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**Globalization and interdependence: role of the United Nations
in promoting development in the context of globalization
and interdependence**

Fulfilling the promise of globalization: advancing sustainable development in an interconnected world

Report of the Secretary-General

Summary

The world today is more interconnected than ever before. Globalization has expanded trade and finance, transformed the way in which information and communications technologies are applied, spurred the movement of people and broadened the exchange of ideas and knowledge among diverse populations. Globalization has been a driver of poverty reduction and has shaped the development of Governments, civil society and the private sector.

Nevertheless, much remains to be done to ensure an enabling international economic environment and an equitable global trading system, so that all countries and all people can benefit from the full potential of globalization. The 2030 Agenda for Sustainable Development provides a blueprint for a more inclusive, just and sustainable world. However, achieving it requires new approaches based on the imperative of shared responsibilities and the promise to leave no one behind.

Highlighted in the present report are some of the most recent successes and challenges associated with globalization in the context of implementing the 2030 Agenda, including in the areas of reducing inequalities through trade and development, understanding migration and its effects and harnessing the potential of information and communications technologies for the greater good. The report is prepared in response to General Assembly resolution [72/227](#).

* [A/74/150](#).



I. Introduction

1. It is clear that globalization has brought extraordinary benefits to many people, through trade and the diffusion of technologies that have fostered economic growth and reduced poverty in many countries. However, it is also clear that the benefits of globalization can be fundamentally unequal and ultimately unsustainable. Many people around the world remain mired in extreme poverty. Unacceptable inequalities persist. The gap between globalization's potential and its unequal gains has elicited fear, anxiety and despair among disadvantaged populations.

2. The 2030 Agenda for Sustainable Development and its Sustainable Development Goals provide a blueprint for building inclusive societies, making globalization more just and equal and overcoming the resistance that persists in many parts of the world. They highlight the cross-cutting and cross-national nature of global challenges. Interconnectedness issues such as trade, taxation, remittances, migration, environmental degradation, climate change and rising inequalities call for solutions that can be found only if a network of partners join forces to bring knowledge, information and a commitment to act and cooperate to the table.

3. The future prospects of entire economies and societies will depend on how effectively Governments, stakeholders and development partners respond to the technological trends borne by a globalized world, and to the interplay of those trends with other major trends such as urbanization, the changing nature of work, demographic shifts, climate change, the increasing magnitude of disasters and environmental challenges. The prospects for a future of shared prosperity, durable peace and a sustainable planet will depend on how tactical those responses are in advancing the universal, transformative 2030 Agenda.

II. Globalization as a lever for sustainable development

4. Globalization has levelled the playing field in many respects, and some regard it as a "great equalizer". While it is true that differences between countries have fallen over the past 30 years, inequality within countries is increasing, and this is due in part to the effects of globalization or the inability of some to participate in the opportunities of globalization. Major discrepancies persist among countries with regard to their infrastructure, technology, assets and skills.

5. One of the most striking features of the global economy since the start of the millennium has been the increasingly significant role played by developing countries. Many have recorded high growth rates and made substantial progress in reducing poverty. That process has gone hand in hand with their progressive integration into the global economy.

6. From the early 1980s to the late 1990s, developing economies did not grow appreciably faster than developed economies, and in some years grew more slowly, largely owing to a prolonged period of weakness in the prices of primary commodities, disproportionately exported by developing countries. Starting from 2000, growth rates of developing countries significantly exceeded those of developed countries. Emerging economies, such as China and India, regularly posted double-digit growth rates.

7. Small divergences in gross domestic product (GDP) growth between countries can produce dramatic differences in living standards over time. For example, a country that sustains a 3 per cent per capita GDP growth rate can expect to see its income double in 23 years, whereas another country that manages to grow only 1.5 per cent per year will have to wait 47 years to experience the same proportional

change. An economy growing at 7 per cent can double its income in a decade, and that time would be less at even higher rates of growth.

8. Despite the progress made in developing countries, rates of income convergence differ significantly across those countries. The income gap between the richest and poorest countries remains large. The least developed countries remain far behind, with a per capita income of just 4 per cent of the average in developed countries. The least developed countries' share of world trade has fallen below 1 per cent, and they do not participate in global value chains. Trade is clearly among the factors that have driven the success of some developing countries, while other countries have lagged behind.

9. GDP per capita grows in two instances: when countries accumulate resources and invest in physical, human or knowledge capital; and when countries utilize their resources more efficiently. Technologies and the institutional framework in which countries operate directly affect the way in which available resources are used and therefore how countries grow. Growth economists point to persistent technological gaps between nations as the primary source of persistent large income gaps. However, technology diffusion has also been a key factor in patterns of convergence experienced since the beginning of the millennium.

Trade and technological development as drivers of globalization and poverty reduction

10. Opening up to trade affects growth positively through a number of channels. Trade improves resource allocation. It allows each country to specialize in the production of the good or service that it can produce relatively cheaper than other countries and import the other goods and services, thus exploiting comparative advantages. By extending the size of the market in which firms operate beyond national borders, trade allows firms to exploit economies of scale and become more productive. Trade also affects long-term growth because it gives access to more advanced technological inputs available in the global market and because it enhances the incentives to innovate.

