

Digitalization and International Economic Policy: Tax, Competition, Trade and Investment

8 July 2019, 08:30-16:00

World Economic Forum, 91-93 route de la Capite, Geneva, Switzerland

Context

An underlying cause of ongoing trade tensions is the struggle for economic dominance, particularly in high-tech and digital markets. The emerging rift between geopolitical power (lying with the US and Europe) and economic power (increasingly shifting towards China) is posited as a source of upheaval.¹

New business models employed by highly-digitalized firms and the state-based growth model adopted by China have called into question the existing rules that govern the global economy. These include, for instance:

- corporate income tax rules that require a “nexus” based on permanent establishment, while businesses are increasingly able to operate in economies remotely;
- competition/antitrust enforcement that struggles with online platforms exhibiting network effects, multi-sidedness and zero price, as well as the tension between national enforcement and global competitiveness;
- multilateral trade rules premised on traditional, physical, more nationally-based economic activity, and on market-based growth models.

Broader societal and political concerns around the unfair distribution of the gains from globalization play into these discussions. How to ensure economic justice, while promoting investment and innovation?

The different approaches taken in various areas of global economic governance – trade, investment, tax and competition – offer opportunities for cross-learning in rulemaking, standard-setting, consensus-building, enforcement and dispute settlement. A cross-policy study allows the potential for coherent and coordinated responses.

Description

This one-day workshop will bring together a broad range of stakeholders to discuss tax and competition policy issues that arise in the context of the digital economy. Interactions between trade, foreign direct investment, tax and competition policy will also be examined. Participants will be invited to react to outlines for two White Papers.

Sessions will cover the following angles:

¹ Rachman, Gideon, “America is the revisionist power on trade”, The Financial Times, 13 May 2019, <https://www.ft.com/content/e9cc014a-755c-11e9-be7d-6d846537acab>.

- Evidence on how the digital economy and new business models affect trade, foreign direct investment, tax revenues, market concentration and competition and where the rules are lagging behind
- Key issues and proposed solutions for international tax reform
- Challenges and opportunities in competition law and enforcement in the digital economy
- Intersections and policy coherence between trade, investment, tax and competition rules, as well as opportunities for cross-learning

The objectives of the workshop are:

- To draw out the intersections between trade, investment, tax and competition policy, particularly in the context of digitalization and current cross-border economic tensions
- To further dialogue between different actors and across policy areas
- To collect input for policy papers currently being written on these issues

Discussions will take place under the Chatham House Rule.

Agenda

8:30-9:00 **Registration and coffee**

9:00-9:30 **Opening panel: Cross-border economic policy and digitalization**

This opening panel offers insights from various stakeholders on:

- (i) how digitalization and new business models are changing the global economy and where trade, investment, tax and competition rules are lagging behind
- (ii) the key concerns and approaches in the areas of tax, competition, trade and investment in the context of globalization and digitalization

Welcome and scene-setting [5 minutes]

- Sean Doherty, Head of International Trade and Investment, Member of the Executive Committee, World Economic Forum

Panellists [25 minutes]

- Robert Koopman, Chief Economist, World Trade Organization
- Séverine Picard, Senior Policy Adviser, The Trade Union Advisory Committee (TUAC) to the OECD

9:30-10:30 **Session 1: Tax policies in a globalized, digitalized economy**

This session presents an outline for a white paper² on tax policies for a globalized, digitalized economy. Participants are encouraged to share feedback on the scope, objective and substance of the planned paper, as well as suggest suitable reviewers.

² Access the outline to the tax policy paper here:
<https://weforum.box.com/s/9ecvkk3mxnpjgdz94v149oalt3vqrch3>

Presentation by author [5 minutes]

- Irma Mosquera, Associate Professor of Tax Law, Leiden University

Discussants [20 minutes]

- Linda Evans, Director, Global Tax Policy, IBM
- Chris Morgan, Head of Tax Policy, KPMG
- Agustin Redonda, Fellow, Council on Economic Policies
- Andres Knobel, Researcher, Tax Justice Network

Open discussion [35 minutes]

10:30-10:50 **Coffee Break**

10:50-12:00 **Session 2: Tax, trade and investment**

This session examines the inter-relationship between tax, trade and investment, with concrete examples of overlaps and conflicts. It covers:

- (i) Taxes on digital businesses
- (ii) Tax reforms and the WTO
- (iii) Tax competition and investment incentives
- (iv) Tax and cross-border flows of intangible assets

Panellists [30 minutes]

- Siemens
- Weiwei Zhang, International Trade Analyst, Sidley Austin LLP
- Jakob Schwab, Researcher, German Development Institute
- Sacha Wunsch-Vincent, Senior Economic Officer, Economics and Statistics Division, World Intellectual Property Organization (WIPO)

Open discussion [40 minutes]

12:00-13:00 **Lunch Break**

13:00-14:00 **Session 3: Competition Policy in the Digital Economy**

This session presents an outline for a white paper³ on competition policy in the digital economy. Participants are encouraged to share feedback on the scope, objective and substance of the planned paper, as well as suggest suitable reviewers.

