GLOBAL TRADE & INNOVATION POLICY ALLIANCE

Joint Declaration on Reversing the Recent Tariff Escalation

APRIL 2025

THE WORLD HAS BECOME A BETTER PLACE THANKS TO TRADE

The world is at risk of experiencing the end of a cycle of globalization and trade liberalization that has allowed the global economy to achieve unprecedented growth. This era began in the post–World War II period, framed by the 1944 Bretton Woods Conference, and has been marked by increasing trade integration and globalization. This nearly 80-year period has produced lasting results.

According to the World Trade Organization (WTO), since its creation in 1993, income per capita in low- and middle-income countries has almost tripled. Notably, around one-third of this remarkable growth is linked to trade openness. During this same period, the share of individuals in low- and middle-income nations living in extreme poverty decreased by nearly 30 percent. Meanwhile, the share of global exports from these economies doubled from about 16 percent to 32 percent. Trade openness expands market opportunities and encourages countries to innovate and specialize in their areas of strength. Ultimately, innovation and economic growth thrive when trade barriers are removed.

Substantial evidence indicates that countries with an outward-oriented approach generally experience faster economic growth than those with inward-focused policies. Research from the International Monetary Fund (IMF) suggests that the benefits of trade liberalization can outweigh potential transition costs by a factor of more than 10. Nations that have recently opened their economies, such as India, Vietnam, and Uganda, have seen accelerated growth and significant reductions in poverty. On average, developing countries that significantly reduced tariffs during the 1980s experienced faster economic growth throughout the 1990s than those that maintained higher trade barriers.

CURRENT CONTEXT: A MISGUIDED TRADE WAR

The current "trade war" initiated by the U.S. administration against its primary trade partners does not occur in a vacuum. The expansion of free trade and the consequential increase in gross domestic product (GDP) have reshaped the internal economies and sectors of most countries. In the case of the United States, since the early 2000s, the country has lost manufacturing jobs due to trade deficits and increased foreign competition, particularly from countries with overtly mercantilist policies, such as China.

The current U.S. administration is correct in highlighting that some countries have not followed established trade rules, creating distortions in the global market economy. In particular, China's subsidized overcapacity in key advanced technologies threatens manufacturing industries worldwide. However, raising tariff barriers through a tit-for-tat escalation would primarily harm the United States and those nations that predominantly adhere to and follow free trade rules.

Developing countries should be particularly concerned about the current global trade landscape. On the one hand, while accessing affordable technologies from subsidized industries—such as the Chinese electric vehicle (EV) industry—offers certain advantages, market distortions will ultimately weaken developing countries' manufacturing capacities, foreclosing key development pathways. Additionally, the uncertainty created by renegotiating trade agreements with the United States could undermine global economic growth for several years.

Therefore, we, the undersigned members of the Global Trade and Innovation Policy Alliance (GTIPA), call on policymakers around the world to take the following measures to secure the continuity of a free, rules-based, innovative, and thriving global trade system:

1. We call on decision-makers to target the mercantilists, not those who follow the rules

Some countries have leveraged the WTO to boost their exports while failing to meet WTO commitments, flooding global markets with overcapacity, dumping products at artificially low prices, and undermining fair competition. China, in particular, engages in market-distorting practices, often violating both the spirit and letter of international trade law. China is currently the target of nearly half of the WTO's countervailing measures due to its repeated violations of trade rules.

Initiatives targeting countries with a longstanding record of obeying trade rules—such as America's efforts to undermine the logic of the United States-Mexico-Canada Agreement (USMCA)—damage the credibility and economic potential of the countries enacting these sanctions. Decision-makers should focus enforcement efforts on countries that distort global competition with mercantilist and state-capitalist policies rather than penalizing compliant partners with market-based economies.

2. We call on decision-makers to target specific market disruptions

Treating foreign and local investors equally is a core principle of a thriving trade system. Citizens should have access to goods and services without government intervention distorting consumption choices. Countries such as China currently violate this principle through market manipulation and protectionist policies. However, the U.S. response should not involve retaliating against other market economies that comply with trade rules. Policymakers should avoid using tariffs as an automatic solution.

3. We call on all countries to promote the expansion and extension of the existing network of trade agreements

The U.S. economy—not to mention U.S. esteem and soft power in the world—would benefit from the country reclaiming its role as a leading global advocate for free markets. Immediate steps can be taken to strengthen the rules-based trade system and counteract unfair practices—such as the United States joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and pursuing more bilateral trade agreements.

However, boosting the global economy also requires collective action. Completing a second expansion of the Information Technology Agreement (ITA) could add more than $750 billion to the global economy over 10 years and eliminate tariffs on 400 unique ICT products. Countries such as India, Kenya, Nigeria, and Pakistan would experience the largest relative GDP growth. In Southeast Asia, the ASEAN Digital Economy Framework Agreement could expand the region's digital economy by $1 trillion by the end of the decade. Thus, we call on all policymakers to reinforce their commitment to expand global trade.

Further, global policymakers should work together to develop and promote an "Innovation Trade Agreement" featuring zero tariffs on goods across all high-tech industries. This could combine the ITA, the so-called "Zero for Zero" agreement (through which over 30 countries have agreed to mutually eliminate pharmaceutical tariffs), and the Environmental Goods Agreement (EGA), which has sat in limbo for years at the WTO. A WTO "Innovation Trade Agreement" that commits nations to eliminate tariffs on trade in a suite of the world's most important advanced technology products could do wonders for global innovation- and technology-based economic growth.

4. We call on all governments to minimize economic uncertainty to facilitate investments in innovation

A stable economic environment is essential for securing investments and encouraging innovative, risk-taking efforts. Without stability, entrepreneurs and companies will hesitate to commit to long-term initiatives that can increase productivity, commercialize new products, and expand into new markets. The ongoing "trade wars" and the resulting renegotiation of trade agreements are stalling investments, with uncertainty increasingly being used as a negotiation tactic. We urge governments to abstain from such detrimental strategies and to adhere to macroeconomic and fiscal responsibility principles, which include maintaining stability in macroeconomic variables and ensuring predictability in economic and trade policies.

5. We call on all policymakers to rethink globalization

Despite the unprecedented economic growth driven by the expansion of global trade, the reduction of tariff barriers, and the globalization of supply chains, international trade will not return to the patterns of previous decades—even if the current trade conflicts are resolved. The recent wave of globalization has not necessarily led to adherence to a rules-based order. Advanced economies have seen their high-tech technology manufacturing sectors hollowed out, leaving them vulnerable to geopolitical shifts, while developing countries have struggled to overcome the middle-income trap.

A new type of globalization is needed—one that finds ways to combine free trade with limited, targeted, and market-oriented industrial policies. Future trade policy must differentiate effectively between countries that follow not only the letter but also the spirit of trade rules and those that engage in mercantilist shortcuts at the expense of other countries. Despite decades of openness, the world did not converge in one single market. The WTO framework has become a necessary but not sufficient umbrella to embrace rules-based, fair, and reciprocal economic collaboration.

A new globalization means the formation of a new trade alliance among market-based economies that are committed to the rules, with new processes and institutions to adjudicate disputes among free-trading nations. This doesn't mean leaving the WTO or cutting ties with countries such as China, but instead creating a fairer global trading system that limits harmful policies by incorporating pragmatism and judicious control.

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