

The G-7 Must Act with Unity for Growth and Freedom

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KEY TAKEAWAYS

As the world seeks to recover from the devastating effects of COVID-19, democracies are seeking to regain the initiative from the world's autocracies.

The U.S. must be clear in its principles and provide strong leadership at the summit in advancing commitments to economic and personal freedom.

At the summit, leaders should back a U.S.-U.K. free trade deal, commit to a G-7 stand against China's predatory tactics, and recommit to advancing economic freedom.

This year's Group of Seven (G-7) summit of world leaders will be on June 11–13, at St. Ives, Cornwall, in the United Kingdom. The summit brings together the leaders of the United States, Great Britain, Canada, Japan, Germany, France, and Italy. The G-7 need to act with unity to improve economic growth by recommitting to principles of economic freedom. Growth will both improve the lives of their citizens and assert the value of the freedoms that are fundamental to market democracies

The Group of Seven was founded in 1973 in the midst of then-unprecedented economic crises and amidst the need for unity among the world's largest industrial democracies when the Soviet Union appeared to be winning the Cold War. Today, the need for unity is equally pressing, as the world's democracies are being pushed both economically

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and politically by the power of China. If the G-7 refuse to stand by their principles and prefer instead to cut short-term deals with a regime that fails to respect human freedom, they will forfeit their claim to leadership.

Here are five key recommendations for G-7 leaders as they prepare to gather in the United Kingdom.

Five Key Recommendations for the G-7 Summit

1. Back A U.S.-U.K. Free Trade Deal. The in-person June G-7 summit of heads of state will be President Biden's first. So far, his Administration has not taken a clear position on the direction of U.S. trade diplomacy. The U.S. has a great stake in the promotion of trade freedom, and, since 1945, the U.S. has led the way in the pursuit of lowering barriers to trade between the developed nations and around the world. Although the continuing threat to the world trading system from China's predatory and aggressively mercantilist practices must be steadfastly confronted and resisted by G-7 leaders, a wholesale retreat from U.S. post-1945 aims would both send a wider message of American withdrawal and be a fundamental policy error. The U.S. needs to take advantage of every opportunity to build on its post-1945 heritage of free trade among free nations.

The prospect of a U.S.-U.K. free trade area is one such opportunity. U.S. policymakers should work as closely with the U.K. as possible. A free trade area between the U.S. and the U.K. would be a vital contribution to grounding that freedom in policies that would help restore prosperity. A U.S.-U.K. free trade area should eliminate tariffs and quotas on visible trade, promote visa liberalization, develop new approaches to trade in emerging areas, and develop systems of mutual recognition of standards in high-value areas such as pharmaceuticals.

2. Advance U.S.-European Trade Liberalization. Liberalizing trade between the U.S. and the European Union should be a transatlantic priority. The U.S. and the EU should be leading the way for free trade and should aim to abolish tariffs and non-tariff barriers that diminish the freedom to trade. An agreement that genuinely promotes free trade between the U.S. and the EU would benefit not just the economies of the two parties, but the rest of the world as well. In the wake of the COVID-19 pandemic and its associated economic shocks, the U.S. and the EU must learn from the failed Transatlantic Trade Investment Partnership (TTIP) negotiations. Any new agreement should be negotiated rapidly and not fall into the trap of pursuing overly broad objectives that fail, thereby giving rise to further animosity.

The ultimate goal of any U.S.–EU trade agreement should be to increase the amount of market-based competition in the transatlantic market. If the U.S. and the EU can agree on this, there is a basis for a robust U.S.–EU trade agreement that will boost a U.S.–European economic recovery. To get the best trade deal possible, the transatlantic community must refuse to fight protectionism with protectionism, avoid regulatory harmonization, and promote competition in the marketplace of public policy, just as it does in the market for goods and services.

3. Post-Pandemic: Promote and Protect Innovative G-7 Biopharmaceutical Sectors. Longstanding and vigorous protection of patents in the United States has stimulated unimaginable innovation and growth in the American biopharmaceutical sector. Thanks to Operation Warp Speed and the dedicated efforts of U.S. companies, vaccines to protect Americans and the rest of the world from the deadly COVID-19 virus were created, produced, and brought to market in record time.

