and services underpins business development and economic activity.

A Brief History of Globalization

According to Merriam-Webster¹, globalization is “*the development of an increasingly integrated global economy marked especially by free trade, free flow of capital, and the tapping of cheaper foreign labor markets*”. It is also a process of interaction and integration among people, companies and governments of different nations aided by information technology. According to the International Monetary Fund (IMF), there are four main aspects of globalization: (1) Trade and transactions, (2) capital and investment movements, (3) migration and movement of people, and (4) dissemination of people.

Globalization is not by any stretch a new phenomenon. Since the dawn of civilization, people have been buying and selling from far and near. In the Middle Ages, trade was conducted over great distances through the Silk Road, connecting Central Asia, China and Europe. Early economists were certainly conscious of the idea that people and markets become more integrated over time. Adam Smith, the celebrated Scottish economist, philosopher and author and pioneer of political economy, though he never used the term explicitly, described the forces of globalization eloquently in his 18th Century seminal work, *Wealth of Nations*². His description of economic development has as its underlying principle the integration of markets over time. As the division of labor enables output to expand, the search for specialization expands trade, and gradually, brings communities from disparate parts of the world together.

According to the celebrated American journalist and author Thomas L. Friedman, there are three distinct periods of globalization: Globalization 1.0 (1492–1800), Globalization 2.0 (1800–2000) and Globalization 3.0 (2000–present). He states that Globalization 1.0 involved the globalization of countries, Globalization 2.0 involved the globalization of companies and Globalization 3.0 involves the globalization of individuals.^[3]

¹ <https://www.merriam-webster.com/dictionary/globalization>

² <https://www.newhistorian.com/6101-2/6101/>

Territorial expansion and the development of agriculture were main contributors to pre-historic globalization. However, limiting factors were lack of long-distance interactions and technology. That changed dramatically in the mid-1800s which was characterized by dramatic technological progress, which facilitated lower transportation costs as well as increased capital and labor mobility.

After World War II, the world witnessed unparalleled growth and prosperity, *largely through the adoption of free market economic systems*, dramatically improving technologies and productivity, fostering hitherto unlimited levels of opportunity. This was in many regards a “golden age” of globalization, characterized by major international achievements, including the establishment of the United Nations, the Bretton Woods monetary system, the General Agreement on Tariffs and Trade (GATT) and -ultimately-the World Trade Organization (WTO). Multilateral trade was characterized by the five pillars of non-discrimination (most-favored nation rule and national treatment policy), reciprocity, binding and enforceable commitments, transparency and safety values. This period saw the rise of consumerism, civil rights, sexual revolution, welfare state, space race, and most importantly, the rise of the middle class and suburbia - a period of prosperity in which most people could enjoy a job for life, a house and a family.

With the new opportunities in foreign markets, corporations eagerly built factories established production and marketing arrangements with foreign partners. Globalization in the modern era has therefore been defined by its international and financial structure. Globalization has helped promote economic growth, create jobs, make corporations more competitive and lowered prices and increased choice for consumers. It has also provided poor countries with foreign capital and technology, and therefore with an opportunity to develop economically. By spreading prosperity, conditions for peace, democracy and human rights have also improved.

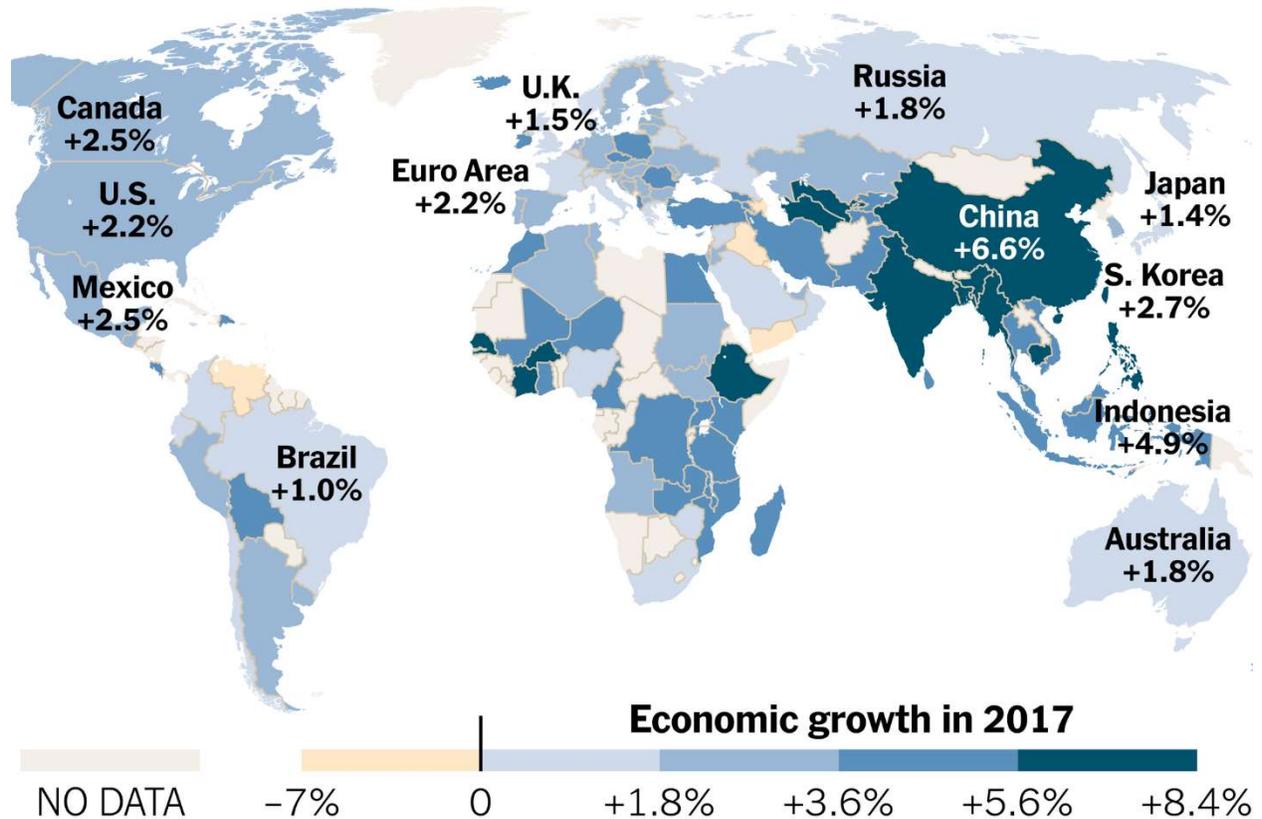
Troubled waters ahead:-Is the Global Trade System Broken?

“Nationalism is an infantile thing. It is the measles of mankind.” -Albert Einstein

By numerous measures, now is a very good time for the global economy. Nearly every major region of the planet is enjoying solid growth and prosperity simultaneously for the first time in a decade. The IMF in January 2018 projected 3.9 percent global growth for 2018³. Developed economies are expected to grow robustly at least through 2019 due to a rebound in trade and favorable financial conditions. The outlook is bright in Asia as well, which is responsible for some two-thirds of global growth, although challenges remain in many emerging and developing countries, in particular in sub-Saharan Africa.

