

G7 Should 'Rebuild First' To 'Build Back Better'

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The 47th G7 summit in the United Kingdom from 11-13 June 2021 is the first in-person plurilateral summit in the world since the outbreak of the deadly SARS Cov-2 pandemic. This Summit which aims to "Build Back Better" is happening at a time when the world grapples with multiple 'black swan and

grey rhino' challenges. Unlike before when this informal grouping of the world's wealthiest democracies sharing a similar worldview, shaped the liberal global order and dictated the rules of the (economic) game, this time they meet amidst waning influence, under the shadow of a formidable rival.

To get back in the game the G7 members need to roll up their sleeves and get their house in order by 'rebuilding' three key aspects to 'Build Back Better'.

Rebuilding credibility of Democracy and Capitalist system

The 2008 Global Financial Crisis was a coup de grace for liberal western capitalism. It also marked the rise of a rival that not only presented a credible alternative to western capitalism but also began to impact some of the cornerstone values within liberal democracies. Liberal capitalism faced competition from 'authoritarian state-capitalism' with the successful rise of China as a credible and stable economic alternative to the West, minus the 'chaos' of a democracy. Shunning its 'bide your time and hide your strength' dictum, China used the opportunity to export its own model of 'state-capitalism' through its economic 'blitzkrieg' of 'One Belt One Road' Initiative without the paraphernalia of 'values', human rights and other democratic credentials (often used by Western liberalism to fulfil many of their own strategic interests in the developing world).

The leading democracies of G7 have to rebuild their cumulative credibility and re-inspire the confidence of the world that democracy is the only way to maintain transparency and a stable international order. The spread of SARS Cov-2 pandemic, the subsequent calls for a transparent probe in its origins and the belligerent response from China, have provided ample opportunity to the wealthy democracies to regain the lost ground.

The grouping has taken the much needed first steps in this regard, by

meeting the strategic challenge of the Belt and Road Initiative (albeit late) through the launch of their own infrastructure initiative -B3W or the Build Back Better World. The B3W, a values-driven, high-standard, and transparent infrastructure partnership is intended to help narrow the \$40+ trillion infrastructure need in the developing world. The scope of the B3W will be global, focussing on the low and middle income economies of Latin America, Caribbean, Africa and the Indo-Pacific region. One of the two key features of B3W would be its four focus areas: climate, health and health security, digital technology, and gender equity and equality and the other, the attempt to mobilise capital from the private sector. However it remains to be seen if the G7 can match up to the speed and scale of implementing this initiative, or China continues to have the last laugh.

The agreement (subject to adoption by G20) on imposing a global corporate tax of 15% and imposition of tax by States in which the transnational corporate behemoths like Amazon, Google and others operate and not just in the States that house their headquarters, is another initiative that will be welcomed by the developing world. It is estimated that such a move is likely to fill the fiscal gaps by boosting tax revenues of the likes of India by almost \$4 billion. This is an interesting and relevant move, as most of these colossuses have rubbed the democratic governments in the developing world the wrong way and are facing reprisals for their arbitrary policies and blatant disregard for domestic laws of the developing world.

These two initiatives by the G7 can go a long way in rebuilding confidence and credibility of democratic capitalism and its values. The only caveat G7 need to adhere to is that imposition of their world views in a top-down manner is a practice of the by-gone era and to protect their bastion they need to really embrace democracy in their own conduct with the world.

Rebuilding partnerships

The second key aspect G7 needs to rebuild is to re-emerge as credible partners. One of the key lessons of the 2008 GFC and the current pandemic is that unlike in the past when the developed West could pull through a crisis and emerge as the saviours (much like the Avengers), the world and its problems, today, are more integrated and complex, needing all hands on deck approach. The pandemic has been a great leveler, erasing the dichotomy of developed and developing when it came to matters of human survival, needing a 'One Earth, One Health' strategy.

G7 has been seen in most parts of the world to be self-serving, building connections with only those that serve the interests of the wealthy democracies. There has been an undertone of grievance among the developing countries of Africa, Latin America and the Indo-Pacific region that the West have always considered them as 'junior' partners, waiting to be 'guided' and 'cajoled' rather than independent sovereign entities with credible national interests and foreign policy goals. This needs to change and the first step has been taken although the results are yet to be seen. The G7 by inviting India, South Korea, Australia and South Africa have tried to rebuild their perception among the developing world (although only India and South Africa are developing and there was a glaring oversight by the G7 in not inviting any major Latin American democracy like Brazil or Argentina) that these partnerships are based on equal terms.

