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In this article, Witt considers the landscape of global tax policy and important considerations for future growth as the International Tax and Investment Center celebrates its 30th anniversary this October.

The past several years have been exceptionally challenging for the global economy. The pandemic, with heightened public spending, sharply reduced fiscal space for many developing countries. Recovery now highlights the need to adopt sound economic policies to ensure growth. Climate change and energy security concerns have become far more prominent on the global agenda. Of course, the work of the OECD/G-20 on base erosion and profit shifting and pillars 1 and 2 has placed international taxation squarely on the global agenda — with serious consequences for many companies and an uncertain path forward. A renewed focus on tax administration offers opportunities to increase revenue while developing closer and more transparent relationships with taxpayers.

Looking back over the last 30 years since the founding of the International Tax and Investment Center in 1993, three major shifts in the international tax policy landscape and transformations in tax policymaking stand out.

First is the rise in importance of the developing world. For many corporations, the vision of globalization is now a reality. National enterprises, including many in the developing world, have become multinational enterprises. Some countries formerly considered "emerging markets" are performing strongly as middle-income countries, exporting capital while also attracting inward investment. The global landscape of investment has radically changed. Capital markets in the developing world have grown in maturity and sophistication — and have received well-deserved attention from Western fund managers.

As the recent BRICS Summit (the bloc comprising Brazil, Russia, India, China, and South Africa) highlighted, global economic power is shifting. China, India, the Arab Gulf, and rising powers like Brazil, Indonesia, Mexico, Kenya, Nigeria, and others are major economies. Many other countries have taken the lead in developing pro-investment reforms that drive economic growth, move economic activity to the formal sector, give people work, and improve standards of living while reducing poverty. Former Citibank CEO Walter Wriston summed it up well: "Capital goes where it is welcome and stays where it is well treated."

Economic groupings like the Association of Southeast Asian Nations (ASEAN) and the South American trade bloc MERCOSUR are exploring closer economic integration, which has direct implications for taxation policy in those regions. The realization of the African Continental Free Trade Area would significantly expand Africa's already growing economic influence and importance.

But even as global power shifts, risks remain, and both policymakers and investors note dangers ahead. Rather than reaffirming the pro-growth policies that marked most of the postwar period, globalization often seems to be in retreat, with a danger that the world may effectively split into economic blocs. Other voices call for tax policies that, however well-intentioned, discourage economic activity of all types and work to slow development. Still others question liberal capitalism and the role of MNEs in developing countries; too often the role of MNEs in powering economic growth and jobs is discounted or derided.

The world must take care to avoid backlash to globalization using tax policy, as protectionism and economic nationalism threaten both national and global growth. Many countries need deeper structural reforms to solidify the gains they have made.

The second major transformation, driven by the first, is the increased importance of international institutions and organizations in global governance. The role of nongovernmental organizations has also grown in the international system, not least with international financial institutions and finance ministries. The clearest example is the work of the G-20 and OECD on BEPS and pillars 1 and 2, but it extends to many other areas. In the face of a shifting international tax policy landscape, it remains essential that the voice of investors and taxpayers be heard in global forums. With the rise of regional economic groupings, regional economic unions and forums are important as well, allowing countries to learn from each other in developing policies that align with international best practices and promote investment while highlighting specific emphases in each region. Local champions of international best practices can become partners and advocates in applying the principles that will drive economic growth and better tax policy.

The third transformation concerns the intersection of tax and technology. In 1993 e-filing was a novelty and debates over taxation of e-commerce were just beginning. Now, digitalization of tax administration is an essential component of modernization and reform, building transparency and trust. The frontier has shifted to vital questions of taxation of digital services and future challenges regarding borderless technologies like cloud computing and artificial intelligence. Developing countries will insist on a seat at the table as these policies are decided.

How will these three megatrends in the international environment affect the taxation issues of the future? Consider three issues.

First is globalization of tax policymaking. Despite the increasing importance of international institutions, tax remains a cornerstone of sovereignty; countries in the developing world will guard this as jealously as those in the developed world. This is consistent with the progress (or lack of it) on BEPS.

The G-20 and OECD fundamentally changed the international tax landscape. Regardless of the future of pillars 1 and 2, multinational companies have changed their behavior, reducing overly aggressive tax planning. This offers greater protection to domestic revenue bases. Governments must maintain a balance between protecting their domestic tax bases and not allowing BEPS-imposed tax reforms to weaken foreign direct investment. Many developing countries still need time and support to implement the BEPS 1.0 action points fully. Thus, we should be realistic about how much to ask of them regarding quick implementation of pillars 1 and 2. Digital services taxes, often enacted hastily with promises of large revenues, have proven better in theory than in practice, often introducing another, unnecessary area of high complexity to the tax system.

Countries should want digitalization of the economy but seek ways to grow and tax it that advance jobs and growth. Developing countries' tax systems should focus more on attracting investment, providing tax certainty, stability, and better administration.

Climate change, including carbon tax and emission trading systems and carbon border adjustment mechanisms, are increasingly important. Developing countries want a just transition from fossil fuels and decarbonization; pro-investment policies will encourage mining of minerals essential for the energy transition. The tax burden during this transition should reflect the role of *all* fuels, fossil fuels and renewables. The challenge is to encourage the renewables sector to promote confidence among investors and strong revenues for governments. Most important in delivering a just transition is to use market signals to encourage private sector investment in the right areas.

Taxation of AI is another frontier issue of great importance. As nations develop policies to regulate AI, taxation should be part of that dialogue along with other important legal issues, like copyright. AI can reduce the need for labor, improve labor productivity, and provide new insights from enhanced analysis. These features have implications for the tax base of a country, broader questions about the taxation of all types of intellectual property, and compliance/audit. What should be taxed and what should be exempt? Who is the jurisdictional authority? AI even has implications for tax administration — does AI have a role there (for instance, to identify taxpayers for audit or suspected evasion) and, if so, on what grounds?

This list of challenges is daunting, but the principles of wise tax policy for prosperity and financial stability have not changed. They include revenue adequacy to finance the functioning of government, with rates low to minimize adverse effects; certainty, transparency, and stability; simplicity; and economic neutrality. They also include fairness (with little or no tax for those living in poverty) compatibility with international standards; wise fiscal policymaking; and honest and competent tax administration leading to strong and trusted relationships between business and government.

Despite these challenges, it is appropriate to conclude on a high note. Many countries in the developing world are displaying a clear commitment to welcoming investment. Over the years, countries have learned that most taxpayers (especially MNEs) want to pay their full and legal tax obligations. They are honest taxpayers. In turn, they want a stable, transparent, and honest tax administration and hope that revenue authorities will invest more deeply in human capacity and digitalization.

In short, investors and governments can and should be strong partners for growth and development. In fact, despite the challenges of new paradigms in international taxation and a multiplicity of new actors in this space, this partnership is fundamental. It is U.N. Sustainable Development Goal 17 — partnerships — in action.

Indeed, much international tax policymaking today takes place within the framework of the U.N.'s Sustainable Development Goals. While they have attracted both controversy and praise, it is wise to remember the first — and most important — goal: *no poverty*. Market-oriented policies that encourage investment and economic growth remain the proven path to end poverty and build lasting economic growth. Wise tax policy directed to those ends plays an indispensable role in that effort — and this will remain as true over the next 30 years as it has over the last three decades. ■