³ Lagarde; <http://www.imf.org/en/News/Articles/2018/04/09/spring-meetings-curtain-raiser-speech>

Nearly every major region of the planet is enjoying solid growth and prosperity simultaneously for the first time in a decade



Source: *The Conference Board; Bureau of Labor Statistics | By Karl Russell*⁴

Yet, as IMF Managing Director Christine Lagarde recently stated⁵, “we can see darker clouds looming.” Some are even more dramatic, claiming that “we are seeing the end of economic growth and innovation⁶.” Big companies are distrusted. Governments and global institutions are perceived to be failing to address the world’s challenges. And globalization is being attacked like never before. One of the key concerns expressed by economists and businesses alike is protectionism, including the threat of all-out trade wars made by certain key government leaders. In McKinsey’s most recent survey of executives’ sentiment on economic conditions; [changes in trade policy](#) remain the most cited risk to domestic and global growth, in all regions and by executives in both developed and emerging economies⁷.

Around the world, many people are looking for ways to press the undo button on globalization. The liberal economic order which Britain, the U.S. and other countries did so much to bring together after World War II is under attack everywhere. Nowhere is this truer than in the current lack of support for free trade and free markets. Some pointed areas of criticisms include:

⁴ <https://www.nytimes.com/2018/01/27/business/its-not-a-roar-but-the-global-economy-is-finally-making-noise.html>

⁵ <http://www.imf.org/en/News/Articles/2018/04/09/spring-meetings-curtain-raiser-speech>

⁶ Robert Gordon; <http://www.tomorrowtodayglobal.com/2016/03/08/are-we-witnessing-the-death-of-innovation-and-the-end-of-growth/>

⁷ <https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/economic-conditions-snapshot-june-2018-mckinsey-global-survey-results?cid=other-eml-alt-mip-mck-oth-1806&hlkid=2d1e47953f484792ac1581012f378d5b&hctky=9166674&hdpid=e6a03ccd-213c-42f7-8a0b-b67d9142aeb7>

Economy & transformation: With thousands of factories closed, millions of jobs lost, and trillions of dollars of international debt left to burden future generations, critics claim that what we are seeing now in terms of populist revolts is just the beginning of a liberal global trading system going into crisis.

Economic Inequality: A related claim is that globalization is a major contributor to economic inequality; even during the most recent period of rapid growth in world trade (1960-1998), inequality increased both within countries and between nations. Furthermore, even after the financial crisis of 2008, inequalities have been on the rise across the developing and developed world⁸. While globalization has bolstered the world economy as a whole, two-thirds of all households in the top 25 most advanced economies saw their incomes stall or decline between 2005 and 2014⁹. The disparity of wealth distribution is getting worse. *The U.N. Development Program estimates that most affluent 20 percent of the world population now consumes 86 percent of the world resources while the poorest 80 percent are left with only 14 percent.*

Exploitation of labor: Anti-globalists often argue that globalization has contributed to human trafficking as well as prisoners and children being forced to work in inhumane conditions without regard for safety – all for the purpose of producing cheap products.

Destruction of the welfare state: “Safety nets” in the developed world, it is said, has come under severe strain from globalization, including from trade imbalances, job losses, immigration and free movement of labor.

State-capitalism and the limitations of the WTO: According to the WTO’s point of view, China’s admission into the WTO in 2001, while a much-celebrated milestone for the multilateral trading system at the time, has allowed for a new state-capitalist system with an aggressive mercantilist trade strategy that exploit flaws in the long-established comparative-advantage trade model¹⁰, the long-held principle that countries that engage in international trade experience mutual gains and prosperity. The Chinese are accused of rigging the trading system through its “Made in China 2025” program -which aims to dramatically increase domestically made products in 10 sectors, from robotics to biopharmaceuticals- as well as through the “peaceful rise” marketing campaign designed to attract Western tech and capital, luring corporations into ill-conceived partnerships, loss of intellectual property and industrial espionage.

China and other state-capitalist countries are accused of maintaining high tariffs, and use export subsidies, government-backed investment funds, standards and licensing requirements, forced technology transfers through joint venture requirements, currency manipulation and tax systems that favor their exporting industries. As a result, net-importing countries¹¹ such as the U.S., Britain and others have seen huge trade deficits as well as loss of jobs and entire industries. Rather than promoting liberalism, it is said, globalization and state-capitalism have contributed to the legitimization and even the empowerment of militant dictatorships such as in China and Russia. In this view, rather than driving economic efficiencies, the system encouraged overcapacity and overconsumption. To these critics, the rise of populist political movements is therefore a clear sign that voters are ahead of their “economic elites” by pointing out that the global trade system is “broken”.

By this assessment, state-capitalists engage in behavior that run counter to the spirit if not the letter of the global trading system, which the World Trade Organization is ill equipped to address. The WTO, it is

⁸ <http://www.thewhatandthewhy.com/a-case-for-globalisation/>

⁹ McKinsey Global Institute (2016): <https://www.mckinsey.com/featured-insights/employment-and-growth/poorer-than-their-parents-a-new-perspective-on-income-inequality>

¹⁰ https://en.wikipedia.org/wiki/Comparative_advantage

¹¹ https://en.wikipedia.org/wiki/List_of_countries_by_current_account_balance

argued, is simply incapable of managing this level of strategic mercantilism. State capitalists have shown a reckless disregard for judicial procedures and rule of law. While they are routinely found in violation of WTO rules, the agonizingly slow proceedings of WTO dispute-settlement panels have often resulted in untenable situation for industries that arise and vanish in mere years. Therefore, it is said, anti-globalists such as President Donald Trump, Bernie Sanders, Brexit advocates and a raft of populist candidates haven't broken the global trading system; they are seen as a manifestation of its failure.

Decline of the Nation State: Another critique of globalism is that decades of breaking down borders and barriers has wrecked the nation state due to its inability to withstand countervailing 21st-century forces, such as global finance, big data, technology transformation, mass migration and ecological upheaval. This has resulted in a disastrous loss of influence by national political authorities over human circumstance, including the protection of jobs. For much of the 20th century, national governments possessed real powers to manage modern economic and ideological energies, and to turn them towards human – sometimes almost utopian – ends. Now, some say, economics and information have successfully grown beyond the authority of national governments and the distribution of planetary wealth and resources is largely uncontested by any political mechanism.

This is, it is said, is why nationalistic populism is so prevalent. From this point of view, macho populism, wall-building and xenophobia, mythology and race theory, and grandiose promises of national restoration are not cures but rather symptoms of nation states everywhere being in an advanced state of political and moral decline¹².

To address these weaknesses, the current political system must be supplemented with much stronger global financial regulations and transnational political mechanisms. Economic and technological progress notwithstanding, globalization is “unfinished” and hindered by the limited parameters of the nation state.

