## 1

#### Xi’s regime is stable right now, but that can quickly change – a setback puts his power in danger

Roberts 4-14, (Dexter Tiff Roberts is a senior fellow in the Asia Security Initiative. He previously was China Bureau Chief at Bloomberg News. “How much support does the Chinese Communist Party really have?”), Atlantic Council, 4-14-21, <https://www.atlanticcouncil.org/blogs/new-atlanticist/how-much-support-does-the-chinese-communist-party-really-have/> // MNHS NL

The onslaught of negative news about the United States is part of an effort to make the Chinese Communist Party (CCP) look capable in contrast to a floundering US administration, thereby convincing the Chinese people that they should be pleased with their current leadership. This is important, as China has ever fewer supporters abroad while US President Joe Biden works to strengthen alliances in Europe and Asia (though Beijing has announced its intention to boost ties with its old allies Russia and North Korea). A recent survey by Gallup revealed that American perceptions of China are at an all-time low, worse eventhan after the Tiananmen Square massacre of 1989. The Chinese people have typically viewed other nations and particularly the United States showing respect for China as a source of legitimacy for the party and a demonstration of its growing global heft. Serious challenges to China’s future economic growth make it doubly important to bolster popular support for the leadership. China’s gross domestic product (GDP) grew by 6.5 percent in the final quarter of last year—faster than almost any country—and policymakers expect to easily meet their target of over 6 percent growth for this year. But the impressive numbers mask problems. In order to keep their economies humming during the pandemic, China’s local governments built up a potentially destabilizing $2.3 trillion of hidden debt in 2020, according to a Bloomberg report citing a Chinese government-affiliated think tank. Income inequality in China has gotten worse thanks to a lopsided recovery from the COVID-19 crisis that has mainly benefitted the wealthy and jeopardized the household consumption of the less well-off. Last year, China’s richest 20 percent had an average disposable income of over 80,000 yuan ($12,000), 10.2 times that of the poorest one-fifth. That surpassed the United States, where the multiple was about 8.4, according to the Organization for Economic Co-operation and Development. As one study put it, “the pandemic has exacerbated [China’s] preexisting inequalities.” For now, however, Chinese leaders are touting their success in controlling the pandemic and returning the economy to normalcy far faster than most of the world has. At the same time, Beijing has squashed questions about COVID-19’s origins and the government’s initial cover-up of the outbreak. And even as China struggles to vaccinate its own people, it has sent Chinese-developed vaccines around the world—sometimes charging high prices for them—as a gesture of its magnanimous goodwill. Meanwhile, the Chinese media has denigrated US vaccines as unsafe. So is all of this a sign of strength or weakness? It seems to be both. China’s leaders are emboldened by their economy outpacing global growth as they witness the West’s real problems. But they are also deeply worried about whether the economic momentum, and the public support that comes with it, will last. “This is a party that lives in a state of catastrophic anxiety,” Matt Pottinger, the former deputy US national security advisor, said in a recent dialogue I moderated at the Mansfield Center in Montana. This year and next are of critical importance to the Chinese leadership. They are planning celebrations heralding the hundredth anniversary of the Chinese Communist Party, falling on July 1 this year, which will highlight the elimination of extreme poverty, rising living standards, and economic growth, among the nation’s other successes. A quinquennial party congress—the country’s top political gathering—will be held in the fall of 2022, setting key policies that will define China’s future path and deciding the top leaders for the next decade. The Winter Olympics will be held in Beijing later that year. At the center of all this is Xi Jinping, who has established himself as China’s most powerful and ambitious leader in decades and is expected to break political norms and stay on for at least a third five-year term at next year’s twentieth Party Congress. Xi’s decision to abandon former leader Deng Xiaoping’s mantra of tao guang yang hui, or “keep a low profile and bide one’s time,” and push much more rapidly for national glory is the driving force behind China’s actions—from its bellicose diplomats to the angry pushback against international criticism of the horrendous human-rights tragedy in Xinjiang. In Xi’s vision, China must replace the West as a global model by “blazing a new trail for other developing countries to achieve modernization” and by offering “Chinese wisdom and a Chinese approach to solving the problems facing mankind,” as he [put it](https://www.chinadaily.com.cn/china/19thcpcnationalcongress/2017-10/18/content_33398070.htm) in 2017. Might Xi and the party face internal opposition? There is no doubt that powerful political families have been upset to see their wealth diminished by Xi’s sweeping crackdown on corruption. Party cadres and intellectuals are unhappy with Xi’s unprecedented power grab and decision to discard the rule-by-consensus norm that Deng set. Private entrepreneurs are spooked by Xi’s extension of party control over their businesses. But for now, Xi’s unrivaled power has cowed any serious opposition and his push to raise China’s global influence is widely supported. Xi, according to Pottinger, “is actually representing the grand strategy and aspirations that the Chinese Communist Party has held for a long time. It’s simply that he has accelerated them.” With the major caveat that limits on free expression affect the Chinese people’s willingness to openly criticize their leaders, polls show growing support for the party. And that is understandable. People’s lives have gotten much better over the last few decades, and it is natural for the Chinese to take pride in the growing strength of their country after years of feeling like a little brother to an often hectoring United States. Progress on combating the pandemic has also lifted support for the Chinese regime, and a barrage of propaganda from China’s press constantly reinforces the idea that life in China is now better than it is in the rest of the world. But positive sentiments can quickly evaporate. Research in China by Wang Chengli of the Shanghai University of Finance and Economics and Huang Haifeng of the University of California, Merced has shown that when a government is exposed as having misled or deceived its own people, such revelations can have “lasting effects on government credibility and can erode citizen satisfaction with the government.” Even more significant is the peril of elevated expectations. Many young Chinese have only known rising GDP and living standards. The CCP could face blowback if the economy slows substantially or, for example, following a failed Chinese military foray into Taiwan. The latter scenario would be an enormous blow to the prestige of a government that has based one plank of its legitimacy on reunifying a divided China and protecting the country’s sovereignty. And the economic costs of an attempted invasion would damage the party’s standing too. “Satisfaction and support must be consistently reinforced,” write Edward Cunningham, Tony Saich, and Jesse Turiel of the Harvard Ash Center. “[T]his is a double-edged sword. Citizens who have grown accustomed to increases in living standards and service provision will expect such improvements to continue, and citizens who praise government officials for effective policies may blame them when policy failures affect them.” The precarious balancing act that China’s leaders have struck—one that mixes strident nationalism and policies that push overheated economic growth with overwrought propaganda—will continue to present them with daunting challenges.