11. For most developing economies, having access to and deploying new technologies is the primary source of economic growth. Imported capital goods and intermediate technological inputs can directly improve productivity by being placed into production processes. There is significant evidence that global value chains are powerful channels for technology. Supply chain linkages intensify contacts between foreign firms and domestic suppliers and therefore open up channels for flows of knowledge and know-how. When a foreign firm and a local supplier are part of the same production chain, they need to interact and coordinate to guarantee a smooth functioning of the chain. Face-to-face communication with key foreign personnel will facilitate the transfer of non-codified knowledge and increase domestic innovative capacity. In addition, foreign outsourcing firms are more willing to transfer the know-how and technology required for an efficient production of the outsourced input, because they will eventually be the consumer of that input.

12. When an intermediate input is specifically designed to match the needs of a single producer of a final good, the latter has an incentive to reduce the cost of investment required for the customization of the input and to monitor production, including by providing the necessary technology and increasing face-to-face interaction to ensure an adequate investment in technology learning by the local supplier. Highly skilled personnel thus often move within multinational firms across borders to ensure technological, as well as managerial, cohesion across production units in different countries. The increasing offshoring of production stages created a significant number of manufacturing jobs in those developing countries that established linkages to global value chains. Global value chains have been key in the

early stages of the industrial transformation in China, as well as in the growth of manufacturing employment in the economies of Indonesia, Mexico and Viet Nam. The offshoring of tradable services has also been key in the development of the relevant industries in India.

13. Over the past quarter of a century, the impressive opening of the world economy, combined with the rapid pace of technological change, has improved the welfare and living standards of billions of people, including its poorest citizens. Although other factors affect poverty too, the robust trade-driven growth in developing countries has been the strongest driver of the reduction by half of the number of people living in extreme poverty between 1990 and 2010. GDP growth helps to generate the resources needed to improve standards of living and can have positive impacts on the availability of health services, clean water, electricity, education and housing.

14. Trade can also directly contribute to poverty reduction. By making available more affordable goods at home, trade enables poor households to purchase more with their income. Better access to foreign markets, for example of agricultural goods produced by the rural poor, opens up new employment opportunities for poor farmers. Trade can play a key role in empowering women and assisting them in dealing with poverty. Across developing countries, exporting firms generally employ a significantly higher share of women than non-exporting firms, which has, in turn, an impact on other household decisions, such as education.

15. At the same time, however, the poor may not capture the full benefit of participation in international markets because the goods that they produce tend to be subject to relatively high trade barriers.¹ In general, research indicates that industries that face higher tariffs in the export market pay lower wages in all countries.² In a study on the free trade agreement between the United States of America and Viet Nam, it was found that provinces in Viet Nam that were more exposed to United States tariff cuts experienced greater declines in poverty rates.³ In another report, it was predicted that the elimination of trade barriers on exports of agro-manufactures to industrialized countries would cause poverty to decline in Argentina.⁴

16. Although trade reforms create new opportunities, they can also involve adjustment costs. Access to international markets may deliver higher average incomes to farmers who specialize in producing export crops, but may bring greater competition that reduces the demand for labour in import-competing sectors. For example, in a study of the effects of liberalization in India in 1991, evidence was found of a slower decline in poverty in rural districts, among the least geographically mobile at the bottom of the income distribution, and in regions in which inflexible labour laws impeded factor reallocation across sectors.⁵

17. The poor are not all affected equally by international trade. The effects will depend on where they live (rural versus urban areas), their individual characteristics (skill, gender), the type of trade policy change (increased import competition or

¹ World Bank and World Trade Organization (WTO), *The Role of Trade in Ending Poverty* (Geneva, 2015); World Bank and WTO, *Trade and Poverty Reduction: New Evidence of Impacts in Developing Countries* (Geneva, 2018).

² WTO, "WTO contribution to the 2019 high-level political forum", 13 March 2019. Available at https://sustainabledevelopment.un.org/content/documents/22356WTO_2019_HLPF_input_FINAL.pdf.

³ Brian McCaig, "Exporting out of poverty: provincial poverty in Vietnam and US market access", *Journal of International Economics*, vol. 85, No. 1 (September 2011).

⁴ Guido Porto, "International market access and poverty in Argentina", *Review of International Economics*, vol. 18, No. 2 (May 2010).

⁵ Petia Topalova, "Factor immobility and regional impacts of trade liberalization: evidence on poverty from India", *American Economic Journal: Applied Economics*, vol. 2, No. 4 (October 2010).

export opportunities) and where they work (industry, firm, formal or informal sector). A general finding in the literature is that the adverse effects stemming from trade adjustment are a result of worker mobility costs and the costs of moving across sectors, regions or tasks. An inclusive trade policy must take those specificities into account.

18. Studies on the labour market effects of trade also highlight that trade affects people and regions differently. The important finding, however, is that trade typically tends to raise aggregate employment and real wages. Employment reductions owing to direct competition from imports are typically offset by employment creation resulting from cost savings from cheap imports and export opportunities in many sectors of the economy that do not necessarily trade directly but benefit from trade through input-output linkages.

19. Technological progress and trade have been key engines of global prosperity. Resistance to innovation and retreat from global integration are not options that will help to eliminate extreme poverty. At the same time, policymakers need to ensure that benefits are spread more widely. A reallocation of resources is often necessary for all to reap the substantial benefits from trade. Citizens need to be better prepared for possible disruptions ahead and be able to take advantage of new opportunities.