Sustainability: For all the global trading interactions to continue indefinitely, more natural resources than the planet can provide is required: By this estimation, we will need 1.7 planets in order to meet current demands¹³. Within the present highly “dysfunctional” system, it is argued, the only way to come even close to achieving “One Planet Living” and for humans to be living and trading within “planetary limits”, is through protectionist measures and by reducing demand by raising the price of goods and services. As resources become more and more scarce at faster and faster rates, then prices for goods and services will increase to such an extent that the poor will no longer afford to live - which is seen as yet another example of why the global trading system is broken.

Environment: The current global liberal trading system is not only unsustainable, it is also destroying and degrading the ecological world at such an unprecedented rate that we have entered into a new planetary epoch; the Anthropocene¹⁴ - a proposed epoch dating from the commencement of significant human impact on the Earth's geology and ecosystems, including, but not limited to, anthropogenic climate change. Humankind, though globalization, has caused mass extinctions of plant and animal species, polluted the oceans and altered the atmosphere, among other lasting impacts.

¹² **Rana Dasgupta:** <https://www.theguardian.com/news/2018/apr/05/demise-of-the-nation-state-rana-dasgupta>

¹³ <https://www.nationalobserver.com/2017/08/09/opinion/heres-how-many-earths-we-need-meet-our-populations-demand>

¹⁴ <https://en.wikipedia.org/wiki/Anthropocene>

Debunked: Perception vs Reality

In the view of WITSA, most of the ills blamed on globalization are either not true or can be addressed without condemning Globalization. That is not to say that critics do not have real grievances, but that in most cases, they are misplaced, counter-productive and even harmful to the plight of the disgruntled. In this section, we will address some of these misperceptions as well as discuss some real challenges facing the current multinational trading system.

History teaches us a lesson!

History should teach us a lesson. Lest we forget that, not too long ago – in the 1930s, the trading system was truly broken. The Great Depression era was riddled with trade wars, government-imposed tariffs, quantitative limits on trade, the gold standard, discriminatory deals and foreign-exchange controls and imperial preferences¹⁵, resulting in a catastrophic two-thirds drop in world-trade. It got so bad at times that some international commercial relationships even devolved into barter. Economic historian Douglas Irwin¹⁶ of Dartmouth College recounts an example in 1932 of Hungary needing to come up with 29,000 pigs for the 20,000 wagons of wood it wanted to import from Czechoslovakia for fuel¹⁷.

The major powers repaired the wreckage by founding the General Agreement on Tariffs and Trade in 1947, which in 1995 became the WTO. Today that same system coordinates policymakers so that they do not collectively take the world into a trade war, in which most countries would lose.

Blame domestic policy shortcomings!

All progress is disruptive. Trade can disrupt lives. The fact that cross-border trade creates winners and loser while at the same time increasing prosperity on a grand scale has been well known for a long time, as theorized by Nobel-prize winning economist Paul Samuelson as early as in 1941¹⁸. Technology transformations can have even more brutal consequences for workers, industries, and entire communities. Computers, robotics, ecommerce, autonomous transportation technologies and artificial intelligence have and will continue to disrupt. The transition away from coal towards renewable energy have uprooted entire communities dependent on coal mining. At the same time, incredible new opportunities emerge and entire new industries come to life. However, incompatible skillsets as well as mobility issues mean that sizable groups of workers often find themselves left out of the labor market with limited opportunities and little support. All too often, globalization is blamed for these ills, when domestic tax and social policy failures are largely responsible.

The same misconception also applies to inequality. As mentioned above, inequality between nations have actually diminished over the past several decades. Just in China, hundreds of millions of Chinese have been pulled out of poverty since 1978 when the first measures to open the Chinese market and a degree of competition were introduced. Countries that embrace progressive domestic policies to assist workers in adjusting to trade and technology-based disruptions are much better equipped to weather such challenges and are better positioned to capitalize on new market opportunities. Some of the most open, market-driven and trade-dependent countries in the world, such as Denmark, are in fact also among the most egalitarian.

¹⁵ <https://www.britannica.com/topic/imperial-preference>

¹⁶ <https://www.dartmouth.edu/~dirwin/>

¹⁷ <https://piie.com/experts/peterson-perspectives/trade-talks-episode-3-1-trade-wars-and-smoot-hawley-tariff-what-really>

¹⁸ <https://scholar.harvard.edu/files/rogoff/files/samuelson.pdf>

Trade and open markets are also often blamed for domestic fiscal imbalances seen in a number of countries. Trade deficits must be taken seriously, but it should be recognized that often, such as in the U.S., these are to mainly a byproduct of domestic consumption and investment at the expense of savings. Bilateral trade imbalances should not be disregarded, but all too often, they enable domestic policy makers to shift blame, distract from the real culprits of their ills and let them too easily off the hook for their own shortcomings.

Therefore, blame politics, not the multilateral trading system: The global trading system is under severe strain and is being stretched dangerously with threats of trade wars. Protectionist pressures in key trading areas is what is causing this strain and, if the force of such negative trends is not addressed via diplomatic and mutually beneficial solutions, they will have a devastating impact on the world economy. Better sense needs to prevail and soon.

Domestic lawmakers need to consider how - or if - they should help losers from free trade. While the overall gains from international trade— such as raising the aggregate living standards in a country - are indisputable, those left by the curbside will often be tempted into embracing protectionism and populist attacks on trade liberalization, threatening the economic benefits of open markets to the society as a whole. It is therefore incumbent on policy makers to address these concerns head-on, if not on a basis of moral conviction, then surely from the standpoint of sound economic principles: By re-integrating the jobless into the workforce with meaningful and gainful employment.

As different countries are in different stages of development and have different approaches to public finance and labor markets, there cannot be a one-size fits all approach. However, WITSA believes lawmakers should considers the following set of general guiding principles when seeking to address these challenges:

Guiding Principles for Mitigating the Negative Effects of Globalization

- Governments should protect, but not be protectionist. They are advised to accept and embrace the fact that changing consumer preferences and technological change will result in the permanent loss of jobs in predisposed industry sectors. Rather than working against job churning, policy makers should identify solutions that address the plight of displaced workers and their families, but not their jobs.
- As it is notoriously difficult to precisely identify reasons behind job losses, whether from trade or technology transformations (or both), government policy should apply broadly to the displaced.
- Labor-specific policies should not include incentives that discourage workers from finding new jobs. One such example is the concept of a universal basic income, an unconditional cash payment solution to all citizens seen by some as a solution to poverty and the challenges of automation. Labor market policies aimed at increasing employment and programs that offer job-seekers information about employment opportunities should be actively pursued.
- As education is essential to the long-term success of workers and societies as a whole, communities that suffer substantial job losses should be financially supported to help them secure the educational opportunities of children in the afflicted areas. An educated workforce will always be in a better position to take advantage of digital transformation, trade liberalization and the opening up of global markets that globalization entails.
- Policymakers should take an innovative approach to mitigate the negative effects from trade and technology change, including by partnering with industry through public-private partnerships and by providing financial incentives to promote growth in afflicted areas. One such potential solution is to

develop so-called “opportunity zones”, such as was established in the U.S. in 2017 in an attempt to encourage long-term investments in low-income urban and rural communities, providing tax incentives for investors to commit to invest in left-behind places¹⁹.

