## A Joint Declaration of Mutual Interest in Trade and Globalization for the Benefit of All Peoples and Nations

Ever since the 1944 Bretton Woods conference produced the framework for the post-War global economic order, there's been a strong international consensus supporting deeper trade integration and globalization. Recently, however, waves of populist discontent have called into question the merits of the prevailing economic order. Yet the case for trade remains as strong as ever—so long as it is conducted on genuinely fair and market-based terms and so long as countries implement effective policies to spur domestic competitiveness and assist their citizens in adjusting to technological change and international competition.

For the fact remains that international trade—based on the foundational principles of national treatment, nondiscrimination, transparency, and reciprocity—remains crucial to driving economic growth, encouraging technological innovation, and improving living standards for the world's citizens. While fair, market-based trade produces numerous benefits, five stand out as the most significant and more important than ever in serving the mutual best interests of peoples and nations around the world:

**1) Trade Maximizes Consumer Welfare:** Trade expands consumer choice, giving the world's citizens access to a vast array of goods and services at the most competitive prices possible. Further, trade maximizes purchasing power, thereby putting wealth in consumers' pockets. For instance, trade liberalization since 1945 has boosted U.S. annual incomes by $1 trillion, or approximately $9,000 per household. Likewise, the European Union estimates that the creation of a single European market has boosted European citizens' purchasing power by €600 annually. Likewise, the OECD estimates that two-thirds of the total worldwide welfare benefits from the recent trade facilitation agreement will accrue to citizens in developing countries.

**2) Trade Creates Economies of Scale for Producers:** For a growing share of industries that depend on innovation, global markets create economies of scale, allowing them to recoup high fixed costs across more customers. This not only lowers prices, but enables greater reinvestment in further rounds of innovation. Meanwhile, wages are higher in economies that are open than in economies that are closed, partly because firms that export pay higher wages than firms that don't. In Sub-Saharan Africa, for example, workers in export-oriented companies earn 34 percent more than the average wage. Similarly, American workers in export-intensive industries earn a 16 percent premium, while Western European workers earn a premium of between 10 and 20 percent.

**3) Trade Spurs Competition, Which Drives Innovation and Productivity:** Trade exerts a powerful force on companies to become more productive and innovative and on governments to provide better business environments. At the firm level, competition from trade spurs companies to become more productive and innovative by adopting new and better business practices, technologies, organizational structures, and management techniques. And that relentless drive for productivity and innovation at the enterprise level ultimately shapes the economic environment at the national level. That's why a World Bank study of 77 developing countries finds that over a period of 20 years a developing country's productivity is higher when it is more open to trade with developed countries. Meanwhile, trade creates incentives for governments to implement the best policies—toward scientific research, technology commercialization, information technology investments, education and skills development, tax, competition and regulatory policies, etc.—in order to grow enterprises at home while attracting investment from around the world.

**4) Trade Diffuses Knowledge and Technology:** Trade facilitates the exchange and diffusion of technology and know-how. Firms that sell into international markets generate more knowledge than counterparts that sell only into national markets, while importers are 7.6 percent more likely to adopt new technology than firms that do not import. Likewise, foreign direct investment regularly brings with it valuable knowledge and insights that diffuse to domestic firms.

**5) Trade Reduces Poverty:** As the OECD clearly states: "No country has lifted itself out of poverty without international trade." Indeed, trade is key to helping countries develop. For instance, the World Bank finds that per-capita real income grew nearly three times faster in the 1990s for developing countries which did the most to lower trade barriers as compared to their peers which did not (5.0 percent versus 1.4 percent per year). In Asia today, less than 20 percent of citizens live in absolute poverty—down from 60 percent as recently as 1975. Likewise, for the first time ever, less than half the population of Africa lives in absolute poverty. In both regions, trade has proven a vital component of economic development.

In short, the benefits from trade remain as robust as ever. Yet it's also true that the accelerating pace of globalization and technological change has led not just to increased economic dynamism, but also to a growing sense of economic insecurity. For example, information technology has significantly expanded the range of services that can be traded across borders, even as it transforms how businesses operate and manage dispersed supply chains throughout the world.