20. Just as other structural changes, notably those triggered by technological progress, trade can create adjustment pressures for certain segments in society. It is therefore important to have in place appropriate complementary policies to ensure that the gains from trade are more evenly shared and the trade-related adjustment costs affecting certain regions and individuals are mitigated. Early and comprehensive policy action to improve labour mobility across sectors, regions and skills is particularly important.

21. Action at the domestic level needs to be accompanied by a maximization of trade opportunities for the poor at the international level. To increase opportunities for the poor, global action should include addressing distortions in agriculture to improve market access and reduce food price volatility, which can benefit both poor farmers and poor consumers. It is also important to address modern areas of the global economy, such as services and e-commerce, which are not yet fully reflected in international trade policy. In deploying those efforts, the important role of micro-, small and medium-sized enterprises as a significant source of employment should be recognized, as should the role of investment in providing financing to increase capacity in countries with limited resources. Openness and inclusiveness are not mutually exclusive; there is room to have more of both.

22. To expand the inclusivity of trade, more targeted action to overcome the constraints that the extremely poor face in benefiting from trade is also necessary. The extremely poor suffer from a range of constraints that limit their capacity to benefit from the gains that others in society might enjoy from trade. Farmers and firms in rural areas face particularly high transport costs and delays when shipping to international and national markets. Production in rural areas is largely dominated by agriculture, and agricultural markets present particular challenges to trade integration. Those working in the informal sector face greater risks than those in the formal sector. Workers with informal jobs typically do not have the same employment rights as those in formal employment. Firms and households in the informal sector have limited access to finance to smooth over short-term economic fluctuations, such as a sudden rise in food prices or a sudden contraction in economic growth. In addition, informal sector workers are not covered by social benefits such as health, pension or unemployment insurance and therefore tend to be less covered against risk than formal sector workers.

23. Significant structural changes in the global economy are making the link between trade and development more complex. Automation, digitization and new business models are revolutionizing all aspects of life around the globe. New technologies are completely transforming the way in which goods, services and information are produced and exchanged. Those global changes need a global response.

24. The world has experienced similar global transformative changes in the past, with steam and the industrial revolution in the nineteenth century and later with electricity, the assembly line and mass production in the twentieth century. However, now, in the twenty-first century, what is unprecedented is the pace and speed of new technological developments. Thanks to innovations such as containerization and fibre optics, production stages can be set up in different countries, and supplies and components can come from many places. The Internet has also had a significant impact on the way in which trade is conducted. Trade in services, data and information is surging across digital platforms. Traditional trade in manufactured goods, agricultural products and natural resources is also becoming increasingly enabled by digital technologies.

25. All those factors present many opportunities to continue to leverage trade as a tool to promote growth and development. Indeed, trade and technology have the potential to fulfil many of the aims of the 2030 Agenda by generating the enabling environment needed to meet targets related not only to poverty reduction but also to food security, good health and well-being, clean water, renewable energy, high-quality education and sustainable cities. However, the impacts of economic and social development as a result of globalization also risk leading to the exploitation and degradation of the natural resource base; the challenge of sustainable development is to operate within legal and policy frameworks in balance with the environmental dimension, which must ensure the protection and restoration of the natural resource base, on which all those developments depend.

26. At the same time, the unprecedented technological progress is also driving significant structural changes in labour markets. Productivity gains from new technologies are reducing the demand for labour in more traditional sectors, such as agriculture or manufacturing. Of course, this so-called “fourth industrial revolution” is not going to make all jobs disappear, but it is bringing enormous changes, and while the processes therein have brought progress overall, it is important to recognize that not everybody has been able to benefit and participate. Such inequality is a challenge facing Governments and societies everywhere, in both developed and developing economies.

27. “Race to the bottom” dynamics, such as tax competition between Governments, including on corporate income tax, to become more attractive for investment and less vulnerable to tax avoidance, are not a sustainable solution in a globalized world, and they tear apart the fabric of society by creating massive inequalities and eroding trust in public and private institutions.

28. Sustainable and balanced economic progress will hinge on the ability of economies to adjust to changes and promote greater inclusiveness. There is not a “one size fits all” recipe; approaches must be tailored to a country’s specific situation and mainstreamed into development policy objectives to ensure that trade is inclusive, that it benefits the largest possible sections of the population and that those who may be losing out are provided with assistance to adjust.⁶

⁶ WTO, *World Trade Report 2018: The Future of World Trade – How Digital Technologies are Transforming Global Commerce* (Geneva, 2018).

Globalization as a driver of health and well-being

29. Globalization is connected to the movement of people, as well as to the flows of goods and finance. In that regard, it is linked to the health and well-being of people, not only in terms of the spread of infectious diseases and their eradication, but also in terms of the growing threat of non-communicable diseases, in large part owing to the trade of products that have adverse effects on health. Globalization has increased the spread of infectious diseases from South to North and has also perpetuated a sharp rise in non-communicable diseases through the transmission of culture and behaviour from North to South. Therefore, while it is important to target and reduce the spread of infectious diseases in developing countries, it is also essential to reduce the risk factors and unhealthy behaviour in the South that cause non-communicable diseases, such as the consumption of tobacco, alcohol and unhealthy foods.