Treating the insecurity of displaced workers seriously requires balancing mobility assistance and social insurance so empowered workers respond positively to the disruptive, but inevitable, force of change. This is the job of domestic policymakers, not the rules-based trading system.

Prosperity depends on international trade

The importance of international trade as a determinant of growth for countries will remain relevant, for global connectivity is at the heart of the Fourth Industrial Revolution. Countries with high participation rates in international trade will continue to reap the benefits of increasing knowledge and specialization, gaining technology transfer, promoting competition and yielding economies of scale. The full benefits of global trade and investment require other countries to be open. However, there has been a recent trend of nationalism and protectionism sweeping several countries that may blunt the benefits some countries may be able to receive through this enabler.

The Fourth Industrial Revolution could potentially coincide with a slowdown or even reversal of international collaboration

Globalization has reduced income inequality between nations

Furthermore, globalization has contributed to the steady decline of overall income inequality between countries over the past 20 years. This has been a significant achievement and has helped lift hundreds of millions of people out of poverty. Within countries, however, income inequality has actually increased, on average²⁰. Restrictions on immigration, trade and other crossborder flows are on the rise after a quarter-century of rapid globalization. Growing levels of nationalism, protectionism and parochialism, coupled with developed countries seeking to reindustrialize or upgrade their manufacturing sectors raises questions around reshoring. Therefore, the Fourth Industrial Revolution could potentially coincide with a slowdown or even reversal of international collaboration.

Globalization, technology transformation and the end of “cheap labor”

As described above, one of the main criticisms of globalization has been the loss of well-paid middle-class manufacturing jobs in developed countries to developing countries with low-cost labor. However, gradually increasing labor costs in emerging economies coupled with dramatic improvements in and availability of automation technologies have in recent years started to reverse the much-maligned offshoring trends towards reshoring²¹: Developing countries with a primary competitive advantage of low-cost labor face serious risks, as emerging technologies has started to enable reshoring manufacturing back to high-income countries and limit the production opportunities for lower income countries. For example, the Reshoring Initiative found that, in 2016 for the first time in decades, more manufacturing jobs came *back* to the United States than left²². While robotic manufacturing has been known to take away jobs from humans²³, the new reshoring trend is demonstrating that ICT and automation technologies can actually help bring more jobs

¹⁹ <http://eig.org/opportunityzones>

²⁰ World Economic Forum, The Global Risks Report 2017 12th Edition, 2017, http://www3.weforum.org/docs/GRR17_Report_web.pdf.

²¹ <https://en.wikipedia.org/wiki/Reshoring>

²² <http://reshorenw.org/blog/reshoring-initiative-2016-data-report-the-tide-has-turned/>

²³ <https://www.recode.net/2017/3/28/15094424/jobs-eliminated-new-robots-workforce-industrial>

back from overseas than they're eliminating, with a net gain of more than 25,000 jobs across the U.S. manufacturing sector²⁴ from the prior year.

Leapfrogging depends on ICT and Globalization

Leapfrogging opportunities emerge in areas where new technological transformations reveal clusters of new industries and opportunities to realize gains in competitiveness. The pervasiveness of globalization has contributed to widespread uptake of ICTs in developing and developed markets alike. The proliferation of ICTs is key to social, political, cultural and economic transformations, enabled by globalization. ICT innovations and dramatic price reductions can enable emerging markets to leapfrog stages of development to close the digital divide. The adoption of ICTs presents a unique opportunity for developing nations in places like South America, Asia, and Africa to enter the global economy and benefit from the processes of globalization.

ICT innovation is a primary driver of economic growth closely linked to increasing productivity through the adoption of better technologies. Not only is ICT an important industry on its own, but it supports and underpins every other sector of the economy. The availability and affordability of ICTs and Internet access facilitate economic development by reducing transaction costs, by connecting buyers and sellers much more efficiently, and by making possible an unprecedented level of innovation of new business models, customization of services as well as industry disruption²⁵.

However, the development of ICTs depends on an enabling trade environment built on a strong foundation of trade commitments. Anti-trade, protectionist and anti-competitive barriers that impede the growth of ICTs are detrimental to the ability of developing countries to grow their economies and “catch up” to more mature markets.

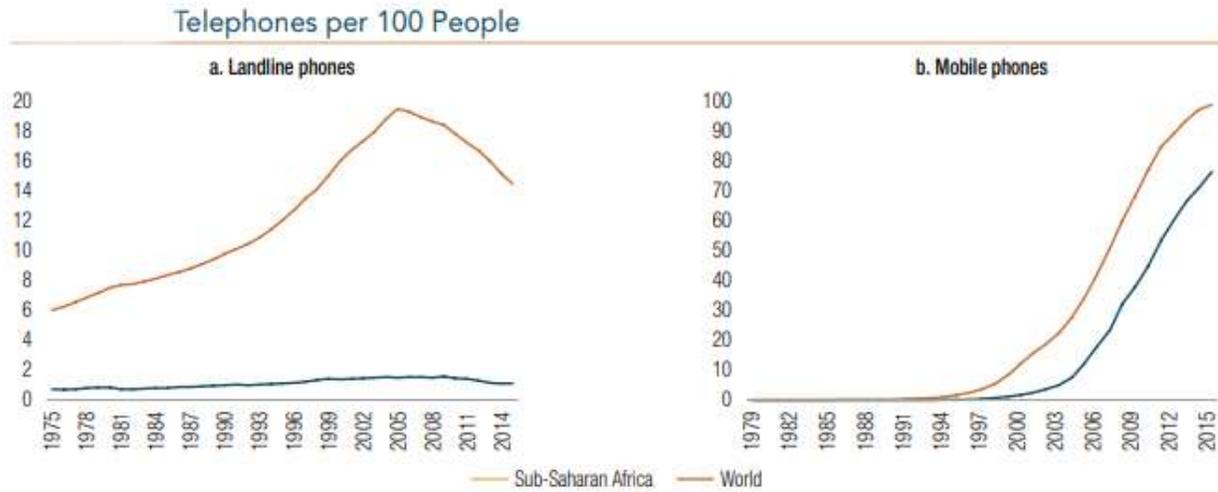
A remarkable success story concerns telephone connectivity in Sub-Saharan Africa, where the gap with the rest of the world has diminished dramatically from the era of fixed lines in 1989, when the gap was an astounding 99 percent, to 2015, when -due to the availability of mobile phones-, the gap narrowed to 23 percent. Similar dramatic improvements have also been seen in the deployment of undersea fiber optic cables throughout Africa. In Ghana, sensors are used to track vaccines in the supply chain, to verify that they have remained at the proper temperature²⁶. A study predicts that around 40 percent of the value-added from the Internet of things will be generated in developing countries by 2025²⁷.