#### Strong IPR key to long term Xi strat and national security – he’s willing to fight if threatened

Ho 2-2 [Matt Ho “Chinese President Xi Jinping says intellectual property protection is key part of country’s development plans” Published: South China Morning Post, February 2, 2021] [https://www.scmp.com/news/china/politics/article/3120118/chinese-president-xi-jinping-says-intellectual-property?module=perpetual\_scroll&pgtype=article&campaign=3120118] [Ho: Matt Ho has covered the dynamics of China’s changes for the Post since 2010. Before joining the Post, he was deputy Beijing bureau chief for Hong Kong Commercial Radio and a Hong Kong government international trade specialist.] //MNHS NL || cut SM

Chinese President Xi Jinping has said intellectual property protection occupies a central position in China’s new development strategy and promised that the state will strengthen its support for businesses operating overseas.

He also said Beijing will also curb anticompetitive activities at home and abroad and support fairer global intellectual property governance, according to a newly released transcript of a speech he made to a Politburo “group learning session” in November.

Encouraging innovation is a key element of the medium and long-term development plans outlined by the leadership the previous month, and Xi told the event: “Innovation is the No 1 driver for development. Protecting intellectual property is protecting innovation.”

Beijing is also alarmed by the export ban on technology imposed by the Donald Trump administration, which has highlighted Beijing’s vulnerability when relying on others for critical technology.

Xi said cadres should see intellectual property protection as a “national strategy”, adding: “Intellectual property is the core factor of global competitiveness and has become a focus of many international disputes. We should dare to fight and fight well. We shall never give up our legitimate rights and national core interests.”

In the speech, published in the latest issue of the Communist Party journal Qiushi or Seeking Truth, Xi told the cadres to crack down on intellectual property violations and overcome local protectionism.

“We can only improve our business environment and elevate the opening up of our country to a higher level and quality if we strictly enforce IP protection,” Xi told the meeting, adding that the protection of intellectual property is also key to safeguarding China’s national security and home-grown core technologies.

#### A threatened CCP starts multiple regional conflicts – SCS, Japan, US, and Taiwan

J. Michael **Cole 14**. Senior fellow with the University of Nottingham’s China Policy Institute, associate researcher at the French Center for Research on Contemporary China, senior officer of the Thinking Taiwan Foundation, and former analyst at the Canadian Security Intelligence Service with a Master’s Degree in War Studies from the Royal Military College of Canada, “Where Would Beijing Use External Distractions?” The Diplomat, July 10, 2014, <http://thediplomat.com/2014/07/where-would-beijing-use-external-distractions/> recut // MNHS NL

