

## Trade not troops is Europe's most powerful weapon

Richard Gowan



Whatever the EU chooses to commemorate this year, August is unlikely to see celebrations marking the fiftieth anniversary of the collapse of the European Defence Community.

Between 1950 and 1954, France, Italy, West Germany and the Benelux came surprisingly close to integrating their armed forces. The plans finally foundered on French objections – half a century on, Europe is still trying to find viable frameworks for security co-operation. Bold strategic reforms are required. But they may have relatively little to do with military strength.

Since Iraq, the EU has shown early signs of significant convergence on military matters. In December, the member-states approved the formation of a small planning cell and a European Defence Agency. Alongside this formal progress, France, Britain and Germany have agreed to develop joint 'battle groups' for peacekeeping operations. It is now a given that the EU will largely replace NATO in Bosnia in 2005. Without an overarching strategic vision, however, such piecemeal advances may be wasted.

Calls for such a vision proliferate. Tony Blair has asserted that 'we surely have a responsibility to act when a nation's people are subjected to a regime such as Saddam's and argues that it is Britain's role 'to construct a consensus behind a broad agenda of justice and security and means of enforcing it'. Most European rhetoric is less sweeping, but a substantial set of strategic commitments has emerged in the form of Javier Solana's *A Secure Europe in a Better World*. This security strategy, approved by the European Council alongside the planning cell, is a tough-worded call for an 'active' Europe. Its practical impact is yet to be decided.

American and European hawks were impressed when the first draft of the strategy, launched in June 2003, contained a specific reference to 'pre-emptive action'. By the final version this had become 'preventive'. The alteration may not, however, have represented the loss of will some feared. By emphasising military issues, talk of pre-emption could have diverted attention from the

main strategic challenges to the EU – Blair's focus on hard intervention is similarly distracting.

In spite of the Balkan experience, those who prioritise our capacity to stabilise failing states through arms may be fighting the last peace-enforcement operation. Bosnia and Kosovo will continue to tie up large numbers of EU forces for some time to come, but they do not necessarily set a precedent for other problem areas. Africa's wars may demand more interventions like the French-led EU Operation Artemis in the Congo last year, but these largely require the small and adaptable ground forces we already possess.

By contrast, the main source of short-term strategic dangers we now face – the undemocratic and economically troubled Middle East and Maghreb – does not lend itself to military solutions. The EU will be able to achieve more in this region through deploying its economic and aid policies effectively than through using its armed forces.



This is, in some ways, unfortunate. None of the EU's members wishes to be a great military power: there are strong incentives for ever greater coherence in this field. Conversely, member-states' continued significance as aid donors may lead them to defend their independence as such. Chris Patten has estimated that only 20% of aid from the EU is routed through Commission structures. In concrete cases, this reduces the efficacy of our resources: while Germany, Britain and France have all developed important funds for reform governance in the Middle East, for example, they are uncoordinated and risk duplication.

If we are to be effective in using our economic strength, we must demonstrate that a shared will in military affairs can be reflected in non-military strategic decision-making. The Foreign Policy Centre is investigating how we might develop 'EU contracts' with problem countries, bringing together our resources and setting out in legal form the rewards and penalties they will receive for fast or slow progress on reform. This would not only build on recent innovations by the Commission in formalising its relationships with the Balkans and Arab world, but also commit EU member-states to common positions rather than the pursuit of national interests.

Disciplining EU states in this way would not be easy. It would demand a process of 'peer review' within the Union that would risk serious arguments. But if we do not accept the need for some discipline on external policy, we will not be able to build a coherent strategic vision – and, by 2054, the Solana paper will be held up alongside the Defence Community as one more failed effort to find a European security identity.

