



Globalization and digitalization: Interconnections Between Taxation, Trade and Investment

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GLOBTAXGOV workshop series

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Tax, trade and investment

- Tax policy can affect the level playing field in trade
- Tax policy can affect investment decisions
- Tax policy can affect the (perceived) distributional impacts of globalization



» A subsidy = a negative tax?

A separate agreement is dedicated to subsidies (WTO Agreement on Subsidies and Countervailing Measures); No separate agreement for tax in the multilateral trade domain, but frequent references in legal provisions: the 1947 GATT Agreement refers to tax 20 times





Tax is an important part of supply chain planning

Finland Investment Promotion Agency

*“Foreign-owned companies in Finland are eligible for a **wide range of government and EU incentives** (...) our national network can help you to find out more information about the different forms of incentives and the contacts you need to apply for them.*

- *Finland has **the lowest corporate tax rate** among the Nordic countries and one of the lowest in the EU.*
- *Business Finland's Innovation Funding provides loans and grants.*
- *Finland offers great support when starting up a business.*
- *Finland offers great services for training and employment.”*

Namibia Investment Centre

“Namibia can offer:

A democratic government with one of the most modern constitutions in the world;

*A pro-investment attitude by government, **with legislative and tax incentives for manufacturers including tax abatements and duty exemptions;***

*A successfully operating **EPZ regime** offering a zero tax and duty free environment, liberal labour conditions and no strikes and lockouts in the EPZ area special concessions on the movement of foreign exchange;*

Excellent road, rail, harbour and air transport facilities, as well as sophisticated telecommunications connections.

Cheap industrial land by international standards;
A sophisticated financial and banking sector, with the Namibian Stock Exchange having the second largest market capitalisation in Africa.”

Tax and perceived distributional impacts of globalization

Forbes

BREAKING | Jun 8, 2021, 09:19am EDT | 103,026 views

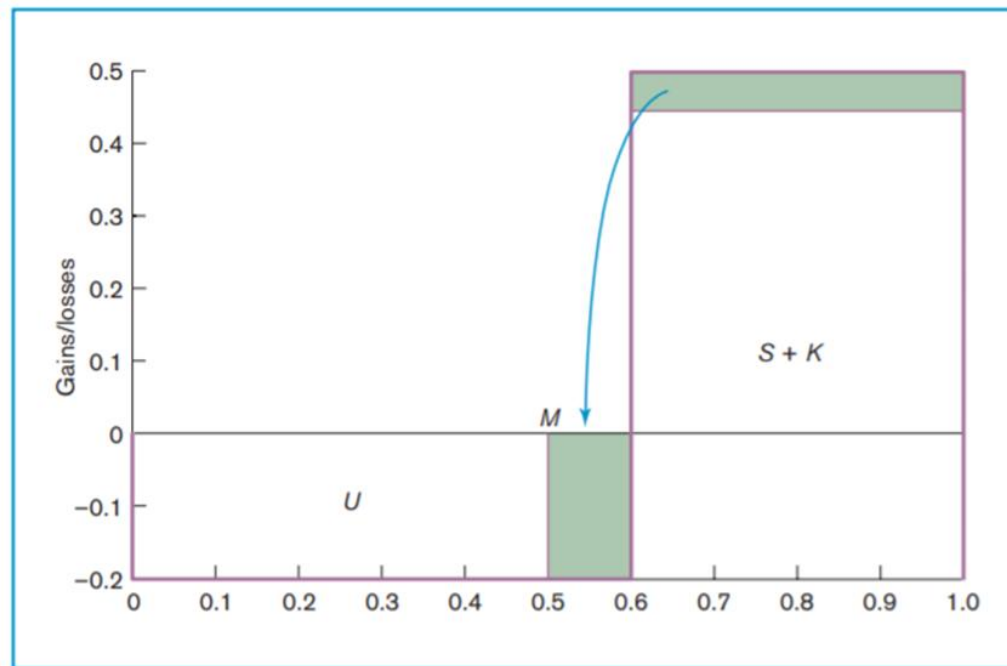
Richest Americans—Including Bezos, Musk And Buffett—Paid Federal Income Taxes Equaling Just 3.4% Of \$401 Billion In New Wealth, Bombshell Report Shows





Tax and distributional impacts of globalization

Figure 8.3 Compensation and free trade



Note: U = no skills and no capital; S = some education; K = some capital.

Source: Elaborated by the author.