One of the keenly watched outcomes of the G7 meeting was the stand on Intellectual Property Rights waiver (TRIPS waiver) on vaccines, drugs and therapeutics, proposed by India and South Africa at the WTO. In the official communique, the G7 have agreed to, "engage constructively with discussions at the WTO on the role of intellectual property, including by working consistently within the TRIPS agreement and the 2001 Doha Declaration on the TRIPS agreement and Public Health". However, the proof is in the pudding, when WTO actually accepts this proposal with the help of

G7 nations, making it a pathbreaking action in the fight against the pandemic and also boosting the groupings' attempt to be a responsible partner of the developing world.

Another key highlight of the G7 communique is the focus on supporting growth in Africa by mobilising their respective Development Finance Institutions (DFIs) and multilateral partners to invest \$80 billion over next five years into the private sector of Africa in line with the Addis Ababa Action Agenda. This is critical for ensuring sustainable post-pandemic recovery of African economies adhering to the tenets of transparency and a transparent-collaborative approach.

There is however, still some way to go for G7 powers to emerge as credible alternatives to China and do away with the historical misgivings especially among the low and middle income countries of the Global South. Even as the G7's commitment to the global vaccine program (with just 1 billion doses contributed cumulatively for 2022) has come under fire, if it delivers on the TRIPS waiver, it will help rebuild long-lasting partnerships in the developing world that are critical to 'Build Back Better'.

Rebuilding multilateralism

The last and most important aspect needing a focussed approach from G7 is rebuilding 'liberal multilateral order'. The SARS Cov-2 pandemic brought out the deep rooted malaise of the multilateral order, which saw the highest multilateral institution like the United Nations absent from the scene. It took four months for the UN Security Council (UNSC) (the highest global body to discuss all matters of security) to initiate a 'closed-door' meeting, that too during the presidency of Dominican Republic and not one of the members of G7. One of the first items of action in rebuilding liberal multilateral order that G7 needs to pursue is to rebuild the credibility of its cornerstone institutions

such as the UN and WTO. Two of the G7 members Japan and Germany also form the G4 alongwith India and Brazil that seek a reformed UNSC. Reforming the power structure within the UNSC is critical for the survival of the UN's credibility and also to reflect the changing contours of global power. The G7 has to ensure the success of this reform to keep their liberal multilateral order intact as the current system has failed to live up to the mandate.

The World Health Organisation (WHO) has also come under tremendous criticism of handling the response to the raging pandemic as well as its monitoring and predicting capabilities of deadly diseases such as the SARS Cov-2. If the G7 can move beyond the politics of the pandemic and successfully manage to restore the credibility of WHO by ensuring a credible study on the origins of the pandemic, it will go a long way in not just securing world health but also a transparent multilateral rules based order, critical for the future of humanity.

A similar decadence is witnessed in the multilateral trading system with institutions like World Trade Organisation (WTO) suffering from lack of reforms and not being upto the task of forecasting and guiding the global economy out of the pandemic induced economic morass. The WTO has been facing an uphill battle against the momentum of de-globalisation and opponents of free trade. Inorder to build resilient supply chains, climate friendly economic activities and ensuring a fair rules based trading system in future, the G7 has to secure a few key reforms within the WTO. These reforms pertain to fisheries, e-commerce and promotion of women entrepreneurship, as highlighted in its communique. Linking Sustainable Development Goals with trade negotiations for the post-pandemic economic recovery and also ensuring that sustainability (strict environmental standards) does not become a non-tariff barrier, will go a long way in re-establishing the credibility of WTO and rebuilding multilateral economic

institutions.

Conclusion

Committed to the principles of open society, rules based order, value-driven partnerships and democracy, G7 is crucial for the future survival of the liberal international order as it transitions to an unorganised multipolar future. Hence, it is vital for the G7 to rebuild some of these fundamental aspects to ensure that the world is indeed Built Back Better to tackle the impending challenges of the future.

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