Throughout history, embattled governments have often resorted to external distractions to tap into a restive population’s nationalist sentiment and thereby release, or redirect, pressures that otherwise could have been turned against those in power. Authoritarian regimes in particular, which deny their citizens the right to punish the authorities through retributive democracy — that is, elections — have used this device to ensure their survival during periods of domestic upheaval or financial crisis. Would the Chinese Communist Party (CCP), whose legitimacy is so contingent on social stability and economic growth, go down the same path if it felt that its hold on power were threatened by domestic instability? Building on the premise that the many contradictions that are inherent to the extraordinarily complex Chinese experiment, and rampant corruption that undermines stability, will eventually catch up with the CCP, we can legitimately ask how, and where, Beijing could manufacture external crises with opponents against whom nationalist fervor, a major characteristic of contemporary China, can be channeled. In past decades, the CCP has on several occasions tapped into public outrage to distract a disgruntled population, often by encouraging (and when necessary containing) protests against external opponents, namely Japan and the United States. While serving as a convenient outlet, domestic protests, even when they turned violent (e.g., attacks on Japanese manufacturers), were about as far as the CCP would allow. This self-imposed restraint, which was prevalent during the 1980s, 1990s and 2000s, was a function both of China’s focus on building its economy (contingent on stable relations with its neighbors) and perceived military weakness. Since then, China has established itself as the world’s second-largest economy and now deploys, thanks to more than a decade of double-digit defense budget growth, a first-rate modern military. Those impressive achievements have, however, fueled Chinese nationalism, which has increasingly approached the dangerous zone of hubris. For many, China is now a rightful regional hegemon demanding respect, which if denied can — and should — be met with threats, if not the application of force. While it might be tempting to attribute China’s recent assertiveness in the South and East China Seas to the emergence of Xi Jinping, Xi alone cannot make all the decisions; nationalism is a component that cannot be dissociated from this new phase in Chinese expressions of its power. As then-Chinese foreign minister Yang Jiechi is said to have told his counterparts at a tense regional forum in Hanoi in 2010, “There is one basic difference among us. China is a big state and you are smaller countries.” This newfound assertiveness within its backyard thus makes it more feasible that, in times of serious trouble at home, the Chinese leadership could seek to deflect potentially destabilizing anger by exploiting some external distraction. Doing so is always a calculated risk, and sometimes the gambit fails, as Slobodan Milosevic learned the hard way when he tapped into the furies of nationalism to appease mounting public discontent with his bungled economic policies. For an external distraction to achieve its objective (that is, taking attention away from domestic issues by redirecting anger at an outside actor), it must not result in failure or military defeat. In other words, except for the most extreme circumstances, such as the imminent collapse of a regime, the decision to externalize a domestic crisis is a rational one: adventurism must be certain to achieve success, which in turn will translate into political gains for the embattled regime. Risk-taking is therefore proportional to the seriousness of the destabilizing forces within. Rule No. 1 for External Distractions: The greater the domestic instability, the more risks a regime will be willing to take, given that the scope and, above all, the symbolism of the victory in an external scenario must also be greater. With this in mind, we can then ask which external distraction scenarios would Beijing be the most likely to turn to should domestic disturbances compel it to do so. That is not to say that anything like this will happen anytime soon. It is nevertheless not unreasonable to imagine such a possibility. The intensifying crackdown on critics of the CCP, the detention of lawyers, journalists and activists, unrest in Xinjiang, random acts of terrorism, accrued censorship — all point to growing instability. What follows is a very succinct (and by no means exhaustive) list of disputes, in descending order of likelihood, which Beijing could use for external distraction. 1. South China Sea The South China Sea, an area where China is embroiled in several territorial disputes with smaller claimants, is ripe for exploitation as an external distraction. Nationalist sentiment, along with the sense that the entire body of water is part of China’s indivisible territory and therefore a “core interest,” are sufficient enough to foster a will to fight should some “incident,” timed to counter unrest back home, force China to react. Barring a U.S. intervention, which for the time being seems unlikely, the People’s Liberation Army (PLA) has both the numerical and qualitative advantage against any would be opponent or combination thereof. The Philippines and Vietnam, two countries which have skirmished with China in recent years, are the likeliest candidates for external distractions, as the costs of a brief conflict would be low and the likelihood of military success fairly high. For a quick popularity boost and low-risk distraction, these opponents would best serve Beijing’s interests. 2. Jammu and Kashmir, Arunachal Pradesh Although Beijing claims that it is ready for a settlement of its longstanding territorial disputes with India, the areas remain ripe for the re-ignition of conflict. New Delhi accuses China of occupying 38,000 square kilometers in Jammu and Kashmir, and Beijing lays claim to more than 90,000 square kilometers of territory inside the Indian state of Arunachal Pradesh. A few factors militate against the suitability of those territories for an external distraction, chief among them the difficult access in winter, and the strength of the Indian military, which would pose a greater risk to PLA troops than those of Vietnam or the Philippines in the previous scenario. Nevertheless, memories of China’s routing of the Indian military in the Sino-Indian War of 1962 could embolden Beijing. Though challenging, the PLA would be expected to prevail in a limited conflict with Indian forces, and China would have taken on a greater regional power than Vietnam or the Philippines, with everything that this entails in terms of political benefits back home. 3. East China Sea and Japan Sparking a war with Japan, presumably over the disputed Senkaku/Diaoyu islets, would represent a major escalation on Beijing’s part. Assuming that rational actors are in control in Beijing, a decision to begin hostilities with the modern and skilled Japan Self-Defense Forces would only be made if domestic instability were serious enough. Still, high resentment of the Japanese stemming from Japanese aggression before and during World War II and the competitive nature of the bilateral relationship make Japan the perfect candidate for an external distraction. More than any other conflict, hostilities with Japan would rally ordinary Chinese to the flag and tap into hatred that the leadership knows it could exploit if necessary. Although the chances of prevailing would be much smaller than in the South China Sea or Indian scenarios (especially if the U.S. became involved), the dividends of victory against Japan — anything from teaching Tokyo a lesson to redressing historical injustices — could be such as to become a major factor in appeasing major domestic unrest in China. Unless the CCP were on the brink of collapse, it is unlikely that the leadership in Beijing would escalate tensions with Japan beyond the disputed islets. In other words, military action probably would not extend to other parts of Japan’s territory, unless, of course, the conflict widened. Containing the conflict by limiting it to the Senkaku/Diaoyus would therefore be part of Beijing’s strategy. 4. Taiwan The “reunification” of Taiwan remains a so-called “core interest” of China and a major component of the CCP’s legitimacy with the public. Despite rapprochement in recent years, a substantial component of the PLA remains committed to a Taiwan contingency. Although the risks of war in the Taiwan Strait are low at the moment, China never shelved its plans to annex the island by force if necessary, and has vowed to do so should Taipei seek to unilaterally change the status quo by declaring de jure independence. Under Xi, Beijing has also signaled that while it is willing to be patient with Taiwanese and would prefer to use financial incentives to gradually consolidate its grip on Taiwan, it does not intend to be patient forever. In other words, foot-dragging on Taiwan’s part, or the election of a political party that is less amenable to rapprochement than the ruling Kuomintang (KMT), could prompt Beijing to choose a more aggressive course of action. Serious unrest on the island could also provide Beijing with the “justification” it needs to involve the PLA, which would be deployed to “protect” Taiwanese “compatriots.” Given that definitions of progress on “reunification” are very much Beijing’s to decide, any incident could theoretically warrant the use of force against Taiwan, especially if major domestic unrest compelled the CCP to seek an external distraction. Militating against such a decision is the fact that anything short of a full invasion of the island would probably forever kill any chance of “peaceful unification” with Taiwan, as the 1995-1996 Taiwan Strait missile crisis demonstrated. A limited military campaign against Taiwan is therefore probably not a good option for an external distraction, as the backlash against aggression would undo years of calibrated Taiwan policy and destroy hopes of unification, which would greatly discredit the CCP with the Chinese public, not to mention the PLA. A full invasion of Taiwan would then provide greater chances of success, at least if we measure success by its impact on public opinion amid serious unrest in China. However, the growing power imbalance in the Taiwan Strait notwithstanding, invading the island would be an extraordinarily difficult — and costly — task; talk of a “quick, clear war” remains just that, and pacifying the island would be a formidable challenge. Should the conflict drag on, as it most certainly would, whatever advantage the CCP may have accumulated by tapping into nationalist sentiment could dwindle and further contribute to resentment against the party. Consequently, unless the CCP were on the brink of collapse, Taiwan would be an extremely poor candidate for external distraction, worse even than Japan, where the chances of success in a limited campaign are higher. 5. United States The last, and least likely, candidate for external distraction would be for the PLA to turn its sights on U.S. forces in the Pacific. For obvious reasons, such a course of action would be a last resort, a last-ditch effort to prevent the complete collapse of the CCP due to domestic factors. The chances of prevailing in a direct military confrontation with U.S. forces in the region would be next to nil. A decision to attack the U.S. would qualify as irrational, a departure from the realm of calculations that would buttress decisions in any of the alternative scenarios discussed above. Still there are examples of countries that embarked on what, in hindsight, can only be described as suicidal adventures by attacking a much more powerful enemy. Japan demonstrated that this is possible during World War II. A likelier source of conflict between the PLA and U.S. forces would be indirect, such as U.S. involvement in limited hostilities between China and any of the countries mentioned above (with Japan and Taiwan as the likeliest). As the PLA is configured not to take on the U.S. military directly but rather asymmetrically, China would increase its chances of scoring domestic points by playing to its strengths — by inflicting damage on U.S. forces with its anti-access/area-denial, or A2/AD. Sinking an aircraft carrier on its way to the East China Sea or towards the Taiwan Strait, for example, could do wonders in terms of public opinion and provide temporary cover for an embattled CCP. Ultimately, however, the costs of taking on the U.S. military, added to the extremely low likelihood that Chinese troops could secure the kind of victory that would be necessary to rescue the CCP from internal strife, mean that the U.S. is an especially bad candidate for external distraction. Facing serious domestic instability that does not immediately threaten to topple the CCP, Beijing’s likeliest candidates for succor in external distraction would be Options 1 and 2; much more substantial unrest would probably make Option 3 the most appealing. Given the costs and low chances of success, Options 4 and 5 are extremely poor choices.