- If median voter loses from trade;
- If median voter is an immobile factor and winners from trade are mobile factors

=> A combination of median voter theorem, Stolper Samuelson Theorem and standard optimal taxation models would tell us that redistribution will not offset losers and majority of voters in democracies will support a protectionist agenda

Carles Boix (2011) Redistribution Policies in a Globalized World in Bacchetta and Jansen (2011) "Making Globalization Socially Sustainable"

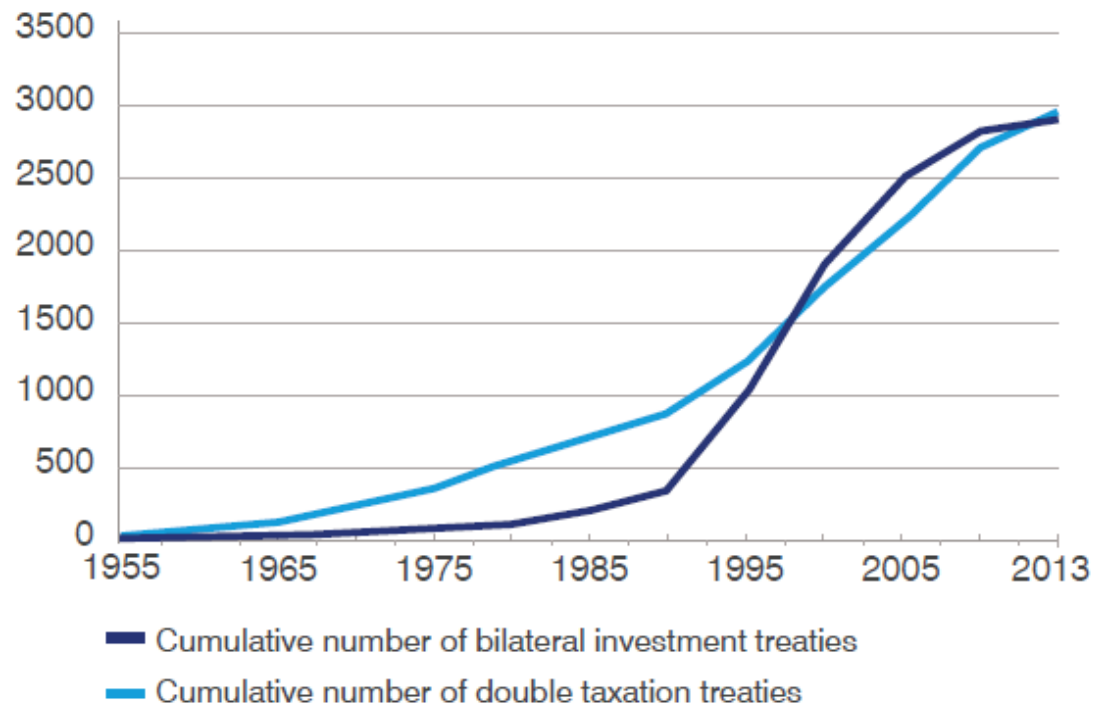


**SUPPLY CHAIN MANAGERS LOOK AT
TAX, TRADE AND INVESTMENT POLICY
TOGETHER.**

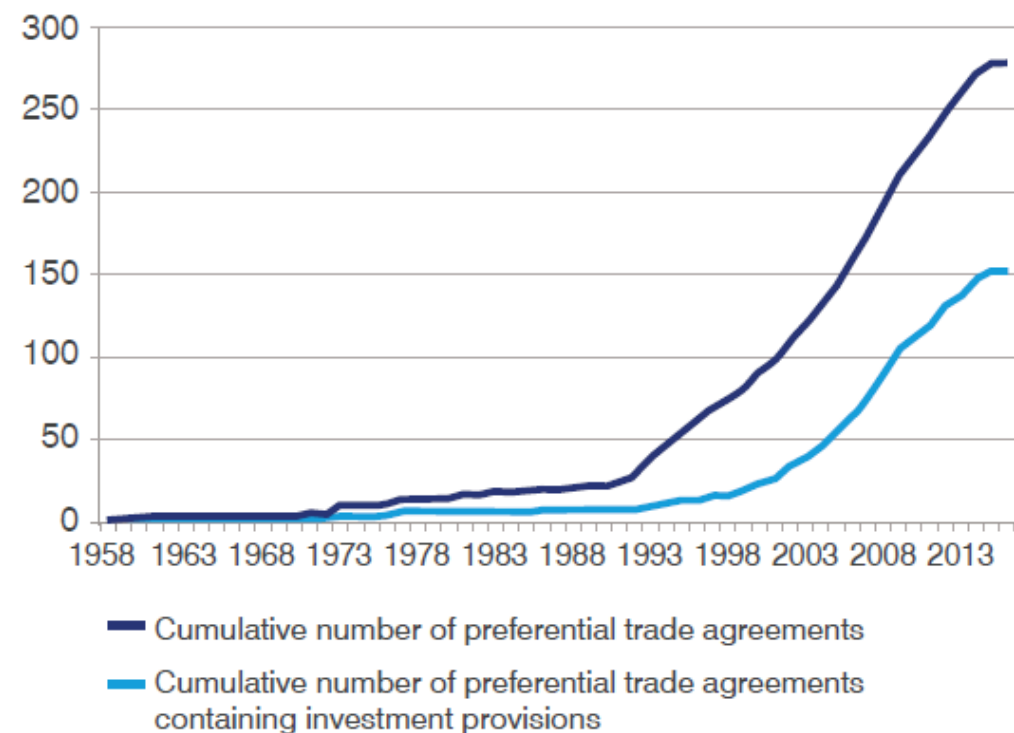
WHAT DO POLICY MAKERS DO?

Trade and investment rules are increasingly integrated

Newly concluded BITs have stagnated, while the inclusion of investment chapters has maintained momentum

