Back on the Globalization Horse: But This Time the Right Horse

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April 3, 2025

About ITIF

- World's top think tank for science and tech policy
- Independent, nonpartisan, nonprofit
- Expertise:
  - Innovation and competitiveness
  - Regulation and antitrust
  - IT and data
  - Telecommunications
  - Trade and globalization
  - Life sciences, agricultural biotech, and energy

Globalist's Denial

- Manufacturing is strong.
- Manufacturing is not important.
- Job loss is from automation.
- We are strong in services.
- We have AI.
- China can't innovate. Peak China.



What Went Wrong



1. Foreign policy interests dominated.
2. China didn't join free trade globalization.
3. Assumed the system was self-enforcing through peer pressure.
4. Assumed trade expansion and a behind-borders barriers decline.
5. Focused more on market opening than enforcement.
6. Failed to get global South on board.

What Went Wrong II

8. Didn't specialize in high-value added production.
9. Rejected industrial policy.
10. Ignored currency.
11. Dismissed the negative impact of foreign industrial strategies.
12. Dismissed the importance of the trade deficit.
13. Paid lip service to helping those who were hurt.

Source: ITIF, "Enough Is Enough: Confronting Chinese Economic Mercantilism"

Trump's Thermidorian Reaction Cannot be the Answer

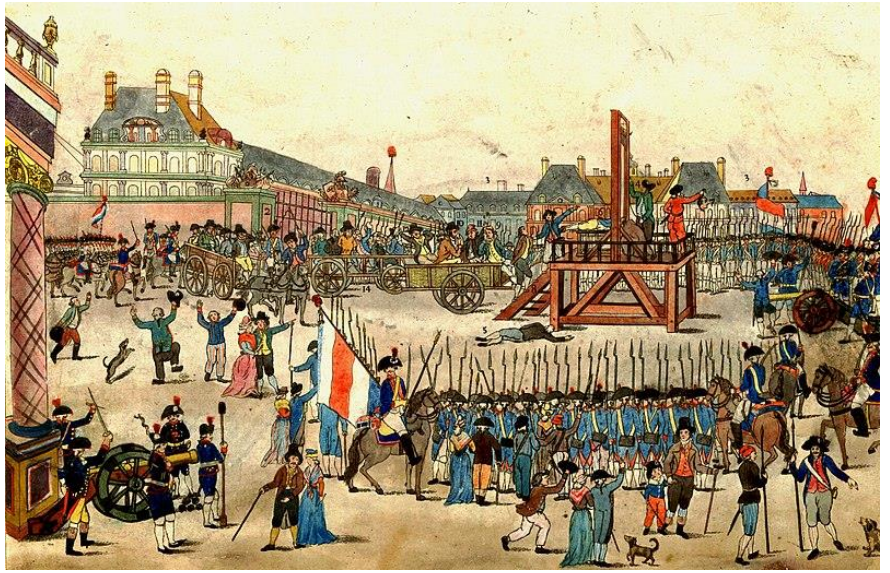
1) Globalization hurts US workers.

2) U.S. firms don't need global markets.

3) No difference between friend and foe.

4) Potato chips, computer chips.

5) America first and America alone.



Tinkering Won't Solve It

- We need more help for workers.
- We need to strengthen the WTO.
- We need to accept that Americans are ignorant of economics



We Need a Globalization 2.0

1. China changes everything.
2. Embrace a national advanced-industry strategy.
3. Trade is a component of national strategy.
4. America first, but not alone.



Globalization 2.0

5. Practice free trade with allies, pragmatic trade with others, & strategic trade with our adversaries.

6. Pressure allies to clean up their act and resist Chinese innovation mercantilism.

7. Establish an institution that can effectively adjudicate disputes among free-trading nations.

8. Insist on floatable currencies.



Principles For Globalization 2.0

9. Fight against advanced industry mercantilism.
10. Expand trade rules.
11. Provide better support to workplaces and workers.



What Should Trump Do

- Eliminate tariffs on fair-trading countries.
- Use tariffs as bargaining tool.
- Establish free trade alliance.
- Block Chinese access to allied markets for products benefiting from unfair practices.
- Support active advanced industrial policy.



What Other Nations Should Do

- Encourage investment in US
- Work to reduce trade surpluses with US.
- Come to table with open mind and make serious attempt to address irritants.



Prospects for Progress?

- Protectionists will likely not compromise.
- Will globalist 1.0's repent and reform?
- Will Trump remove tariffs if other countries fix their problems?



Thank you!

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