30. In examining the link between globalization and non-communicable diseases, it is important to build on successes such as the progress made in relation to the World Health Organization Framework Convention on Tobacco Control, and to identify areas in which action is needed to address the failures of globalization, for example in the growing global obesity epidemic and the spread of related non-communicable diseases, such as diabetes, cancer and heart disease, in many parts of the world. Overall, and as highlighted by the High-level Panel on Access to Medicines, there is an urgent need to remedy policy incoherence in relation to the right to health, trade rules and public health goals.

31. An analysis of data and trends from 1994 to 2019 indicates that expectations for a long and healthy human life continue to be adjusted upwards. Average life expectancy has increased by approximately seven years since 1994 and continues to rise. That trend is a remarkable achievement, reflecting better nutrition; better prevention and treatment of infectious diseases, in particular among infants and children; gains in maternal survival; and progress in the treatments of heart disease and cancer. While it was feared that longer life would mean added years of poor health, there have been even greater gains in healthy life expectancy, from a world average of 56 years in 1994 to 68 years in 2016 (E/CN.9/2019/3, para. 36). However, life expectancy trends for the adults of today may not be applicable to the young people of today, if recent trends in eating habits, obesity and inactivity are not addressed.

32. Health trends have been characterized by the sustained global rise in the relative burden of non-communicable diseases, including mental health, and comorbidities among older persons. Those trends have corresponded with a decline since 1994 in the relative global burden of disability-adjusted life years attributable to poor sexual and reproductive health in all regions other than Africa, where the burden of poor sexual and reproductive health continues to capture 23 per cent of all disability-adjusted life years, as a result of HIV/AIDS and maternal and newborn conditions.

33. The distinction in the health needs in Africa is illustrated by comparing the leading causes of death among young women in Africa, which include HIV, maternal health conditions and malaria, with the leading causes in other regions, which are traffic-related deaths, interpersonal and community violence, self-harm and cancer. Since 1994, improvements in clinical care and coverage of antenatal, delivery and postnatal care have progressed, with a corresponding 40 per cent decline in preventable maternal death. Persistently high rates of maternal mortality and morbidity are now concentrated in the least developed countries of West Africa and South Asia. The “last mile” in the universal prevention of maternal and neonatal death may be the most challenging, given that deaths are now clustered within countries with extremely fragile health systems, high rates of poverty, low literacy, low status

of women, limited access to modern transport and populations dispersed throughout rural and hard-to-reach areas.

Interdependent challenges of globalization and migration

34. Migration today is inevitable, necessary and an integral part of our globalized world.⁷ On the one hand, the movement of people is a consequence of globalization, as free markets and free trade and information flow have facilitated and encouraged mobility for the purposes of work, family, study or the strategic and often desperate pursuit of a better or safer life. On the other hand, migration is a driver of globalization, contributing to growing social, economic, political and cultural interconnectedness through the emergence of transnationalism and multiple nationalities and identities and acting as a powerful driver of sustainable development for migrants and communities.⁸ Migrants can bring significant benefits in the form of skills, the strengthening of the labour force, investment and cultural diversity and produce more than 9 per cent of global GDP, representing approximately \$3 trillion more than if they had stayed at home.⁹ Migrants also play a role in improving the lives of communities in their countries of origin through the transfer of skills and financial resources.¹⁰

35. However, those benefits are not guaranteed. Migration itself is a highly visible reflection of current global inequalities. For example, the ability to move around the world is not equally shared among all people, and migrants routinely face barriers, discrimination and unequal access to rights, social resources and economic opportunities in their communities worldwide.¹¹ If the particular inequalities that migrants inevitably face owing to their migratory status are not addressed, the world will not reap the global development benefits of migration.

36. The 2030 Agenda explicitly integrates migration into the global development agenda, and target 10.7 of the Sustainable Development Goals sets out the global commitment to facilitate the orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies. The Global Compact for Safe, Orderly and Regular Migration, rooted in the 2030 Agenda, should serve as a road map to guide those efforts. Reducing inequalities for migrants will also be a key success factor for achieving all 17 Goals and ensuring that no one is left behind. However, the Goals cannot be achieved without considering the interlinkages between migration and mega-trends such as urbanization, digitalization and the future of work, which accompany globalization.

37. The Global Compact and target 17.18 both support the collection of data on migration to develop and implement better informed policies in that regard, calling for data disaggregated by migratory status and including information on regular and irregular flows, the economic and social impacts of migration and refugee movements, trafficking in persons and the needs of migrants and displaced populations. Data on migration are traditionally extremely challenging to gain access to and understand, and low-quality, scattered or poorly disseminated information can

⁷ International Organization for Migration (IOM), *Tomorrow's World of Migration and Mobility* (Geneva, 2017).

⁸ Forthcoming IOM strategy on migration and sustainable development for the period 2019–2023.

⁹ IOM and McKinsey and Company, *More than Numbers: How Migration Data Can Deliver Real-Life Benefits for Migrants and Communities* (Geneva, 2018).

¹⁰ IOM, *Migration and the 2030 Agenda: A Guide for Practitioners* (Geneva, 2018).

¹¹ Cécile Riallant (IOM), “Migration to advance human development outcomes”, United Nations Association of Great Britain and Northern Ireland, 19 June 2019.

distort public debate on migration.¹² Data collected across different entities may often be incomparable or may simply be out of date.