**Richard Gowan is author of *Global Europe: Implementing the European Security Strategy***

# DEMOCRACY IN THE MIDDLE EAST



A year ago, the neo-con optimists thought that War in Iraq would lead to a democratic domino effect throughout the region. Twelve months later the US plan for democracy in the Middle East has received lukewarm reviews. The Foreign Policy Centre's Civility programme is investigating how Western policy can support democratic forces in the region. Here, in two hundred words or less, are the views of the experts, recorded at the programmes inaugural conference:

We have a lack of knowledge of the Arabs. Because we don't know them – we only know what their regimes want us to know – we continue with stereotypes and so we make the wrong analysis of what is going on in the region, and this leads us to make the wrong policies. It is wrong to engage with the Islamists on the grounds that they are the primary deliverers of social services. We should talk to the liberals who are the majority. Generating competition for the Islamists might cause them to democratise.

**Emma Bonino, Former European Commissioner**

The EU is the most successful international example of conflict prevention. The projection of this model to other countries and regions has always been one of its main assets. The Euro-Mediterranean Partnership is the only international framework where Israel participates side by side with Arab countries. That's the European way of regime change: cooperation, integration and

partnership. The Arab Israeli conflict is a source of perpetual humiliation for the Arabs. It is impossible to implement reform in the region unless there is a resolution of the Israeli-Palestinian conflict.

**Mark Otte, EU Representative on the Middle East**

The human intelligence failures in Iraq were not to do with having enough spies on the ground, but rather to do with having people who knew nothing about the Middle East adjudicating on intelligence. The question was not 'what does Saddam have or what does he not have'. The question should have been 'what was he thinking'.

On Palestine: there will be no solution in the next 5-10 years because two sets of idiotic leaders, both of whom should have long been forcibly removed, are holding their people to ransom. They are both surrounded by crooks and charlatans. Europe should ignore what the US wants us to do. And we should be modest since

we are not particularly impressive ourselves: we are responsible for the very problems we are trying to solve.'

**Professor Fred Halliday, London School of Economics**

The problem is that these are contradictory schemes. States who do not like EU proposals can go to the US, and vice versa. It should be accepted that the EU and the US have distinctly different agendas.'

The problem is that these are contradictory schemes. States who do not like EU proposals can go to the US, and vice versa. It should be accepted that the EU and the US have distinctly different agendas, and the red lines mentioned earlier should be reconsidered. 'Until the question of the Arab-Israeli conflict is addressed, EU statesmen may spend their billions of euros, they may engage in all sorts of discussions, projects, micro or macro and they will be a complete waste of time because they will carry no conviction in a complex and diverse region that is capable of

its own intellectual analysis of the problems it faces, and if it is going to engage with Europe it needs to know that it will do so on the basis of equal partners.'

George Joffe, Cambridge University

We are far more than neighbours with the Middle East: we are part of the Middle East, and the Middle East is part of us. We have some 20 million people from the Middle East and North Africa in Europe, something which is non-existent in the US. We should not see this population as part of the European social problem, but rather part of the solution to the relations between the Middle East and Europe.'

Gilles Keppel is author of 'Jihad: The Trail of Political Islam'

'[The Civility Programme] is based on the broad assumption that democratisation, as in the rule of law, accountability, participation and so on will be the antidote to anti-western terrorism. I would caution that this assumption may be misplaced, despite the fact that all these are worthwhile causes in their own right, in much the same way that the Euro-Med Conference's assumption that you could reduce the number of North African immigrants coming to Europe by improving their lot at home. This is not a proven theory'

Rosemary Hollis, Royal Institute for International Affairs

[www.civility.org.uk](http://www.civility.org.uk)



THE FOREIGN POLICY CENTRE

Welcome to Global Thinking, the relaunched edition of the Foreign Policy Centre's quarterly newsletter. The new newsletter is part of a new strategy we have adopted in our **fifth anniversary year**.