## 2

#### Biotech is resilient and fundamentals are strong – but this trend relies on innovation and investment

Cancherini et al 21 -- Laura Cancherini is a consultant in McKinsey’s Brussels office; Joseph Lydon is an associate partner in the Zurich office, where Jorge Santos da Silva is a senior partner and Alexandra Zemp is a partner, McKinsey, What’s ahead for biotech: Another wave or low tide?, April 30, 2021, https://www.mckinsey.com/industries/pharmaceuticals-and-medical-products/our-insights/whats-ahead-for-biotech-another-wave-or-low-tide WJ

As the pandemic spread across the globe in early 2020, biotech leaders were initially pessimistic, reassessing their cash position and financing constraints. When McKinsey and BioCentury interviewed representatives from 106 biotech companies in May 2020,4 half of those interviewed were expecting delays in financing, and about 80 percent were tight on cash for the next two years and considering trade-offs such as deferring IPOs and acquisitions. Executives feared that valuations would decline because of lower revenue projections and concerns about clinical-trial delays, salesforce-effectiveness gaps, and other operational issues.

Belying this downbeat mood, biotech has in fact had one of its best years so far. By January 2021, venture capitalists had invested some 60 percent more than they had in January 2020, with more than $3 billion invested worldwide in January 2021 alone.5 IPO activity grew strongly: there were 19 more closures than in the same period in 2020, with an average of $150 million per raise, 17 percent more than in 2020. Other deals have also had a bumper start to 2021, with the average deal size reaching more than $500 million, up by more than 66 percent on the 2020 average (Exhibit 3).6

What about SPACs?

The analysis above does not include special-purpose acquisition companies (SPACs), which have recently become significant in IPOs in several industries. Some biotech investors we interviewed believe that SPACs represent a route to an IPO. How SPACs will evolve remains to be seen, but biotechs may be part of their story.

Fundamentals continue strong

When we asked executives and investors why the biotech sector had stayed so resilient during the worst economic crisis in decades, they cited innovation as the main reason. The number of assets transitioning to clinical phases is still rising, and further waves of innovation are on the horizon, driven by the convergence of biological and technological advances.

In the present day, many biotechs, along with the wider pharmaceutical industry, are taking steps to address the COVID-19 pandemic. Together, biotechs and pharma companies have more than 250 vaccine candidates in their pipelines, along with a similar number of therapeutics. What’s more, the crisis has shone a spotlight on pharma as the public seeks to understand the roadblocks involved in delivering a vaccine at speed and the measures needed to maintain safety and efficacy standards. To that extent, the world has been living through a time of mass education in science research and development.

Biotech has also benefited from its innate financial resilience. Healthcare as a whole is less dependent on economic cycles than most other industries. Biotech is an innovator, actively identifying and addressing patients’ unmet needs. In addition, biotechs’ top-line revenues have been less affected by lockdowns than is the case in most other industries.

Another factor acting in the sector’s favor is that larger pharmaceutical companies still rely on biotechs as a source of innovation. With the top dozen pharma companies having more than $170 billion in excess reserves that could be available for spending on M&A, the prospects for further financing and deal making look promising.