38. However, as global advancements in technology and increasing digitalization have brought globalization into a new era defined by soaring flows of data and information,¹³ data flows have served to further enable the movement of people and the collection of data on movement. An increasing plethora of alternative data sources is currently reshaping how data on migration are collected, through the use of mobile phone data, online tools and platforms, social media online payment services, and satellite imagery. Such data collection opportunities, for example the tracking of telephone calls, Internet activity and the use of financial services, are helping to better map the movements, activities, characteristics and needs of migrants.

39. Better data collection and sharing are essential to ensure enhanced migration governance through policies and actions that respond to the real needs and dynamics of migration. Digitalization can support enhanced migration governance as long as the practice is controlled, in keeping with guarantees of confidentiality and respect for individual privacy. A risk that needs to be mitigated is the use of such data to formulate inappropriate or potentially harmful policies that put State interests ahead of the rights of migrants and displaced persons.

40. The growing phenomenon of migration for education¹⁴ entails benefits: migrants enhance their employability and prospects, universities benefit from tuition fees, countries benefit from necessary expertise and research is driven forward on the basis of global competition and continuous innovation. The phenomenon is only likely to grow, as those positive outcomes are increasingly being recognized and global agendas call for expanding the number of cross-border scholarships available, in accordance with Goal target 4.B, on ensuring inclusive and equitable quality education for all through the global expansion of the number of scholarships available to developing countries. The extent to which technological advancements, digitalization and expanding Internet access will affect the education of migrants and education-driven migration overall remains to be seen.

41. As technology and innovation advance globally, large shifts in industries and related skills profiles can be anticipated. For example, low-skilled jobs typically taken on by migrants may become obsolete in some sectors, such as agriculture or manufacturing, while new skills will be needed to fill the increasing labour demand of more service-driven economies.¹⁵ That trend will cause dramatic changes in labour migration supply and demand, reducing migrant flows in some places and increasing them in others, with changes in the type of migrants needed, ranging from low-skilled to highly skilled, depending on industrial priorities and the extent to which the local population is able to cover the labour needs. Skills matching and the education of migrants will have to be aligned with that new reality, with tendencies towards an increasing demand for skills in information and communications technologies (ICTs), as well as advanced cognitive and socio-behavioural skills.

42. Global trends in demographics may also reveal burgeoning populations in some regions with difficulties integrating young people into the labour market, and population decreases in other regions that will suffer from labour supply shortages.¹⁶

¹² IOM, *Migration and the 2030 Agenda*.

¹³ McKinsey Global Institute, *Digital Globalization: The New Era of Global Flows* (McKinsey and Company, March 2016).

¹⁴ Brian Keeley, *International Migration: The Human Face of Globalization* (Organization for Economic Cooperation and Development, September 2009).

¹⁵ World Bank, *World Development Report 2019: The Changing Nature of Work* (Washington, D.C., 2019).

¹⁶ Ibid.

Emerging industries and services and related jobs may also outpace the development of the legislation necessary to regulate such activities, resulting in more informal labour and thus enhancing exposure to possible exploitation, with migrants being particularly susceptible, depending on their migratory status and level of access to services, redress and social protection. To adapt to that new global reality, experts are calling upon Governments to invest in human capital in a manner that is inclusive of migrants and displaced persons,¹⁷ in order to achieve sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (Goal 8).

43. Migration and displacement in urban areas are also changing the social and economic fabric of many cities and communities. To ensure positive changes, cities must be empowered, provided with sufficient resources, connected to other cities and actively participate in national and international policymaking on migration-related issues. Platforms such as the global Mayoral Forum on Human Mobility, Migration and Development are key to bringing local authorities together to achieve those goals. If the effects and drivers of migration are felt most strongly at the local level, then local and regional authorities are at the forefront of ensuring migrants' integration and empowerment as active and contributing members of society, by breaking down the many linguistic, legal, social, administrative and discriminatory barriers that migrants face.

III. Multipolar globalization and the new multilateralism

44. Globalization has generated a new and multipolar world. Globalization has accelerated economic convergence, economic power shifts and multipolar trends, as evidenced by the rise of emerging economies and their expectation that they will play a greater role in global affairs. The multilateral trading system is jeopardized by the multiplication of bilateral and plurilateral trade agreements.

45. Tariffs are an example of multipolar globalization. Although the term has negative implications, certain countries have been beneficiaries. Viet Nam, for example, has benefited the most from the redirection of trade, gaining an estimated 7.9 per cent of its GDP from new business. Multinational corporations are reshoring as a result of finding alternative options to avoid tariffs, opening up business opportunities for other countries that might not otherwise have been explored; consequently, tariffs have become an enabler for positive outcomes in the reduction of inequality.

46. The global governance architecture needs to better reflect the realities of today. An updated and strengthened multilateral system can effectively engage in global policymaking and provide for multi-stakeholder engagement and dialogue with non-State actors. Power-sharing is indispensable in a world of multipolar trends, interdependence and cross-country spillovers.

47. A wide body of economic literature supports a positive correlation between trade and the reduction of inequalities, as economic growth is fostered through the efficient reallocation of resources, the exploitation of economies of scale, technology spillovers and the raising of living standards and income levels.

48. Although it is difficult to establish causality between trade openness and poverty reduction, it is widely recognized that countries that are more open are successful in achieving higher economic growth and poverty reduction, resulting in positive dividends for the poor segments of the population. A positive correlation between

¹⁷ Ibid.

trade openness and the reduction of poverty and inequality is reinforced by the fact that, from 1993 to 2008, the real incomes of the bottom 20 per cent of the population increased in developing and emerging economies as a result of more openness to trade. As indicated in the previous section, it is also true that trade has pulled millions out of poverty in the past few decades.

