

The G-7 White House Summit: President Trump Must Lead a Post-COVID Economic Partnership

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KEY TAKEAWAYS

This year's G-7 summit will be an important opportunity for the U.S. to lead the free world in calling for an economic recovery built upon economic freedom.

U.S. leadership matters today more than any time in decades. This year's summit will remind the world of the importance of America's role as the world's superpower.

The G-7 leaders should agree on a series of steps to kickstart an economic rebound and embrace policies that empower free markets and strong, secure economies.

The Trump Administration is calling for this year's Group of Seven (G-7) summit of world leaders to be held at the White House at the end of June. Originally scheduled for June 10–12 at Camp David, a Washington summit attended in person by the leaders of Canada, France, Germany, Great Britain, Italy, Japan, and the United States would send a powerful message about re-opening the world's economies in the wake of the COVID-19 pandemic.

The meeting will be an important opportunity for the United States to lead the free world in calling for economic regeneration and recovery based upon the principles of economic freedom by standing firm to protect market democracy. President Trump should lead a post-COVID economic partnership based on three principles—*invest, engage, and enable*—focused on key strategic partners in the Western

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Hemisphere, transatlantic community, Middle East and North Africa, and the Indo-Pacific.

Here are a series of recommendations for G-7 leaders as they prepare to gather in Washington for what will be a historic summit as the world rebuilds in the aftermath of the biggest global epidemic since the Spanish Flu over one century ago.

Invest in Economic Freedom

Economic freedom will provide the lifeblood of the global economic recovery in the coming months and years. The G-7 leaders should agree on a series of steps to kickstart an economic rebound across the world. To this end, they should:

- **Remove extraordinary assistance or stimulus programs as quickly as possible.** While these may be essential during a lockdown, they have significant and negative distortionary incentives for individual and firm behavior.
- **Restore trade and investment flows.** This can be done by immediately removing any barriers put in place during the crisis and taking additional steps to reduce pre-existing tariffs and other barriers. Lowering barriers increases the size of potential markets and provides maximum opportunity for innovation and entrepreneurship.
- **Eliminate any crisis-related subsidies to businesses.** These subsidies engage the government in a process of picking economic winners and losers and are prone to corruption. If economic systems evolve to a new normal following the crisis, subsidies will interfere with firms' adjustments to new market realities.
- **Restore fiscal discipline and avoid tax increases.** A healthy fiscal balance is an important element in effective governance, and governments with large deficits and debt loads have less ability to respond effectively in a crisis. Governments should look for opportunities to reduce legacy spending and subsidy programs that interfere with the normal evolution of production processes in response to market forces, enabling greater private-sector investment or re-investment to speed the recovery process.

The U.S.–U.K. Free Trade Deal and U.S.–EU Trade Liberalization

The G-7 summit will be Boris Johnson's first visit to the White House as British Prime Minister. His meetings with President Trump will provide valuable additional momentum for the U.S.–U.K. trade talks, which began in May. Both Great Britain and the United States have wisely signaled their enthusiasm for an ambitious free trade deal to be completed in 2020.

In the ongoing COVID-19 crisis, it is all the more urgent that the U.S. and U.K. act rapidly to negotiate a free trade agreement—both to help their own economies recover from the effects of the crisis and to give a lead to the worldwide cause of free trade. In moving forward with a U.S.–U.K. free trade deal, President Trump and Prime Minister Johnson should agree at the G-7 meeting to:

- **Eliminate tariffs and quotas on visible trade.** The most obvious restrictions on trade between the U.S. and the U.K. are the tariffs and quotas that each nation imposes on imports from the other. These forms of protectionism impose costs on consumers in both nations, and consumers would directly benefit from their elimination.
- **Develop new approaches to trade in emerging areas.** The U.S. and the U.K. should fully incorporate the digital trade in services into their free trade agreement, using this opportunity to set the precedent that online trade should be treated no less favorably than visible trade.
- **Develop systems of mutual recognition of standards in high-value areas.** Differing regulations and other non-tariff barriers pose significant obstacles to trade between the U.S. and the U.K. Especially in high-value areas, such as pharmaceuticals, the U.S. and the U.K. should work toward the mutual recognition of each other's standards.

The G-7 Summit will also bring the leaders of the European Union's three most powerful economies, Germany, France, and Italy, together with the leader of the United States. It will be the first opportunity for the U.S. President to engage directly with Chancellor Angela Merkel of Germany, President Emmanuel Macron of France, and Prime Minister Giuseppe Conte of Italy since the onset of the COVID-19 pandemic. Strengthening U.S.–EU trade will be high on the G-7 agenda.

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 transatlantic trade agreement that will boost a U.S.–European economic recovery.

In order to get the best trade deal possible, the transatlantic community must refuse to fight protectionism with protectionism, avoid regulatory harmonization, and promote market-based competition. The U.S. should promote competition in the marketplace of public policy, just as it should in the market for goods and services.