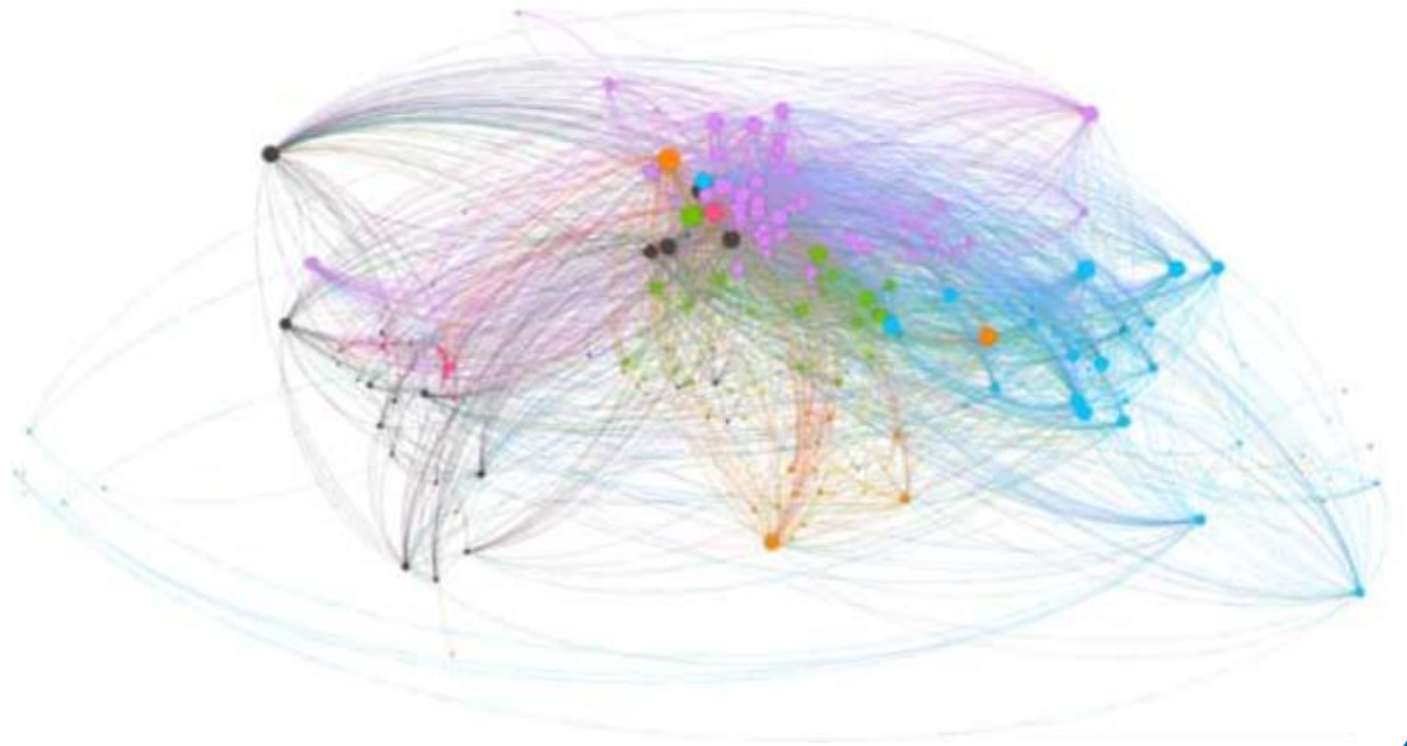


ITC calculations



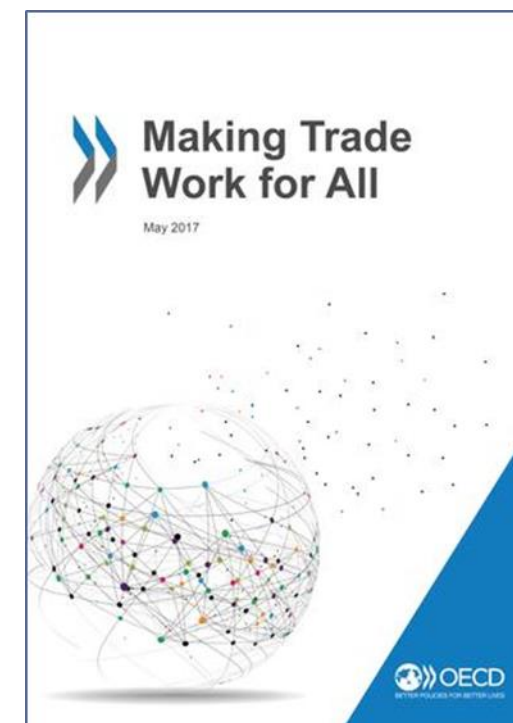
Double taxation treaties are plentiful but kept separate from trade and investment rules

- Currently, there are over 3000 bilateral double taxation treaties are in force worldwide.





The OECD has estimated that between 4% and 10% of global corporate income tax revenues (USD 100-240 billion annually) are lost as a result of base erosion and profit-shifting by companies limiting the distribution of benefits of globalization