49. States have increasingly recognized the benefits of multilateral trade cooperation and mutually agreed rules for their continued growth and economic development. The launch of the African Continental Free Trade Area in July 2019 during the African Union summit in the Niger constitutes the creation of the largest trading market since the establishment of the World Trade Organization (WTO) in 1994. If successful, it will unite 1.3 billion people in the region, create a \$3.4 trillion economic bloc and potentially transform the continent by accelerating economic growth, boosting infrastructure development, ensuring competitiveness, creating jobs and fostering regional integration by strengthening supply chains and generating shared expertise.

50. Progress will be contingent, however, on whether measures are taken to combine the provisions of the landmark Agreement Establishing the African Continental Free Trade Area with investment in better roads and railways, on whether conflict and terrorism are addressed and on whether corruption can be overcome in many areas. Parties to the Agreement have committed themselves to eliminating tariffs on most goods, which is projected to increase trade in the region by 15 to 25 per cent in the medium term.

51. More than 140 special and differential treatment provisions contained in the expanded rules of the Uruguay Round agreements of WTO have been adopted with the aim of making the multilateral trading system more inclusive and equitable with respect to the participation of less developed members. States members of WTO have made progress on such provisions, including duty-free and quota-free market access for the least developed countries.

52. The importance of the effective implementation of the special and differential treatment principle has been recognized in target 10.A of the Sustainable Development Goals, which calls upon countries to implement the principle of special and differential treatment for developing countries, in particular for the least developed countries, in accordance with WTO agreements. The indicator chosen for the target is the proportion of tariff lines applied to imports from developing countries and the least developed countries with zero-tariff. It is therefore interesting to examine progress made in expanding the coverage and scope of zero-tariff treatment for developing countries.

53. The number of products exported by lower-income countries to international markets on a duty-free basis has gradually increased over the past decade. By 2016, 50 per cent of products from developing countries benefited from a worldwide duty-free treatment. That ratio rises to 64 per cent in the case of products exported by the least developed countries. The rate of improvement has been faster, however, for exports of the least developed countries compared with those of developing countries, indicating the international community's continuous efforts to grant preferential treatment to countries with lower income levels.

54. For exports of services, a waiver adopted in December 2011 allows the least developed countries to benefit, on a non-most-favoured-nation basis, from preferential market access. Under the waiver, 24 WTO members have thus far submitted notifications of preferential treatment for services and service suppliers from the least developed countries. Although improvements in preferential tariff treatment for the least developed countries have slowed down in some key sectors, the relative preferential margins enjoyed by exports from those countries, that is, the

difference between the preferential tariff rate applicable to such exports and the corresponding most-favoured-nation rate, have increased over time.

55. As market access opportunities expand as a result of tariff reduction, it is important to address the capacity constraints experienced by developing countries in taking advantage of those opportunities. Aid for Trade projects support developing countries in building the productive capacity of their firms and upgrading their economic infrastructure to reduce trade costs and other supply-side constraints, and hence can be seen as a step to enhance inclusiveness and reduce poverty and inequality.

56. The current discussions on WTO reform reflect its members' recognition of the need to make the multilateral trading system more inclusive, equitable and transparent, including by addressing the challenges faced in decision-making among such a diverse membership. It is also recognized that progress in a number of areas, in particular in agriculture, services, development issues and, although they are not currently subject to negotiations, new issues such as gender, e-commerce, global value chains, micro-, small and medium-sized enterprises and investment facilitations, will make trade more inclusive and contribute to reducing poverty and mitigating inequalities.

57. Current trade tensions and a surge in trade-restrictive measures are greatly increasing economic uncertainty. Prioritizing and strengthening global cooperation is in the interest of all and remains a crucial element in fulfilling the promise of globalization.

IV. Globalization and governance of information and communications technologies

58. The nature of globalization has been shifting and is often driven by the rapid evolution and adoption of ICTs. The emergence and convergence of digital technologies, the spread and increasing speed of connectivity and the rapid penetration of mobile technologies have deepened the interconnectedness of the global economy and of societies around the world, transforming the way in which people work, live and do business.

59. Digital technologies have lowered the cost of producing, sharing, distributing and visualizing knowledge. The Internet and mobile communications have massively accelerated the pace and volume of information available, and they increasingly reach into even the most remote parts of the world. ICTs can achieve results at a scale, speed, quality, accuracy and cost not imaginable just a decade ago. ICTs empower billions of individuals around the world by providing access to and delivering high-quality goods and services in the areas of health care, education, finance, commerce, governance and agriculture, among others, creating smart societies. They can help to reduce poverty and hunger, boost health, create new jobs, mitigate climate change, improve energy efficiency and make cities and communities sustainable.

60. The globalization of ICT and digital communications devices means that information is immediately accessible and civil society is much more easily informed, motivated and mobilized. That development has major implications for the role and influence of the State and for how the State itself is influenced. Digital technologies are now viewed as key determinants of the growth and competitiveness of industries and countries in the global economy of the twenty-first century, and digital transformation is seen as a key driver of sweeping change around the world.