#### Covid waivers spill over to investment and research across the industry

Asgari 21 -- Nikou Asgari (Pharma Reporter at FT), May 6, 2021, Pharma industry fears Biden’s patent move sets precedent, https://www.ft.com/content/f54bf71b-87be-4290-9c95-4d110eec7a90 WJ

Profits in the pharmaceutical industry are protected by a fortress of patents that guarantee drugmakers a stream of income until they expire. On Wednesday, Joe Biden broke with decades of US orthodoxy and made a crack in the wall.

His administration’s decision to support a temporary waiver of Covid-19 vaccine patents prompted instant outrage in the pharmaceutical sector, which argues that the move rides roughshod over their intellectual property rights and will discourage US innovation while sending jobs abroad.

“Intellectual property is the lifeblood of biotech, it’s like oxygen to our industry,” said Brad Loncar, a biotech investor. “If you take it away, you don’t have a biotech sector.”

Biden’s top trade adviser Katherine Tai said that while the US government still “believes strongly” in intellectual property protections, it supported waiving patents for Covid-19 vaccines to help boost global production of jabs.

The move comes as some countries, including India, struggle to tackle further waves of the virus even as others have rolled out successful vaccination campaigns that are driving down infections, hospitalisations and deaths.

The waiver proposal was put forward at the World Trade Organization in October and has since been supported by more than 60 countries who say worldwide vaccine production must increase dramatically. Washington’s support marks a pivotal step in making the proposal a reality and Tai said the US would engage in negotiations to hammer out the details at the WTO.

Tedros Adhanom Ghebreyesus, the WHO’s director-general, told the Financial Times the decision was a “monumental moment” in the fight against Covid-19. “I am not surprised by this announcement. This is what I expected from the administration of President Biden.”

However, the pharma industry did not expect it; the US has tended to fiercely protect domestic companies’ intellectual property rights in trade disputes. Industry leaders described the decision as a heavy blow for innovation that would do little to boost global production because there is a shortage of manufacturing facilities and skilled employees.

In an earnings call Thursday, Stéphane Bancel, chief executive of Moderna, said a patent waiver “will not help supply more mRNA vaccines to the world any faster in 2021 and 2022, which is the most critical time of the pandemic”.

“There is no idle mRNA manufacturing capacity in the world,” he said.

“The administration’s steps here are very unnecessary and damaging,” said Jeremy Levin, chair of biotech trade association Bio. “Securing vaccines rapidly will not be the result, and worse yet, it sets a principle that companies who invested in new tech will stand the risk of having that taken away.”

Shares in the big makers of Covid-19 vaccines were hit by the announcement. Frankfurt-listed shares in BioNTech closed down 12 per cent on Thursday while Moderna and Novavax pared losses after tanking on Wednesday in New York, trading 2.4 per cent lower and 1 per cent lower, respectively. CanSino Biologics, a Chinese private company that developed a single-shot adenovirus-vectored vaccine with Chinese military researchers, fell 14 per cent on Thursday. Fosun Pharma, which has a deal to supply BioNTech vaccines in China, lost 9 per cent.

Sven Borho, a managing partner at OrbiMed Advisors, a healthcare investment company, said pharma executives feared the administration’s move set a precedent that would make it easier to suspend patents in the future.

“They are worried in the long term that this is a foot in the door — ‘OK, we did it with Covid-19, let’s do it with the next crisis, and the next one’,” he said. “And then suddenly it’s a cancer drug patent that needs to be invalidated. They fear it is a mechanism that sets the stage for actions in the future.”

Peter Bach, director of Memorial Sloan Kettering’s Center for Health Policy and Outcomes, said there was a potential trade-off that pitted the imminent need to contain the pandemic against the risk that drugmakers would be more cautious when investing in pioneering therapies in the future.

“If this action allows for more access and more people to have their lives saved today in 2021 and the consequence is down the road we may not have some new gene therapy for 100 kids, then that’s the trade-off worth discussing,” Bach said.

The battle over intellectual property rights is the first big international patent dispute since a clash over expensive HIV treatments between drugmakers and several countries including Brazil and South Africa in the late 1990s.

Countries struggling to contain the epidemic wanted to make their own generic versions of HIV drugs but the companies who developed them interpreted the moves as a breach of patent agreements, spawning a welter of litigation that frustrated efforts to generate a supply of cheap pills.

Members of the pharmaceutical industry argue that suspending Covid-19 vaccine patents in an effort to boost production abroad will harm jobs in the US biotech sector. Donald Trump’s administration firmly opposed the waiver last year.

Levin said that US technology “could generate jobs in America but by transferring it abroad there’ll be significant detriment to creating very high quality jobs [here]”.

The mRNA technology used in BioNTech/Pfizer and Moderna’s vaccines is being trialled to treat other illnesses such as cancer and heart disease, and pharma lobbyists have claimed suspending their patents would allow other countries to piggyback on US research breakthroughs.

#### Bipoharma collapse causes economic meltdown – it’s far worse than previous recessions

Howrigon 17 -- Ron Howrigon “(President and Founder of Fulcrum Strategies. He earned a Bachelor's degree in Business Administration from Western Michigan University and a Master's in Economics from North Carolina State University, focusing in the area of Health Economics) http://www.kevinmd.com/blog/2017/01/health-care-crash-u-s-economy.html, January 19 2017, WJ