²⁴ <https://www.recode.net/2017/5/26/15656120/manufacturing-jobs-automation-ai-us-increase-robot-sales-reshoring-offshoring>

²⁵ <http://documents.worldbank.org/curated/en/121581505973379739/pdf/119849-WP-PUBLIC-Africa-Leapfrogging-text-with-dividers-9-20-17-web.pdf>

²⁶ World Bank- Leapfrogging: The Key to Africa's Development (2017)
<http://documents.worldbank.org/curated/en/121581505973379739/pdf/119849-WP-PUBLIC-Africa-Leapfrogging-text-with-dividers-9-20-17-web.pdf>

²⁷ McKinsey & Company 2015:
<https://www.mckinsey.com/~/media/McKinsey/Business%20Functions/McKinsey%20Digital/Our%20Insights/The%20Internet%20of%20Things%20The%20value%20of%20digitizing%20the%20physical%20world/The-Internet-of-things-Mapping-the-value-beyond-the-hype.aspx>



Source: Adapted from World Bank data.

No “one size fits all”

Countries at different stages of development can learn from global approaches as they shape their own unique journey in the future of production. However, there is no one-size-fits-all approach for the future, and countries will need to intentionally choose to be different and make tradeoffs as they form and execute their strategy.

Multistakeholder Collaboration

As in all industrial revolutions, input from all stakeholders is required for successful transformation. Governments, companies, trade unions, academia, civil society and others should collaborate to shape the future of production. Public-private collaboration is particularly critical to facilitate participation in future global value chains. New approaches to public-private collaboration to complement traditional models can also help governments effectively partner with industry to unlock new value for the country.

Globalization has proved to work for all people and improves lives

The “Great Again” slogan is misleading and counterproductive

Voters across the world are hungry for change but the hope to make their countries “great again” can be misleading. Nostalgia is part of human nature, but it would be wrong to forget the negatives of the past. At the same time, the case for open borders has to be made and proved by leaders in industry as well as politics. Globalization has proved to work for all people and improves lives. If that case isn’t made and made well, the case for protectionism and nationalism remain as potent as it has been for the past century and more, with results that even the most casual student of history would be able to predict far in advance.

State-capitalism is problematic, but overstated

As discussed above, state capitalists such as China are accused of playing unfairly and posing systemic threats to the multilateral trading system. Nowhere have these accusations been stronger than in the U.S. under the current Administration. However, despite China’s discriminatory and damaging trade practices,

it is not a significant threat to the rules-based trade system and it is not to blame for America's domestically fueled trade deficit and inequality.

It should also be noted that while China has played an aggressively mercantilistic role in the global trade system, some improvements have been made in recent years. One of the most serious concerns have been over China's well-documented campaign of industrial espionage and other malicious cyber activities. However, the 2015 U.S.-China Cyber Agreement²⁸ ("Xi Agreement") has contributed to a significant reduction in malicious cyber occurrences between two nations. China has signed similar agreements with European states as well. There is also evidence that China's exports have had a positive impact on the U.S. GDP, including cheap exports of electrical machinery, which has saved U.S. tech corporations large sums on production costs and boosted America's economic performance on the world market.

Contrary to populist rhetoric, China is no longer a currency manipulator²⁹. Such accusations generally apply to foreign exchange interventions conducted by the PRC prior to 2013. In fact, there is evidence that the much stronger yuan (against the US Dollar) in recent years have helped improve U.S. competitiveness vis-à-vis other markets, such as the European Union. Over the past decade, U.S. exports to China increased a noteworthy 11 percent annually, especially when compared to a smaller 6.6 percent increase in Chinese exports to the U.S. United States in the same time frame. The U.S. has also seen a dramatic increase in its trade surplus in service trade with China since 2006. It is clear that China and America have both benefited from their intricate trade relationships.

Accusations that the global trade system is broken also misses a larger point; we are not about to go back to mercantilism, the discredited and outdated zero-sum way of looking at the global economy³⁰. Producers and consumers around the world have come to expect and rely on the global marketplace. Bad actors in this marketplace must be brought to task but protectionism and tariffs tend to be heavy-handed and will ultimately lead to what the vast majority of economists agree is a lose-lose scenario.

Accusations that the global trade system is broken also misses a larger point; we are not about to go back to mercantilism, the discredited and outdated zero-sum way of looking at the global economy

Of particular concern is the threat of imminent trade wars centered on U.S. tariff increases against China as well as other trading partners and allies. WITSA believes that it is highly unlikely that tariffs will produce any desirous results. The imposition of tariffs will lead to retaliations and unforeseen escalations that will undermine U.S. productivity and raise prices on a wide range of information and communications technologies. In an all-out global trade war, it is estimated that today's global average tariff level of 3 percent may increase to a whopping 35 percent³¹. Leading manufacturer from around the world will lose output, profits and jobs, while ancillary traders and services lose turnover, consumers will suffer a shortage of availability of goods as well as higher prices while governments will have to cope with loss of revenue due to the reduced trade volumes.

It should also be noted that the increasingly complex, intricate and interdependent trade relationships that characterize today's global trade mean that broadly brushed punitive tariffs may not only be ineffective and counterproductive but will often have unintended consequences as well. China is a case in point: Its

²⁸<https://fas.org/sgp/crs/row/IN10376.pdf>

²⁹<http://thehill.com/opinion/finance/357306-mnuchins-right-chinas-not-a-currency-manipulator>

³⁰<https://www.britannica.com/topic/mercantilism>

³¹<http://accf.org/2018/05/08/is-the-global-trade-system-broken/>

economy is now mainly driven by domestic consumption and net exports only account for some 2 percent of GDP. Less than one-fifth of Chinese exports go to the U.S. Two-thirds of the largest exporting companies in China are foreign owned and a third of Chinese exports accrue to American and other non-Chinese companies³². However, China has a major impact on the global market, including on commodity prices, monetary policies, and the fortunes of many multinational corporations; from 2017 to 2019, China is slated to account for some 35 percent of global GDP growth. Furthermore, already complicated economic relationships are made even more sensitive when considering political and strategic issues, such as the need for the U.S. and China to work constructively together on nuclear weapons programs in North Korea and Iran.

The International Monetary Fund estimated in January 2018 that while China would suffer only a modest 0.5% decrease in GDP should a trade war take place, and planned U.S. and Chinese tariffs would have a “not very substantial” direct impact on the global economy, they could nevertheless inflict damage to the driving forces behind global economic growth and do serious damage in the long run by dampening investor confidence³³.

WTO’s rule-based system is not broken!

As stated in our 2016 *Statement of Policy on International Trade in ICT Goods and Services*³⁴, WITSA is concerned about the very real risk that the significant achievements in multilateral trade liberalization since 1948 are being eroded, as nations become introspective and protective in the face of global financial and economic challenges. This is a serious and complex issue for the global business community, affecting not just the future of multilateral negotiations, but – equally important – the future of global trade rule making and dispute settlement.

However, WITSA does not believe the rules-based trade system is broken; in fact, the WTO offers the best route to fix many concerns. The WTO, along with the World Bank and the IMF, are the major multilateral institutions dedicated to international economic cooperation. The WTO was established by its member countries to supervise the rules developed that govern international trade, to liberalize trade on an open, competitive, non-discriminatory, predictable and transparent basis via multilateral trade agreements (MTAs), and to provide an impartial and binding mechanism for adjudicating and enforcing contractual obligations defined by the WTO and accepted by its members. It gives all members, regardless of size or level of development, a platform and a voice. WTO agreements provide the legal ground-rules for global commerce and for trade policy.