Presentation by author [5 minutes]

- Pinar Akman, Director, Centre for Business Law and Practice; Professor of Law, University of Leeds

Discussants [15 minutes]

³ Access the outline to the competition policy paper here:
<https://weforum.box.com/s/ym2ztkmnu3d58i86q8xv8o6w83n3akg4>

- Antonio Capobianco, Acting Head, Competition Division, OECD
- Julien Grollier, Senior Programme Officer, CUTS International, Geneva
- Martim Della Valle, Co-Founder, Zenith Source

Open discussion [40 minutes]

14:00-15:00 **Session 4: Competition and Trade**

This session examines the intersections between competition and trade policy, including:

- (i) Competition policy and cooperation, the WTO and trade agreements
- (ii) Domestic competition enforcement, big tech and national champions
- (iii) State-based and market-based growth models, competitive neutrality and trade tensions
- (iv) Big tech in finance and the new competition-data nexus

Panellists [30 minutes]

- François-Charles Laprèvote, Partner, Cleary Gottlieb
- Mor Bakhoun, Affiliated Research Fellow, Max Planck Institute for Innovation and Competition
- Leonardo Gambacorta, Head, Innovation and the Digital Economy, Monetary and Economic Department, Bank for International Settlements (BIS)

Open discussion [30 minutes]

15:00-16:00 **Conclusions and Next Steps**

This session focuses on opportunities for learnings across policy areas and for better coordination and coherence. The moderator will ask participants to share:

- (i) A key learning from listening to experts outside of their area of expertise
- (ii) Insights around policy coherence and coordination
- (iii) Suggestions for where to take this discussing and how to better get the message across

Panellists [30 minutes]

- Ambassador Marc Vanheukelen, Permanent Mission of the European Union to the WTO
- Lisa Pearlman, Head of Global Trade and International Affairs, Apple
- Matthias Bauer, Senior Economist, European Centre for International Political Economy (ECIPE)

Open discussion [25 minutes]

Closing remarks [5 minutes]

- Richard Samans, Managing Director, Head of Policy and Institutional Impact, World Economic Forum

List of Participants

1. Agustin Redonda, Fellow, Council on Economic Policies
2. Ambassador Marc Vanheukelen, Permanent Mission of the European Union to the WTO
3. Andres Knobel, Researcher, Tax Justice Network
4. Antonio Capobianco, Acting Head, Competition Division, OECD
5. Chris Morgan, Head of Tax Policy, KPMG
6. Christian Von Haldenwang, Senior Researcher, German Development Institute (DIE)
7. Christine Riefa, Reader in Law, Brunel University
8. François-Charles Lapr v te, Partner, Cleary Gottlieb
9. Irma Mosquera, Associate Professor of Tax Law, Leiden University
10. Jakob Schwab, Researcher, German Development Institute
11. Julien Grollier, Senior Programme Officer, CUTS International, Geneva
12. Leonardo Barbosa, Researcher, Max Planck Institute
13. Leonardo Gambacorta, Head, Innovation and the Digital Economy, Monetary and Economic Department, Bank for International Settlements (BIS)
14. Linda Evans, Director, Global Tax Policy, IBM
15. Lisa Pearlman, Head of Global Trade and International Affairs, Apple
16. Manuel Sanchez Miranda, Associate, King & Spalding
17. Martim Della Valle, Co-Founder, Zenith Source
18. Matthias Bauer, Senior Economist, European Centre for International Political Economy (ECIPE)
19. Mor Bakhom, Affiliated Research Fellow, Max Planck Institute for Innovation and Competition
20. Pinar Akman, Director, Centre for Business Law and Practice; Professor of Law, University of Leeds
21. Robert Koopman, Chief Economist, World Trade Organization
22. Sacha Wunsch-Vincent, Senior Economic Officer, Economics and Statistics Division, World Intellectual Property Organization (WIPO)
23. S verine Picard, Senior Policy Adviser, The Trade Union Advisory Committee (TUAC) to the OECD
24. Theresa Carpenter, Executive Director, Centre for Trade and Economic Integration, Graduate Institute of International and Development Studies
25. Weiwei Zhang, International Trade Analyst, Sidley Austin LLP

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