The World Trade Organization’s (WTO’s) “Trade-Related Aspects of Intellectual Property Rights” (TRIPS) agreement is the global mechanism to protect member countries’ intellectual property rights (IPR). Unfortunately, the Biden Administration supports the deliberate waiver of international IPR protections for American-made COVID vaccines. Other countries would be allowed to issue “compulsory licenses” to permit their domestic pharmaceutical companies to manufacture drugs invented and patented by (in this case) U.S. companies without adequate compensation.

The net result of compulsory licensing is to legalize the theft of the intellectual property of the vaccine innovators. A TRIPS waiver also signals that the United States will not seek to enforce IPR protections in other cases of infringements of American companies’ patents. Furthermore, and practically speaking, the actual manufacture and distribution of pirated American vaccines—a capital-intensive, state-of-the-art technological process that, among other things, requires an advanced infrastructure for cold supply-chain distribution—by countries such as India and South Africa is not very realistic.

Germany and France have already indicated opposition to waiving TRIPS protections for vaccines. The Biden Administration should reverse course and join them. The U.S. should join with other G-7 nations in opposing the waiver of TRIPS under Article 31bis.

4. Maintain a Resolute G-7 Stand Against Predatory Tactics by China. Among the many downsides of the compulsory licensing of COVID vaccines produced by G-7 countries is the potential for the theft of those

patents and illegal manufacture by the Peoples' Republic of China. In the U.S., senators from both sides of the aisle have registered their alarm at exactly that possibility.

More broadly, as Heritage analysts have reported, the rise of China poses the most persistent and consequential economic, political, and military challenge that will confront the United States (and the rest of the G-7) for the next several decades. Even before the outbreak of COVID-19, China served as an irresponsible global actor that threatened American interests and values worldwide. Evidence of this challenge affects a wide range of American interests—from freedom of the seas to the security of U.S. allies and even security at home, particularly in cyberspace.

The Biden Administration should continue the leadership demonstrated by the previous Administration to rally the G-7 to confront and push back against the threat to Western nations and their values from China. To deal with the China that has emerged on the global stage, G-7 allies must demonstrate the determination to protect their vital interests for the long term and sustain this determination through multiple generations of Chinese leadership.

5. Recommit to Promoting Economic Freedom Among Free, Market-Based Democracies. The annual Heritage Foundation *Index of Economic Freedom* evaluates the extent and effectiveness of government activity in four key areas (rule of law, size of government, regulatory efficiency, and open markets) that are known to have a significant impact on levels of economic growth and prosperity. Policies that allow greater freedom in any of the areas measured tend to spur growth. Growth, in turn, is an essential element in generating more opportunities for people to advance themselves economically, thereby reducing poverty and building lasting prosperity

The data reported in the 2021 *Index* confirm the importance of economic freedom in promoting rapid growth and sustainable social progress. Citizens of “free” or “mostly free” countries enjoy incomes that are more than double the global average and more than six times higher than in “repressed” economies. Countries are free and prosperous due to robust and market-based economic growth. Massive government spending and controls hamper that growth.

People in economically free societies enjoy longer and healthier lives. They have access to higher quality “social goods” such as education, health care, and a cleaner environment. As economic freedom has grown since the end of the Cold War, the global economy has more than doubled, lifting hundreds of millions of people out of poverty and helping to promote more effective democratic governance.

G-7 nations are among the leaders in economic freedom globally. It is incumbent upon them to maintain that lead for the benefit of their own citizens and as an example to the world. The Biden Administration should insist that the final statement of the G-7 heads of state recommit their nations to the principles of economic freedom.

American Leadership for Freedom

The G-7 leaders face a series of vital and interlinked challenges. As the world seeks to recover from the devastating personal and economic effects of COVID-19, the democracies are equally seeking to regain the initiative from the world's autocracies. From Russia's aggressions in the Caucasus and Ukraine—and its murderous attack by poison in Salisbury, close to the route from London to St. Ives—to the much broader economic, security, and political challenge of China, the democracies are back on their heels, which is where they were when the G-7 first came together in 1973.

The United States must be clear in its principles, based on the foundations of economic freedom. If the U.S. does not stand by these principles, it will have neither the message nor the resources necessary to resist the autocracies. The solution to meeting the autocratic challenge rests in advancing free market policies that, undergirded by the rule of law and the protection of free speech and the other rights fundamental to all, create the conditions for job creation, economic growth, and human flourishing.

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