Since its inception in 1995, the WTO has faced its share of criticism: Dispute settlement cases take too long and too many countries ignore the trade regulation notification rules – which are necessary for other members and traders to be able to know and comply with their laws and statutes. These are valid criticisms and WITSA supports efforts to reform the WTO in constructive ways dealing with transparency and notification inadequacies as well as measures that can help strengthen and speed up the dispute settlement process. WITSA urges all WTO members to refrain from undermining the WTO dispute settlement mechanism by blocking or not appointing judges, and instead work collaboratively towards strengthening and reforming this much needed process.

Another example of the system working is that the WTO has a solid track record when it comes to trade dispute arbitration. For example, in dozens of earlier occasions when asked to intervene over different

³² <http://www.internationalinvestment.net/comment/opinion-why-fears-of-a-us-china-trade-war-are-overblown/>

³³ <http://thehill.com/policy/finance/383971-imf-chief-warns-of-hit-to-global-economy-from-us-china-trade-war>

³⁴ https://witsa.org/navbar-links/services/statementsPDF/WITSA_Statement_of_Policy_on_International_Trade_2016.pdf

policies, the WTO has largely ruled against China. And China has complied. When deployed properly, the WTO dispute-settlement system has been successful.

Despite its imperfections, only the WTO's rule-based trade system can offer the predictability and accountability that businesses require before risking investment in foreign markets. Reducing and removing trade barriers that limit the availability or increase the cost of ICTs to end-users is a necessary requirement in fulfilling the promise of the Digital Age. WITSA therefore urges all its members and their governments to redouble their efforts to establish and implement multilateral trade liberalization under the auspices of the WTO.

Reducing and removing trade barriers that limit the availability or increase the cost of ICTs to end-users is a necessary requirement in fulfilling the promise of the Digital Age

In countering Discriminatory and Damaging Trade Practices, Governments should seek market access reciprocity through carefully designed measures

Unfortunately, timid and ignorant politicians have failed to address the challenges of globalization head-on and instead propose scrapping the global system to appease uninformed voters. In addition to working through the WTO trade mechanisms, governments can also mitigate concerns over mercantilist trade practices on a bilateral basis through careful legislation and regulation: e.g. by barring firms from working with suppliers who don't adhere to minimum environmental and workplace safety standards, regulating the transfer of technology to foreign counterparties, taxing newly-generated wealth and reinvesting it in displaced workers, preserving economic mobility, etc. Corporate espionage should be countered with political, intelligence, and diplomatic options.

WITSA urge governments to refrain from engaging in punitive sanctions aimed at countering problematic subsidies, forced technology transfer, pilfering of intellectual property, and denial of market access as these do not work. Rather, they should focus carefully tailored actions seeking specific commitments on fair and reciprocal market access and assurances against harmful trade practices with timelines for implementation and accountability mechanisms. Some of these actions may include:

- Afflicted governments should bring a WTO case against China, forcing it to live up to its obligation to publish its thousands of trade-related final measures, including subsidies, in a single report. Enforcing China's publication requirements will also make it easier to bring additional WTO cases for violations on a range of pressing issues, such as subsidies, forced IP and technology transfer.
- Concerned governments should also take a close look at their foreign investment rules to see if they are adequately equipped to review and protect against the take-over of businesses or technologies by a foreign entity controlled by a state capitalist country.
- Governments should also put in place antitrust measures to protect against state-sponsored or directed pricing behavior by foreign corporations. Antitrust laws should also be broadened to include subsidy-related practices by mercantilistic state actors and mergers with foreign state-owned enterprises.
- Governments should engage in carefully targeted legal actions directed against state-controlled foreign enterprises that benefit from stolen IP or coerced technology transfer. Such firms should also be banned from accessing national banking and finance systems.
- Refuse foreign-headquartered businesses the ability to be listed on national stock exchanges unless they disclose financial statements in accordance with generally accepted accounting principles

- Enhance inspection controls against counterfeit and pirated goods. In the U.S., Chinese accounts for some 87 percent of products, at a cost of \$600 Billion annually³⁵.
- Until China complies with accepted international trade norms and practices, WTO member states should continue to oppose a recognition of China as a market-based economy for WTO purposes as this would restrict anti-dumping measures against China's vast export surplus and make it more difficult to pressure China into opening its markets to foreign companies without endless conditions and habitual delays.
- Governments should also consider suspending or limiting scientific and technical cooperation with China until its aggressive IP and technology transfer practices are rolled back.
- Governments may also consider developing WTO non-violation nullification and impairment claims against mercantilistic state capitalists, asserting that they have been denied reasonably expected market access benefits in accordance with Articles XXIII in both GATT and GATS³⁶. While controversial, such claims are designed to counter the capacity of countries to avoid relatively simple obligations and specific tariff concessions in multilateral trade agreements, by making ambiguous domestic regulatory arrangements.
- Governments should build broad coalitions with like-minded allies to concertedly and collectively contesting unfair state capitalist trade practices that diminish and threaten the entire global trading system.

Anti-Globalization threaten Cross-border data flows

Another danger from anti-globalization regards the free flow of information across borders. Cross-border data flows can relate to a multitude of different transactions. For example, personal data that millions of people share on social networking sites like Facebook, Twitter, YouTube, LinkedIn, Qzone, VK, hi5, Weibo and others is used by companies to develop better marketing practices. Cloud computing allows customers and businesses to access digital data from powerful off-site servers. Digital shopping on sites like Amazon is more popular than ever. Physical objects—TVs, home appliances, and cars for example—are being connected to each other more frequently in what's termed the "Internet-of-Things." Far from being exclusive to high-tech firms, data flows are used by almost all businesses and customers. Countries are concerned about these free data flows, however, for a variety of reasons: revelations about the ability of governments to collect digital traffic; protectionist goals to favor local companies; and concerns about the security of personal data, to name just a few. In response, barriers are being imposed on the free flow of data across borders by various nations, both developed and developing.

These barriers to free data flows form considerable obstacles to global trade. Customers would find themselves unable to access valuable digital services. Small and medium-sized enterprises (SMEs), which could greatly benefit from digital trade, would be disproportionately affected by these barriers. They do not have the resources to bear these unnecessary costs and are far more restricted in their global reach. As described in our 2016 *Statement of Policy on Restrictions of the Free Flow of Information Across Nationality/Regional Borders*³⁷, WITSA believes 'data' is an essential resource for healthy economic growth and that excessive restrictions on data will be a barrier to secure management and protection of data. WITSA advocates a principled policy approach which recognizes that data regulations must be simple, transparent and harmonized with other legislative requirements. WITSA also opposes forced localization of data requirements as this interrupts the free flow of data that underpins the complex online networks connecting the globe in ways that threaten the cultural and economic growth potential of the Internet and Internet-based technologies.