In recent history, the U.S. economy has experienced the near catastrophic failure of two major market segments. The first was the auto industry and the second was the housing industry. While each of these reached their breaking point for different reasons, they both required a significant government bailout to keep them from completely melting down. What is also true about both of those market failures is that, looking back, it’s easy to see the warning signs. What happens if health care is the next industry to suffer a major failure and collapse? It’s safe to say that a health care meltdown would make both the automotive and housing industries’ experiences seem minor in comparison. While that may be hard to believe, it becomes clear if you look at the numbers. The auto industry contributes around 3.5 percent of this country’s GDP and employs 1.7 million people. This industry was deemed “too big to fail” which is the rationale the U.S. government used to finance its bail out. From 2009 through 2014, the federal government invested around $80 billion in the U.S. auto industry to keep it from collapsing. Health care is five times larger than the auto industry in terms of its percentage of GDP, and is ten times larger than the auto industry in terms of the number of people it employs. The construction industry (which includes all construction, not just housing) contributes about 6 percent of our country’s GDP and employs 6.1 million people. Again, the health care market dwarfs this industry. It’s three times larger in terms of GDP production and, with 18 million people employed in the health care sector, it’s three times larger than construction in this area, too. These comparisons give you an idea of just how significant a portion health care comprises of the U.S. economy. It also begins to help us understand the impact it would have on the economy if health care melted down like the auto and housing industries did. So, let’s continue the comparison and use our experience with the auto and housing industries to suggest to what order of magnitude the impact a failure in the health care market would cause our economy. The bailout in the auto industry cost the federal government $80 billion over five years. Imagine a similar failure in health care that prompted the federal government to propose a similar bailout program. Let’s imagine the government felt the need to inject cash into hospital systems and doctors’ offices to keep them afloat like they did with General Motors. Since health care is five times the size of the auto industry, a similar bailout could easily cost in excess of $400 billion. That’s about the same amount of money the federal government spends on welfare programs. To pay for a bailout of the health care industry, we’d have to eliminate all welfare programs in this country. Can you imagine the impact it would have on the economy if there were suddenly none of the assistance programs so many have come to rely upon? When the housing market crashed, it caused the loss of about 3 million jobs from its peak employment level of 7.4 million in 1996. Again, if we transfer that experience to the health care market, we come up with a truly frightening scenario. If health care lost 40 percent of its jobs like housing did, it would mean 7.2 million jobs lost. That’s more than four times the number of people who are employed by the entire auto industry — an industry that was considered too big to be allowed to fail. The loss of 7.2 million jobs would increase the unemployment rate by 5 percent. That means we could easily top the all-time high unemployment rate for our country. OK, now it’s time to take a deep breath. I’m not convinced that health care is fated to unavoidable failure and economic catastrophe. That’s a worst-case scenario. The problem is that at even a fraction the severity of the auto or housing industry crises we’ve already faced, a health care collapse would still be devastating. Health care can’t be allowed to continue its current inflationary trending. I believe we are on the verge of some major changes in health care, and that how they’re implemented will determine their impact on the overall economic picture in this country and around the world. Continued failure to recognize the truth about health care will only cause the resulting market corrections to be worse than they need to be. I don’t want to diminish the pain and anguish that many people caught up in the housing crash experienced. I think an argument can be made, though, that if the health care market crashes and millions of people end up with no health care, the resulting fallout could be could be much worse than even the housing crisis.

#### Extinction

Tønnesson 15 Stein Research Professor, Peace Research Institute Oslo; Leader of East Asia Peace program, Uppsala University, 2015, “Deterrence, interdependence and Sino–US peace,” International Area Studies Review, Vol. 18, No. 3, p. 297-311

Several recent works on China and Sino–US relations have made substantial contributions to the current understanding of how and under what circumstances a combination of nuclear deterrence and economic interdependence may reduce the risk of war between major powers. At least four conclusions can be drawn from the review above: first, those who say that interdependence may both inhibit and drive conflict are right. Interdependence raises the cost of conflict for all sides but asymmetrical or unbalanced dependencies and negative trade expectations may generate tensions leading to trade wars among inter-dependent states that in turn increase the risk of military conflict (Copeland, 2015: 1, 14, 437; Roach, 2014). The risk may increase if one of the interdependent countries is governed by an inward-looking socio-economic coalition (Solingen, 2015); second, the risk of war between China and the US should not just be analysed bilaterally but include their allies and partners. Third party countries could drag China or the US into confrontation; third, in this context it is of some comfort that the three main economic powers in Northeast Asia (China, Japan and South Korea) are all deeply integrated economically through production networks within a global system of trade and finance (Ravenhill, 2014; Yoshimatsu, 2014: 576); and fourth, decisions for war and peace are taken by very few people, who act on the basis of their future expectations. International relations theory must be supplemented by foreign policy analysis in order to assess the value attributed by national decision-makers to economic development and their assessments of risks and opportunities. If leaders on either side of the Atlantic begin to seriously fear or anticipate their own nation’s decline then they may blame this on external dependence, appeal to anti-foreign sentiments, contemplate the use of force to gain respect or credibility, adopt protectionist policies, and ultimately refuse to be deterred by either nuclear arms or prospects of socioeconomic calamities. Such a dangerous shift could happen abruptly, i.e. under the instigation of actions by a third party – or against a third party. Yet as long as there is both nuclear deterrence and interdependence, the tensions in East Asia are unlikely to escalate to war. As Chan (2013) says, all states in the region are aware that they cannot count on support from either China or the US if they make provocative moves. The greatest risk is not that a territorial dispute leads to war under present circumstances but that changes in the world economy alter those circumstances in ways that render inter-state peace more precarious. If China and the US fail to rebalance their financial and trading relations (Roach, 2014) then a trade war could result, interrupting transnational production networks, provoking social distress, and exacerbating nationalist emotions. This could have unforeseen consequences in the field of security, with nuclear deterrence remaining the only factor to protect the world from Armageddon, and unreliably so. Deterrence could lose its credibility: one of the two great powers might gamble that the other yield in a cyber-war or conventional limited war, or third party countries might engage in conflict with each other, with a view to obliging Washington or Beijing to intervene.