At the G-7 summit, U.S. and European leaders should:

- **Make liberalizing trade between the U.S. and the European Union a transatlantic priority.** The Trump Administration is already committed to negotiating a trade agreement with the EU. 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.
- **Strive for a principled agreement that increases market-based competition.** 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 midst 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 negotiations. A new trade deal should be negotiated rapidly—without falling into the trap of pursuing overly broad objectives that fail, thereby giving rise to further animosity.

Alternatives to China’s Dominance of 5G Technology

China’s intentions are clear: Unless it is prevented from doing so, Beijing will use the deployment of equipment, software, and services from Chinese state-controlled companies to compromise European and global telecommunications networks—networks that carry significant volumes of domestic military and NATO data. Furthermore, the Chinese government will use its influence over the international standards for these technologies as a primary tactic in this plan.

To that end, the Chinese government is implementing a concerted strategy of civil–military fusion through the sale and deployment of 5G

telecommunications systems that enables Chinese companies with state support to siphon, store, and exploit data transmitted on these systems, and leverages these same companies as extensions of the government's intelligence and national security apparatus.

This threat demands a response. The G-7 partners must not allow Chinese state-controlled companies to gain any significant position within their 5G networks. China has used Chinese telecommunications companies, such as Huawei, as the prototype of this civilian–military fusion, in which the company is not only heavily subsidized by the Chinese government, but it is also broadly accused of espionage by national security leaders in Australia, Japan, New Zealand, and the United States.

To address this challenge, the G-7 partners should:

- **Establish a transatlantic 5G consortium with the support of Japan.** The United States should work with its allies to create and lead a consortium of governments and industries aimed at rapidly developing alternatives to China's 5G offerings. They should also block any companies that have a history of producing hardware or software with known vulnerabilities or supporting hostile governments and build a coalition to confront China's "military–civilian integration."
- **Stand firm in holding the Chinese Communist Party (CCP) to account.** Demand accountability and transparency from the government in Beijing and full support by China for international investigations of the coronavirus origination in Wuhan. The G-7 should insist on fundamental World Health Organization reform, and work to ensure that the United Nations and other international organizations remain free of undue CCP influence.
- **Build the Blue Dot Network (BDN) with strategic purpose.** At a time when China's Belt and Road Initiative has attracted growing global scrutiny, the U.S., Australia, and Japan have unveiled the BDN initiative, designed to promote "high-quality trusted standards for global infrastructure development." Bringing the U.K. and European allies on board will help build a broad consensus on best practices that will help limit Chinese influence—unless and until Chinese practices are reformed to conform to international standards in areas like transparency and sustainable financing.

Greater Energy Resilience

The G-7 must also look at ways to reduce dependence in Europe on Russian oil and gas. This is particularly important at a time when the transatlantic community is trying to plan a return to a sound economic footing in the post-COVID-19 era. Europe depends on Russian natural gas for 40 percent of its needs. In total, almost 200 billion cubic meters of natural gas is now imported from Russia annually due to declining European production and rising demand. Russia has a track record of using energy as a tool of aggression, and each barrel of oil and cubic meter of gas that Europe can buy elsewhere makes Europe more secure.

In order to increase European energy independence, the G-7 partners should:

- **Offer more political support to non-Russian energy projects.** Encourage regional countries, whenever possible, to use pipelines and infrastructure that bypass Russia to get oil and gas to global markets, and raise awareness of the dangers of Nord Stream II. Every drop of oil and gas that Europe does not import from Russia makes the transatlantic alliance more secure.
- **Offer political support for the construction of the Trans-Caspian Gas Pipeline and the Southern Gas Corridor.** As Europe seeks alternatives to Russian gas, the Southern Gas Corridor and completion of a Trans-Caspian Pipeline will play important roles.
- **Support an “all sources” policy approach.** Make available (especially to developing countries) low-cost energy sources, including from hydrocarbons. Countries devastated by COVID-19 will especially need low-cost energy to rebuild.

The Importance of American Leadership

At its heart, the G-7 is a transatlantic partnership, with Japan providing a vital anchor in the Far East. But its leadership has an impact upon the entire Western hemisphere, the Indo-Pacific region, and the countries of the Middle East and North Africa. This year’s summit can make a real impact in investing, engaging, and enabling a powerful post-COVID economic partnership.

All of the G-7 members have been hit hard by the coronavirus, both in terms of tragic loss of life, as well as a hugely damaging impact on many of the world's biggest economies. American leadership matters today more than at any time since the end of the Cold War, and this year's summit will be a reminder of the importance of America's role as the world's superpower.

The United States must be clear in its message and its principles based on the foundations of economic liberty and freedom. The solution to rebuilding the world's economies rests not in more government intervention, but in advancing the free-market policies that can create the conditions for job creation, economic regeneration, and a spirit of renewal at a time of immense global challenges.

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