³⁵ <https://www.inc.com/associated-press/counterfeiters-cost-600-billion-a-year.html>

³⁶ https://en.wikipedia.org/wiki/Non-violation_nullification_of_benefits

³⁷ https://witsa.org/navbar-links/services/statementsPDF/Cross-border-Data-Flows_final.pdf

Interruptions of the free flow of data that underpins the complex online networks connecting the globe threaten the cultural and economic growth potential of the Internet and Internet-based technologies

Anti-globalization threatens the free flow of human talent across international boundaries

Anti-globalists often blame many of the economic difficulties on foreigners and immigrants. However, as stated in WITSA International Trade paper referenced above, contemporary models of economic growth demonstrate the importance of human capital to knowledge-based economies. For businesses across all sector and sizes, the free movement of high skilled talent globally has become crucial for innovation, shorter production cycles, other competitive advantages, and access to new markets. This enable companies to grow their businesses and number of employees while customers have access to better products and services, often at lower costs.

More and more nations worldwide, including developed and developing ones, are recognizing the value of freely exchanging global talent and thinking. This is part of a continuing shift towards free markets and unrestricted global trade. Evidence of this shift in thinking can be seen in a number of multinational and bilateral agreements between nations. The General Agreement on Trade in Services (GATS) includes “Mode IV” provisions to facilitate the movement of managers, specialists, engineers and other highly skilled service providers. The European Union has adopted the “Blue Card” policy on the conditions of entry and residence of third-country nationals for the purposes of highly qualified employment. The North American Free Trade Agreement (NAFTA); ASEAN Free Area (AFTA); Common Market for Eastern & Southern Africa (COMESA); and Caribbean Community (CARICOM) trade agreements also contain provisions on the free movement of skilled labor and professionals. The Trade in Services (TiSA) negotiations are another opportunity to address Mode IV barriers.

Countries that place barriers opposing the global exchange of talent are risking the success of their own businesses, economies, and societies. And those that have remained wedded to protectionist measures that curb the mobility of global talent or artificially raise the costs of skilled workers are putting their businesses and other institutions at a distinct disadvantage at home and in the global economy.

Countries that place barriers opposing the global exchange of talent are risking the success of their own businesses, economies and societies

Globalization and the Challenges of Abusive Tax Avoidance

When our legitimate revenues are attacked, the whole structure of our Government is attacked. ‘Clever little schemes’ are not admirable when they undermine the foundations of society.

—Franklin D Roosevelt

As described above, one of the criticisms of globalization is the perceived gradual demise of the nation state; the ability of countries to control money flows and secure tax revenue from multinational corporations due to overseas profit shifting schemes. While the increase in trade in goods is the bedrock of globalization, the most rapid expansion has been in the area of finance. Over the span of three decades between 1980 and 2012, capital flows grew five times faster than exports. At the same time, while there have been substantial efforts to establish and strengthen global frameworks for the regulation of trade in goods, much less has been done in terms of coordination of trade in services and finance. These developments in globalization have important implications for taxation.

Fiscal policy in the age of globalization is constrained by increased cross-border capital mobility as a result of a gradual deregulation of capital account regimes. If domestic tax rates in one country are higher than in another, then businesses will be tempted to move abroad either or both their investments and their business profits.

In today's globalized economy, money is therefore transferred out of the national sphere on a grand scale into the vast "offshore" zone. When trillions of dollars are fleeing national borders in tax avoidance schemes, with corporations and individuals exploiting legal loopholes in order to minimize taxes paid, it undermines countries and communities in real and symbolic ways and contribute to national decay. Securing revenue from taxation is a fundamental role of governments, essential to funding basic tasks for citizens, such as providing basic infrastructure, security and law and order, education, general welfare, etc.

There is a broad consensus that globalization has enabled multinational corporations to engage in such practices at the expense of countries and the welfare of citizens therein. In the absence of a global tax policy coordination, profit shifting by large corporations have led to an unsustainable race to the bottom whereby countries engage in tax-based competition over capital and savings.

WITSA believes there is an urgent need for enhanced global cooperation and coordination in order to tackle the challenges that derive from the increased mobility of capital and the ease of shifting profits and savings across borders as well as the disparities in institutional and regulatory environments and the lack of transparency in international transactions³⁸.

As a part of this effort, WITSA endorses the 2015 joint G20/OECD exercise is known as the Base Erosion and Profit Shifting Project (BEPS), which identifies 15 actions to empower governments with both domestic and international tools to address tax avoidance and promoting taxation of profits in the markets where economic activities take place³⁹. These actions⁴⁰:

- address the difficulties that the digital economy poses for the application of existing tax regimes;
- develop model treaty provisions and recommendations regarding the design of domestic rules to neutralize the effects of hybrid instruments and entities (e.g. double non-taxation, double deduction, long-term deferral);
- sets out recommendations to strengthen the rules for the taxation of controlled foreign corporations (CFC);
- outline a common approach based on best practices for preventing base erosion through the use of interest expense;
- revamps the work on harmful tax practices with a focus on improving transparency;
- develop model treaty provisions and recommendations regarding the design of domestic rules to prevent treaty abuse;
- contain changes to the definition of permanent establishment to prevent its artificial circumvention;
- contain transfer pricing guidance to assure that transfer pricing outcomes are in line with value creation in relation to intangibles;
- establish methodologies to collect and analyze data on BEPS and the actions to address it;
- contain recommendations regarding the design of mandatory disclosure rules for aggressive tax planning schemes;

³⁸ UN DESA International Tax Cooperation and Implications of Globalization (2014)
http://www.un.org/en/development/desa/policy/cdp/cdp_background_papers/bp2014_24.pdf

³⁹ <http://www.oecd.org/ctp/beps-about.htm>

⁴⁰ <http://www.oecd.org/tax/beps/beps-actions.htm>

- contain revised guidance on transfer pricing documentation, including the template for country-by-country reporting, to enhance transparency;
- develop solutions to address obstacles that prevent countries from solving treaty-related disputes under mutual agreement procedures (MAP); and
- provide an analysis of the legal issues related to the development of a multilateral instrument to enable countries to streamline the implementation of the BEPS treaty measures

The BEPS requirement of country-by-country reporting to tax administrations of revenues, profits and taxes paid is a laudable step forward for transparency. The same can be said for the measures aimed at preventing avoidance of tax by contracting out important business functions, such as sales and distribution activities, to separate companies. All too often, companies are able to circumvent tax nexus rules by creating large numbers of subsidiary companies.

However, there is much more work to be done, including how best to address one of the most urgent problems of the current global tax framework: the transfer pricing system – the almost unlimited ability of companies to move profits around the world toward low tax jurisdictions. In this regard, WITSA urges governments collaboratively to explore simplified and harmonized solutions whereby multinationals are taxed as single firms by combining their global profits and then allowing each country where the corporation operates or sells goods to tax only the portion of profits attributable to the corporation's economic activity there (as proposed by The Independent Commission for the Reform of International Corporate Taxation⁴¹ and Dr. Joseph Stiglitz⁴², Nobel Prize laureate in economics and professor at Columbia University).