## 3

#### CP Text: The member nations of the World Trade Organization should decrease tariffs and export restrictions.

#### Exports are necessary for access to vaccines.

Peters and Prabhakar 6-11 Ralf Peters is the chief of UNCTAD's trade information section. Divya Praghakar is a trade and development policy specialist working in the same section. , 6-11-2021, "Export restrictions do not help fight COVID-19," Unctad, <https://unctad.org/news/export-restrictions-do-not-help-fight-covid-19>, accessed 8/20/2021 EH

Brazil, India, Laos, Nepal, Peru, Thailand: new and even more catastrophic waves of COVID-19 have hit the developing world. On top of this, the world is also witnessing another phenomenon – vaccine nationalism. Come summer, wealthy nations are beginning to return to normal, while the rest of the world continues the struggle to vaccinate its population. Many are eyeing the G7 countries, who are set to meet in June, to lead the way to vaccine equity. But two questions persist: why are vaccines not reaching everyone? And what can we do about it? As the pharmaceutical powerhouse of the world and a key supplier of the COVAX initiative, India was poised to help a great number of developing and least developed countries by supplying COVID vaccines. However, facing a catastrophic second wave itself, it has not only stopped exporting vaccines, but is now beginning to import them. The implications of this could be severe, particularly for poorer countries that were depending on India. The ripple effects would hit the most vulnerable countries the hardest, leaving them behind in the respective vaccination drives. 60% of vaccines for 20% of the population The WHO has already warned of a new wave in Africa, where vaccine imports have slowed down since India stopped exporting. But it is not just India. Other vaccine producing countries like the US and the European Union have imposed restrictions on exports of vaccines and critical raw materials needed for its production. This is despite having already hoarded over 60% of the world’s vaccines before they were even approved for use. These developed countries comprise no more than 20% of world’s population. The production of vaccines is highly concentrated, mainly in a small number of higher and middle-income countries. The necessary raw materials, too, are imported from only a handful of countries. The two top exporters of key ingredients, for instance, are the US and the EU – which account for half of total exports – followed by the UK, Japan and China, with significantly smaller shares. This implies that restrictions on exports of vaccines or other critical raw material and equipment by even one or two countries can easily send shockwaves through the rest of the world, derailing the entire vaccine production and distribution effort, as we see at present. Export restrictions are not exclusive to vaccines. Over 80 countries had resorted to banning exports of medical and personal protective goods in the early phases of the pandemic. This too had severe supply chain implications. Nearly 60% of these curbs are still in place. Ultimately, these export restrictions may come back to bite the countries who imposed them. As the virus continues to mutate, it may render vaccines ineffective and the already vaccinated less immune. The global economy, too, will not revive until everyone is vaccinated, since lockdowns and social distancing norms in key manufacturing locations continue to curtail global trade. Besides, this is a huge moral failure on the part of the global community. A turning point? The subject of export restrictions should be tackled at the WTO. The pandemic should serve as both a reference and a turning point. Reviving the debate around emergency export bans should form a key part of the WTO reform agenda. The current rules allow for temporary export restrictions or prohibitions to prevent or relieve critical shortages of essential products, provided all measures are communicated, have phase out timelines and are proportionate to the scale of the problem at hand. But who decides what constitutes proportionate, and what timeline is reasonable? Export restrictions are sometimes seen as a necessary instrument to ensure popular acceptance of multilateral trade agreements. The latter is important. However, open markets do not fit with sudden export restrictions during a pandemic. It is perhaps time for stricter rules on essential goods, which can ensure transparency through more effective monitoring and review of members states’ trade policies during emergencies. Some sort of “compulsory” provisions to ensure that dependent countries’ interests are accounted for in emergency situations should be agreed upon. The declaration of a pandemic by the WHO could be one objective trigger for the state of emergency, a declaration by the FAO of a food shortage another. A recent UN policy brief calls for an agreement not to impose export restrictions on essential foodstuffs destined for food-deficit developing countries during an emergency situation. Achieving full transparency through strengthened notifications is a relatively low hanging fruit, but already an important measure. Special and differential treatment provisions, without much wriggle room for major exporters, should be emphasised. The global community needs to present a united front now so that everyone is equally prepared in future crises. Outside the WTO, national governments and the private sector will have to reduce their over-reliance on a small number of manufacturing sites for vaccines or other pharmaceutical goods, which, as the pandemic has shown, can be quite costly.

#### Waivers do nothing—exports solve

Meyer 21 David Meyer, 6-18-2021, "The WTO’s survival hinges on the COVID-19 vaccine patent debate, waiver advocates warn – Fortune," Fortune, https://fortune.com/2021/06/18/wto-covid-vaccines-patents-waiver-south-africa-trips/amp/, accessed 7/18/2021 EH

Big Pharma’s stance on the issue is that WTO members can help the effort without backing a waiver, but instead by pushing for the lifting of export restrictions on medical goods. “The WTO still has much concrete work to do to remove trade barriers that are hurting manufacture and distribution of vaccines, therapeutics and diagnostics globally,” says Thomas Cueni, director general of the Geneva-based International Federation of Pharmaceutical Manufacturers & Associations (IFPMA). “The call for waiving patents is driven by a political agenda playing to the gallery and not bringing a single more vaccine short term but could jeopardize the very framework which has helped us to respond so fast to the COVID-19 pandemic.” Mercurio also says Mlumbi-Peter and Wallach’s suggestions are agenda-driven. “I think the comments that the WTO’s credibility rests on the outcome of a TRIPS waiver (which I am against and have written on) are overstated, in the extreme,” he says. “People with an interest in every topic say it—environmentalists say the credibility rests on the outcome of fishery subsidies, tech people say the same on the e-commerce and services negotiations, and industrialists say the same regarding subsidies.” However, Wallach insists that nothing about the waiver would change the system, because the system already provides for such temporary suspensions of intellectual-property protections. “This doesn’t change a comma in the actual TRIPS agreement,” she says. “The WTO is the relevant forum, and it has the relevant policy tools to respond to the current pandemic by addressing IP barriers so as to ramp-up and diversify production across the world,” says Mlumbi-Peter. IFPMA’s Cueni says “taking away the patent won’t do anything short term for the current pandemic” as the real problems are trade barriers and scarcity of raw materials. There is also a clear need for technology transfers if new COVID-19 vaccine-making facilities are to come online—though it should be noted that the vaccine companies have all failed to contribute to the World Health Organization’s COVID-19 Technology Access Pool (C-TAP), which was set up last year as a way for them to voluntarily help other manufacturers join the effort.

