

POLICIES TO MAXIMIZE GLOBAL INNOVATION

China’s long-standing and rampant “innovation mercantilist” policies harm global innovation by taking market share and revenues from more-innovative foreign competitors, thereby diminishing the resources they can invest in research and development toward further innovation. If China were to reduce its unfair innovation mercantilist policies, the pace of global innovation would increase. But in a classic win-lose dynamic, China shows no inclination to do so. This means other nations committed to accelerating the pace of global innovation need to act. There are five main things these nations should do:

The challenge of Chinese innovation mercantilism is not just to the U.S. economy and national security. It is to the entire globe, and innovation across a wide array of sectors. It is common for pundits to say that it is good that China is innovating: China may invent the cure to cancer. That statement would only be true if China were innovating in a way that was consistent with Organization for Economic Cooperation and Development (OECD) guidelines on appropriate innovation policy (e.g., supporting basic, early-stage research; funding research universities and STEM education; allowing open markets; and protecting IP). But, again using cancer as an example, because China has chosen an innovation mercantilist model, China’s gains in treating cancer would be offset by losses in other nations with more-innovative biopharma firms. If a robust rate of technological innovation in the world is what we want—and we all should if we value human life, the planet, and increasing living standards and quality of life—then the entire world has a stake in encouraging China to roll back its innovation mercantilism and replace it with effective and non-distorting innovation policy, like most OECD nations engage in.

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Information Technology and Innovation Foundation (ITIF)

Description:

The Information Technology and Innovation Foundation (ITIF) is an independent, nonprofit, nonpartisan research and educational institute focusing on the intersection of technological innovation and public policy. Recognized by its peers in the think tank community as the global center of excellence for science and technology policy, ITIF's mission is to formulate and promote policy solutions that accelerate innovation and boost productivity to spur growth, opportunity, and progress.

Stakeholder(s):

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Vision

A robust rate of technological innovation

Mission

To reduce China's unfair innovation mercantilist policies

Values

Innovation

Investment

1. Innovation

Focus on innovation and innovation effects from trade distortions.

Stakeholder(s)

WTO

WTO should be encouraged to focus more on innovation and innovation effects from trade distortions. WTO largely focuses on static issues in trade (e.g., the increase in prices from trade barriers), not on dynamic or innovation issues. This needs to change.

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2. Mercantilism

Pressure China to roll back at least the most egregious of its mercantilist policies.

Stakeholder(s)

Commonwealth Nations

Japan

EU

United States

As ITIF has articulated, non-mercantilist nations, including Commonwealth nations, the EU, Japan, and the United States, should work more closely to pressure China to roll back at least the most egregious of its mercantilist policies.

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3. Market Access

Limit market access for Chinese innovation-based goods and services.

Allied nations should limit market access for Chinese innovation-based goods and services that are supported by Chinese government innovation mercantilist policies.

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4. Technology

Cooperate more on technology policy.

Allied nations should establish formal agreements to cooperate more on technology policy, including establishing reciprocity in their technology policy programs to allow each other's companies to participate in each other's national technology programs.

4.1. National Programs

Allow each other's companies to participate in each other's national technology programs.

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5. Trade

Establish stronger trade agreements.

Allied nations should establish stronger trade agreements to allow for the free flow of innovation-based goods, services, and data between those nations.

5.1. Tariffs

Eliminate tariffs on imports of innovation-based goods.

This should include an agreement to eliminate tariffs on imports from each other for all innovation-based goods.

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