61. However, without the digital infrastructure that powers today's interconnected world and forms the backbone of the digital economy, ICT applications that enable

scalable solutions to achieve the Sustainable Development Goals cannot be delivered. A chronic lack of network infrastructure prevents many in remote rural areas from enjoying the benefits of ICT. Geographic information systems are helping to take stock of national backbone connectivity, as well as of other key ICT infrastructure metrics, through the use of broadband maps that visually identify areas in which communication links are located and areas in which they are lacking, providing policymakers, regulators, donors and industry and network planners with an effective tool to assess market opportunities to close connectivity gaps, in particular in developing countries.

62. The flow of vast amounts of data and information, not seen before the turn of the millennium, is now understood to have an impact on GDP growth larger than the impact of trade in goods. In 2016, cross-border bandwidth had grown 45 times larger since 2005; and, between 2005 and 2017, bandwidth had grown 148 times larger. Virtually every type of cross-border transaction now has a digital component, with data flows enabling not only information and ideas but also the movement of goods, services, finance and people.¹⁸

63. The evolution, diffusion and convergence of technologies are projected not only to continue but also to move forward at a rapid pace, and such technologies are continually changing, updating and building on themselves at a speed and magnitude that are disrupting the way in which business is conducted, shifting whole industries, redefining institutions and people's engagement with them and changing how people live overall.¹⁹ Strategies and tools are needed that target the adoption of technologies and the development of capacities that will have the most impact, identifying "the technologies that matter",²⁰ building the necessary ecosystem and addressing the risks of rising inequality, uneven share of benefits, exclusion and job loss from automation that are borne significantly by those most vulnerable to disruptions.²¹

64. Governments will be facing enormous challenges in the next decades, including the need to shape a "government designed for new times".²² ICTs can reduce the costs of public services, enhance access to and the quality of those services, enhance regulatory compliance and help to enhance the transparency and accountability of public agencies. However, all those achievements are not automatic; they require strategic thinking about ICT, governance and development. Governments need to keep pace with quickly evolving technologies, as well as with the impact of those technologies on their societies.²³

65. Regulation can help to safeguard and protect people, information and infrastructure. It can help to set the scene for connecting the remaining half of the world's population that is still offline and can serve as an equalizer, so that all market players can benefit from a level playing field. Regulation can foster an environment that encourages and sustains return on investments, for example in infrastructure. Today, there is almost no economy that does not have its own independent ICT

¹⁸ McKinsey Global Institute, *Digital Globalization*.

¹⁹ Some particularly instructive material in that regard can be found in data and studies from the Digital Transformation Initiative of the World Economic Forum (available at <http://reports.weforum.org/digital-transformation/>), and in Martin Mühleisen, "The impact of digital technology on society and economic growth: the long and short of the digital revolution", *Finance and Development*, vol. 55, No. 2 (International Monetary Fund, June 2018).

²⁰ McKinsey Global Institute, "Disruptive technologies: advances that will transform life, business and the global economy", executive summary (McKinsey and Company, May 2013).

²¹ Klaus Schwab, "The fourth industrial revolution: what it means, how to respond", World Economic Forum, 14 January 2016.

²² Wim Elfrink, "The smart-city solution" (McKinsey and Company, October 2012).

²³ Hanna K. Nagy, *Transforming Government and Building the Information Society: Challenges and Opportunities for the Developing World* (New York, Springer, 2010).

regulator, whether a ministry or a regulatory authority, managing vital issues such as radio-frequency spectrum allocation, operator licensing and national network and services development in an increasingly complex policy environment. Regulators are dealing with issues such as evolving digital taxation frameworks, infrastructure-sharing strategies, consumer trust issues, the blurring of the demarcations between content development and network operation, network investment issues and the need to get everyone connected to enjoy the benefits of ICTs.

66. The ICT sector is among the fastest moving sectors, which necessitates fast-moving regulatory responses. ICTs are becoming less visible but more prevalent, embedded in many sectors and systems beyond the field of ICT. Some markets are consolidating, while others are proliferating and fragmenting. Cyberthreats²⁴ are growing in scope and scale, and growth in mobile subscribers is expanding local access to the Internet. Many countries are expanding the scope of their regulatory frameworks to address the challenges of digital transformation, while monitoring and enforcement are on the rise. Collaboration among ICT regulators and regulators from other sectors is also increasing.

67. New technologies such as artificial intelligence, big data, the app economy, cloud computing, the Internet of things, social media and mobile technology and business models are putting regulatory paradigms to the test. National regulators are faced with new technologies and new business and investment models. At the same time, they are conscious that they need to continue to focus on safeguarding and protecting consumers and infrastructure without hampering innovation or investment.

68. Ensuring universal, trustworthy and equitable access to connectivity requires enhancing cybersecurity and protecting the information infrastructures essential to every nation's social and economic development. Cyberthreats and cyberattacks give rise to ever-growing security challenges for both the public and private sectors in all countries. Cybersecurity-related incidents can compromise the availability, integrity and confidentiality of information transiting on networks and disrupt the operations and functioning of critical infrastructure, both digital and physical. They can also compromise the security of people and whole countries. At the national level, the protection of citizens is the responsibility of sovereign States. Cyberthreats and cyberattacks range from attacks on individual targets or attacks on specific platforms and actors, to generalized attacks that can transcend national borders (e.g. botnets). Hence, international cooperation plays an increasingly vital role in strengthening cybersecurity, while legislation, policies and strategies need to be tailored to fit the local context in order to address national needs.