International taxation in a digitalised economy

The OECD/G20 Inclusive Framework on BEPS

Pillar 1: Tax the Winners of Globalization

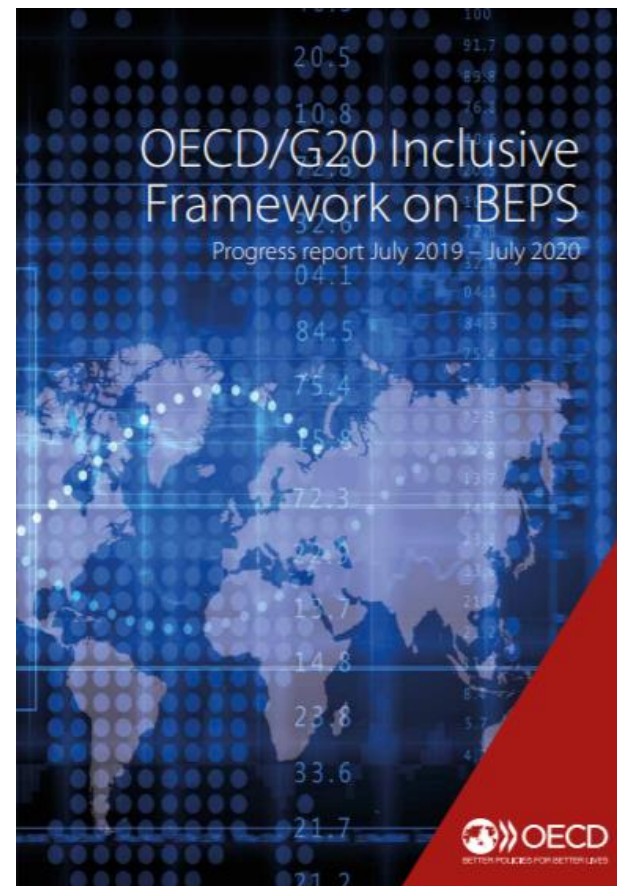
Pillar 2: Restrain Race to the Bottom in Taxation

From 2007 to 2021

TRADE AND EMPLOYMENT CHALLENGES FOR POLICY RESEARCH



A joint study of the International Labour Office
and the Secretariat of the World Trade Organization



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