At the same time, an increasing number of nations have turned to mercantilist policies in an effort to benefit domestic industries and gain an unfair advantage in the global competition for market share and jobs in many sectors. This has the counter-productive effect of spurring a race to the bottom, as citizens blame globalization and call for their leaders to respond in kind with more protectionism. This feeds a self-destructive cycle that undermines economic growth, adds to job insecurity, and leads to further distrust of globalization. In this climate, the global trading system is at risk of reversing course toward 1930s-style disintegration and fragmentation. This would be a terrible mistake.

Yet for too long the debate over trade and globalization has been waged between what former U.S. Secretary of Health, Education, and Welfare John Gardner once called "uncritical lovers and unloving critics." On one side of this debate are those who have never met a trade agreement they didn't like, who believe that unilateral trade liberalization is an unalloyed good no matter how partner countries behave, and believe that trade enforcement against other nations' mercantilist actions are by definition protectionist. On the other side are those who reflexively oppose further opening up the global economy, even with agreements that lock in strong and enforceable standards against mercantilism, and who would prefer to go back in time toward more nationalistic economies. Global elites cannot simply wave their flags for globalization and tell opponents and skeptics, including those with legitimate grievances, to "get over it." The better path forward is to reinstate the call for market-based globalization with minimal mercantilist distortions, while recognizing that national governments also have an obligation to enact domestic policies that ensure their citizens can successfully compete and prosper.

Accordingly, to fully realize the benefits of trade, sovereign countries and major international institutions alike must work in a more determined way toward two key goals: 1) Aggressively contesting the destructive cycle of mercantilist regression and ensuring that global trade is conducted under genuinely fair and equitable terms; and 2) Instituting effective, innovation-based economic policies to grow their own economies, including robust workforce skills and training programs and regional economic development policies to assist individuals and communities dislocated by the impacts of trade.

**Therefore, WE, the members of the Global Trade and Innovation Policy Alliance (GTIPA), call on policymakers around the world to take three steps in defense and support of the global trading system for the mutual benefit of all peoples and nations:**

**1)** We call for a global reaffirmation of deeper and continued trade liberalization and global integration, including in service sectors.

**2)** We call on the leading global multilateral organizations, including the World Trade Organization, the World Bank, the International Monetary Fund, the G20, APEC, OECD, UNCTAD, and the regional development banks—including the IADB, Asian Development Bank, and European Investment Bank—to adopt a new and more effective framework to effectively push back against a rising tide of mercantilism and export-led growth strategies. This includes establishing new frameworks and disciplines designed to address the new kinds of non-tariff barriers being erected and doing a better job of tying aid to nations' commitments to eschew mercantilist policies and practices.

**3)** We call on all countries to adopt economic policies that spur productivity and innovation, including in both traded and non-traded sectors, because domestic economic policy failures are a significant irritant sustaining the backlash against trade. This includes tax policies to spur investment, workforce training systems better tied to employer needs, and competition policies favorable to more productive entrants. That's important because critics place more blame on globalization when policymakers fail to enact effective growth policies. As economist Benjamin Friedman observes in *The Moral Consequences of Economic Growth,* growth leads to more tolerant societies, improves civic discourse, and generally leads to societies that are more humane and open to trade. Economic decline or stagnation leads to the opposite. When times are tough, blaming globalization is the easy way out for many people, rather than engaging in the harder job of implementing growth-enhancing domestic economic, education, science, and labor policies. If countries and regions were to institute more effective growth policies, grounded in higher rates of productivity growth and innovation, the animus toward globalization would decline.

The world is at a pivotal moment. The rising tide of economic nationalism and anti-globalism could spur reforms that are necessary to ensure real market-based globalization, or it could lead us off the rails toward balkanized, nationalistic economies. Now, more than ever, the supporters of globalization need to come to its defense and proclaim that when it is fair and market-based, trade remains firmly in the best interests of all peoples and nations.

**Signed By:**

**The Center for Global Enterprise**
**Center for Social and Economic Research**
**Competere**
**Free Market Foundation**
**Fundacion Idea**
**Geneva Network**
**Information Technology and Innovation Foundation**
**The Lisbon Council**
**Shanghai Institute of Science and Technology Policy**
**Tic Tac de la CCIT**