69. One regulatory model hardly fits all, and divergent regulatory frameworks in a complex, fast-moving landscape may add complexity, create uncertainty and discourage investment and innovation. A national ICT regulatory authority often works with the competition authority, the consumer and data protection authority, the broadcasting authority and any appointed authority dealing with Internet-related issues. ICT regulators also increasingly team up with their peers in other sectors to address regulation for digital transformation. Indeed, digital technologies and services are transforming lives across society, and are now embedded in many sectors and systems beyond the field of ICT, from agriculture, banking, climate change mitigation, education, e-government and health, to intelligent transport and smart water-management systems. As a result of the lessons learned from globalization, a multilateral framework could be established, for example on the ethical and

²⁴ A cyberthreat is a potential malicious act that seeks to damage or steal data or disrupt digital life in general, irrespective of whether it actually occurs or succeeds.

responsible ways of using artificial intelligence, to reduce the disruption from technologies and curtail inequality.

V. Role of the United Nations system

70. Trends in globalization have led to calls for more effective multilateral cooperation, to ensure that the consequences of globalization do not threaten peoples' livelihoods or the sustainability of the planet. The United Nations has a normative and convening role in organizing discussions around the value systems that should guide efforts in areas related to globalization, including the development of technologies, or national efforts to address issues common to all countries, such as rising inequalities.

71. A reinvigorated multilateral system, with the United Nations at its centre, is the cornerstone of a renewed approach to fairer and more inclusive and sustainable globalization. The 2030 Agenda is an unprecedented achievement of multilateralism and provides a clear illustration of how multilateralism can re-empower choice. Such a system requires renewed approaches to international cooperation and new systems of governance that encourage knowledge-sharing and the integration of new actors into existing global networks.

72. The Addis Ababa Action Agenda of the Third International Conference on Financing for Development supports and complements the 2030 Agenda, helps to contextualize its means of implementation targets with concrete policies and actions and reaffirms the strong political commitment to address the challenge of financing and creating an enabling environment at all levels for sustainable development in the spirit of global partnership and solidarity. The Sendai Framework for Disaster Risk Reduction 2015–2030 and the Paris Agreement on climate change also provide supporting international frameworks.

73. Actions, debates and commitments at the regional level are also an important part of the role of the United Nations system in supporting the implementation of the 2030 Agenda.

VI. Key messages and recommendations

74. Addressing the challenges and reaping the benefits of globalization require concerted and urgent efforts in the following areas:

(a) **Harnessing technological change.** Technological change is spurring an economic paradigm shift – the fourth industrial revolution – that requires new institutions and policies for all countries and all peoples. Institutional and policy frameworks need to be revamped to rebalance the allocation of income between labour and capital. In particular, more emphasis needs to be placed on the education and training of younger generations, as they enter a labour market that increasingly and disproportionately rewards technological skills. In a world that is richer than ever before, international cooperation should foster progressive tax and social protection systems that cushion those affected by economic dislocation and provide for transfers to low-income people and countries;

(b) **Halting the “race to the bottom” dynamics.** “Race to the bottom” dynamics, such as tax competition between Governments, including on corporate income tax, to become more attractive for investment and less vulnerable to tax avoidance, are not a sustainable solution in a globalized world, and they tear apart the fabric of society by creating massive inequalities and eroding trust in public and private institutions. Tax havens and non-cooperative jurisdictions have also

contributed to tax evasion and avoidance. Efforts need to be directed at strengthening tax cooperation and promoting progressive tax regulation, collective bargaining and social protection and other distributional mechanisms that level the playing field;

(c) **Reinvigorating multilateralism.** The global governance architecture needs to better reflect the realities of today. Making globalization fairer within the context of sustainable development requires enhanced cooperation and renewed multilateralism. The international community needs to ensure that the objectives of the 2030 Agenda are fully reflected in global policies and intergovernmental platforms. The international community holds a unique responsibility to think and act in the long-term interest of humanity, cognizant of the implications of the actions of society on the livelihoods of current and future generations;

(d) **Improving global health.** With the growing threat of non-communicable diseases, in large part owing to the trade of products that have adverse effects on health, it is essential to pay more attention to the link between globalization and such diseases and build on successes such as the progress made in relation to the Framework Convention on Tobacco Control. Similarly, failures such as the growing obesity epidemic and the spread of related non-communicable diseases in many parts of the world need to be factored into policy design, and policy incoherence in relation to the right to health, trade rules and public health goals must be resolved;

(e) **Making the case for investment in sustainable development.** Strong incentives need to be created to translate the vast existing pools of liquidity into investments that harness new technologies for sustainability and employment. Investments in sustainable and resilient infrastructure are indispensable to support sustainable development. Incentives for investment and innovation in renewable energy and for the reduction in the use of fossil fuels need to be promoted and can be harnessed through higher carbon pricing, a carbon tax on transport and a carbon tax on industries that highly depend on fossil fuels;

(f) **Addressing migration as a cross-cutting issue that affects and is affected by all governance areas.** Moving forward in an increasingly globalized world, it is essential to understand how all governance areas are interrelated through the application of a “whole-of-government” approach, involving coordination across all government sectors for the development of policies that are aligned with and respond to the effects of migration and the needs of migrants.