## 4

#### CP Text: The United States should buy out COVID-19 vaccine patents and release them into the public domain

#### It’s goldilocks – Buyout increases innovation incentives and solves case but better

Watney 6-15, (Caleb Watney is the Director of Innovation Policy at PPI, “A Marshall Plan to Solve the Global Vaccine Shortfall”), Future, 6-15-21, <https://future.a16z.com/marshall-plan-to-solve-global-vaccine-shortfall/> // MNHS NL

The economist Michael Kremer wrote a paper in 1997 formalizing the idea of using patent buyouts as a way of maintaining strong incentives for innovation, while still getting crucial information into the public domain as soon as possible. Essentially, a government could offer to pay the present value of the expected future revenue stream that would result from the temporary monopoly that a patent sometimes grants. While the patent-owning company or individual should be indifferent to the outcome, the general public could receive more value from having unabridged access to the information and the ability to modify it without permission before the patent expired. In these cases, a patent buyout can clearly improve outcomes for everyone, and Kremer notes that pharmaceuticals may be a particularly appropriate case. Patent buyouts maximize the number of players that can legally produce vaccines while maintaining strong incentives for future innovation. Of course, in this situation it’s only partly about the intellectual property, and partly about the manufacturing know-how that has to be transferred, which means we need a broader conception here — a more full-stack “technology buyout” that includes both the IP and the process knowledge transfer. Essentially, the U.S. government (or even a set of governments) could offer a lump sum payment to the accepting firm(s) to make explicit the scientific and production process as much as possible and then also make it publicly available. We could offer a secondary payment for sharing on-the-ground technical expertise to aid in setting up manufacturing operations — either on an individual factory level, or on the basis of vaccine doses administered. A per-vaccine-dose-administered basis properly aligns incentives for the firm(s) sharing technology, maximizing their impact by transferring to partners that can actually get shots into arms as quickly as possible and to make sure they do a good job. To put some back-of-the-envelope numbers on this, the initial lump sum payment to make the IP public would be in the range of $10-20 billion per firm, and the additional per-dose-administered prize would be in the realm of $0.50-$2. Assuming this program was able to administer vaccines for an additional 4 billion people (8 billion doses) across the developing world, we are talking in the range of $36-56 billion. And we should overpay. In a situation like this, we should err on the side of overcompensating, and risking some economic rents, rather than inadvertently undercompensating and hurting the long-term incentives for innovation. The key is to not kill the goose that lays the golden egg. In any event, we should be willing to pay an order of magnitude more than $36 billion to definitively end COVID, so this program is a bargain under a wide range of potential cost assumptions. One estimate from a group of economists and public health officials ballpark the global monthly cost of the pandemic at around $1 trillion per month. Payments for each vaccine dose administered may sound very similar to the voluntary licensing agreements that manufacturers around the world have already signed. It is a closely related mechanism; commentators like Rachel Silverman (quoted above) have actually suggested that the best way forward may be having the federal government use its political leverage to lean on U.S. pharmaceutical companies to accept more licensing deals with manufacturers in developing countries. Which raises the question, why bother doing the additional lump sum buyout to make the information public? Shouldn’t we concentrate all our efforts on encouraging licensing? I would differentiate the technology buyout I’m suggesting from voluntary licensing on a few dimensions: First, buying out the IP may be a determining factor for encouraging large, mature manufacturers like GSK and Sanofi to abandon their own duplicative vaccine trials and go full steam toward producing existing vaccines as it removes any competitive disadvantage in paying the licensing fee. Second, because these voluntary licensing deals are typically assigned as a percentage of the dose cost, it creates an incentive for licensing firms to prioritize deals that will charge a higher price to the buying local governments where that may not be optimal. If the U.S. government is instead paying for each dose administered in these developing nations, then the transferring firm(s) should be neutral with regard to the sale price. Third, this structure allows the federal government to selectively overpay on a per-dose basis if the U.S. firm is genuinely helping a developing nation jumpstart new manufacturing capacity as opposed to helping an existing manufacturer retool. Fourth, individual countries and foreign manufacturers know their own capacity better than U.S. government officials or even U.S. firms do, so opening up the IP could help them identify latent manufacturing opportunities more effectively than a top-down approach. Fifth, opening up the IP at least gives every nation the ability to try and make their own vaccine if they so wish, which helps address self-sufficiency concerns. A buyout also presents several key advantages when compared to IP suspension as well, even putting the incentive issues aside: First, speed. Even with the U.S. reversing course and supporting the WTO proposal, it will take quite a bit of time to negotiate and wrangle all the other countries to the table. Remember, the proposal has to be supported unanimously, so there is no guarantee that all other opposed nations will reverse course just because the U.S. did. A buyout, in contrast, can be done unilaterally by the U.S. (at least for the U.S.-based vaccine firms). Second, in the unfortunate event that a new variant requires a booster shot, a buyout ensures the incentive to quickly create a solution so that the new booster shot can also get bought out. Under the WTO petition, the IP suspension would remain in play for the duration of the crisis, which would reduce the urgency and resources pharma companies are willing to throw at the problem, given fewer opportunities to recoup their costs.

## Case