In recognition of the substantial technical capacities required to implement existing conventions, agreements and frameworks on fighting global tax avoidance, WITSA also urges governments to adopt strategies for assisting developing countries to build their technical and administrative abilities to combat these practices in the corporate and financial sectors.

While globalization might have exacerbated abusive tax avoidance in modern times, WITSA is optimistic that governments and international organizations can work together such abusive tax practices and achieve a better outcome for all. Accomplishing this will prove that nation states are still relevant in the global economy, and that they can still be a force for good by utilizing the newly acquired revenues or the welfare of the general public and reducing income inequality.

Statement of Policy Principles

The outlook for globalization presents a mixed picture. Thanks to a continued strong global demand, trade and stock markets have performed well over the past decade. The Fourth Industrial Revolution has been unleashed through incredible innovations in ICTs facilitated by global markets and open borders, giving rise to entirely new business models while disrupting incumbents at a scale never witnessed before.

However, competing forces dominate the in the near term; open markets, innovation and competition is contrasted against fierce nativist-populist compulsions to retreat and protect. While the global economy is becoming increasingly integrated, the global political system is fragmenting in a backlash against the disruptive forces of globalization and its perceived winners and losers.

⁴¹ <https://www.icrict.com/>

⁴² <https://www8.gsb.columbia.edu/faculty/jstiglitz/>

In this new era of multi-speed globalization, the strategic challenge for governments and industry in the years ahead will be to navigate a world that is simultaneously integrating and fragmenting. WITSA recognizes that globalization is a force for good, but we all share a burden and a responsibility to better address the concerns and plight of those left behind through a concerted effort towards more sustainable governance of the global economy. The truth is, a trading system is sustainable only if everyone shares in the benefits. Therefore, we must ensure that trade is more inclusive and helps support sustainable development.

By getting at the root causes of the discontent, perceived or real, WITSA believes progress and recovery is attainable, if not inevitable. Markets, countries and people are simply too well-connected. Protectionism is a dead end, and ultimately tends to impoverish those who practice it. Policy makers share a responsibility to take citizens' concerns seriously and need to develop solutions that help reduce inequality, restore a greater sense of security, and improve upward economic and social mobility. Policy-makers must protect and maintain global openness while striving for inclusive growth that meets real human needs.

WITSA believes the following policy principles can rekindle our faith and trust in international collaboration and trade, as an acknowledgement of our mutually shared interests, interdependencies, values and economic wellbeing:

1. **In the view of WITSA, most of the ills blamed on globalization are false.** That is not to say that critics do not have real aggrievances, but that in most cases, they are misplaced, counter-productive and even harmful to the plight of the disgruntled
2. **History: lesson** History has taught us that a retreat from international collaboration and trade will have catastrophic effects on human prosperity, safety and even world peace;
3. **Blame the politician!** All progress is disruptive, but all too often, globalization is blamed for these ills, when domestic tax and social policy failures are largely responsible
4. **Protectionist pressures** must be forcefully opposed as the force of such negative trends can have a devastating impact on the world economy
5. **Helping the displaced:** Domestic lawmakers need to consider how they can help losers from free trade. Those left by the curbside will often be tempted into embracing protectionism and populist attacks on trade liberalization, threatening the economic benefits of open markets to the society as a whole. It is therefore incumbent on policy makers to address these concerns head-on, if not on a basis of moral conviction, then surely from the standpoint of sound economic principles;
6. **Prosperity depends on international trade:** The importance of international trade as a determinant of growth for countries will remain relevant, for global connectivity is at the heart of the Fourth Industrial Revolution.
7. **Inequality matters!** Globalization has reduced income inequality between nations, but income inequalities within countries have increased and, if not addressed by policy-makers, threatened to slow or even reverse hard-fought gains in multilateral trade and international collaboration;
8. **Reshoring can add jobs:** Globalization and technology transformations are disruptive, but complex forces can lead to job gains as well as losses, as seen in the emerging trends of “reshoring” in developed economies
9. **Globalization enables leapfrogging:** Anti-trade, protectionist and anti-competitive barriers that impede the growth of ICTs are detrimental to the ability of developing countries to grow their economies and “catch up” to more mature markets

10. **There is no one-size-fits-all approach** to globalization, and countries will need to intentionally choose to be different and make tradeoffs as they form and execute their strategies
11. **State-capitalism is problematic**, but overstated. despite China's discriminatory and damaging trade practices, it is not a significant threat to the rules-based trade system and it is not to blame for America's domestically fueled trade deficit and inequality
12. **There's no going back!** Accusations that the global trade system is broken also misses a larger point; we are not about to go back to mercantilism, the discredited and outdated zero-sum way of looking at the global economy
13. **Anti-globalization and Trade wars:** The threat of imminent trade wars centered on U.S. tariff increases against China as well as other trading partners and allies could inflict long-lasting damage to the driving forces behind global economic growth and do serious damage in the long run by dampening investor confidence
14. **It's not broken!** WITSA does not believe the rules-based trade system is broken; in fact, the WTO offers the best route to fix many concerns.
15. **Support and Reform the WTO:** WITSA supports efforts to reform the WTO in constructive ways dealing with transparency and notification inadequacies as well as measures that can help strengthen and speed up the dispute settlement process. WITSA urges all WTO members to refrain from undermining the WTO dispute settlement mechanism by blocking or not appointing judges, and instead work collaboratively towards strengthening and reforming this much needed process.
16. **The promise of the Digital Age:** Reducing and removing trade barriers that limit the availability or increase the cost of ICTs to end-users is a necessary requirement in fulfilling the promise of the Digital Age. WITSA therefore urges all its members and their governments to redouble their efforts to establish and implement multilateral trade liberalization under the auspices of the WTO.
17. **Sanctions do not work!** WITSA urges governments to refrain from engaging in punitive sanctions aimed at countering problematic subsidies, forced technology transfer, pilfering of intellectual property, and denial of market access as these do not work. Rather, they should focus carefully tailored actions seeking specific commitments on fair and reciprocal market access and assurances against harmful trade practices with timelines for implementation and accountability mechanisms.
18. **Cross-border data flows:** WITSA believes 'data' is an essential resource for healthy economic growth and that excessive restrictions on data will be a barrier to secure management and protection of data. Interruptions of the free flow of data that underpins the complex online networks connecting the globe threaten the cultural and economic growth potential of the Internet and Internet-based technologies
19. **Anti-globalization threatens the free flow of human talent across international boundaries:** Countries that place barriers opposing the global exchange of talent are risking the success of their own businesses, economies, and societies.
20. **Combatting Global Abusive Tax Avoidance:** WITSA believes there is an urgent need for enhanced global cooperation and coordination in order to tackle the challenges that derive from the increased mobility of capital and the ease of shifting profits and savings across borders as well as the disparities in institutional and regulatory environments and the lack of transparency in international transactions. WITSA urges governments collaboratively to explore simplified and harmonized solutions whereby multinationals are taxed as single firms. WITSA also WITSA also urges governments to adopt strategies for assisting developing countries to build their technical and administrative abilities to combat these practices in the corporate and financial sectors.