First, we have gradually changed our focus from being predominantly a British think-tank that focused on European issues to becoming a '**European think tank with a global outlook**'. We have set ourselves the goal of becoming the most innovative foreign policy thinktank in Europe. In practice this means working in a different way: our new programmes assemble a worldwide network of policy-makers to suggest practical solutions to the biggest questions in international politics. For example, the **Global Europe programme** has assembled policymakers from 17 countries to look at how Europe can make real its ideals of 'effective multilateralism' and 'pre-emptive engagement' in dealing with its near abroad, wmd and failing states. The **Civility Programme** on Middle Eastern reform looks at how the west can help to create a permissive environment for political change on the ground. The **Public Diplomacy** programme examines how we can communicate with foreign publics even where our foreign policy is distrusted. Our **Democracy and Development** programme interrogates the West's influence on governance in developing countries – from the impact of trade barriers to the actions of Western NGOs and companies. And, finally, we have developed a programme on the social and economic consequences of globalisation on **China** that will be launched by Tony Blair and the Chinese Prime Minister Wen Jiabao in May.

We have also developed a new strand of **strategy consultancy** where we help practitioners use our intellectual capital to solve policy problems. Recently, the centre has written a public diplomacy strategy for the British Government in the Middle East that covers nine public bodies from the FCO and Downing Street to the DFID and MoD. We have also helped the National Audit Office think through how they evaluate the effectiveness of the FCO. We have developed a public diplomacy strategy for Norway as it reaches its centenary and worked up detailed implementation plans with some of its most important embassies. We have worked, too, with the Barrow Cadbury Trust to help them define their global priorities. Finally we

are working with the architect Rem Koolhaas to help the Dutch Presidency and the European Commission find new ways of communicating Europe to its citizens.

In order to drive through this process of change I have appointed a new senior management team. Keith Didcock, our new Deputy Director, is now working on strategy and fundraising after a dozen years in corporate finance (his last stint was as a VP at ING Barings where he worked on mergers and acquisitions). Dr Greg Austin is our new Research Director, whose work experience includes being Director of Research at the International Crisis Group, Foreign and Diplomatic Editor at the Sydney Morning Herald, Head of Global Issues at the Australian Defence Intelligence Organisation, and senior adviser to a number of Australian foreign Ministers. They join a re-vamped research and administration team – with appointments including Richard Youngs and Huda Jawad on the Civility Programme and Richard Gowan on the Europe Programme.

We've continued to attract the finest global minds in foreign policy to the Centre. The Chinese Prime Minister, the former Foreign Secretary Malcolm Rifkind, Shadow Foreign Affairs Spokesman Menzies Campbell and Michael Ignatieff, the intellectual godfather of liberal intervention, are among those taking part in our Spring events programme. Finally, I am on sabbatical at the German Marshall Fund in Washington until July this year, where I am writing a major new book on Europe's role in the world. In my absence, Keith Didcock is overseeing the Centre. (keith.didcock@fpc.org.uk).

I hope to see you when I return. In the meantime, keep in touch with the centre by going to our website which has been fully redesigned to become a hub for foreign policy ideas, and signing up to our regular email up-dates. And do please drop us a line if you have any ideas or feedback.

**Mark Leonard**  
Director



As the politics of immigration and race threaten to raise their head in the European Elections, we have commissioned a panel of experts to compare citizenship and migration policies across the continent. Are mainstream politicians moving ever further to the right to try and outflank extremist parties? Here are the views of the experts...

It is not possible to discuss antipathy towards migration in terms of the left and the right in Europe. There are libertarians on the right who pursue the line taken by the Economist that without increased immigration, Europe cannot be a big time economic player. There are increasing numbers of people on the soft left, with the editor of Prospect magazine being the leader of the pack, who are freely expressing their reservations about immigration in old Thatcherite terms with the focus on a traditional national identity. So the question seems to be wrong. Today the soft left and the soft right are colluding in promoting anti-immigrant sentiment and using pseudo-academic language.

Yasmin Alibhai Brown

Beneath the political rhetoric and increasing cooperation to 'control' asylum at member state and EU level lies a growing recognition that migration will continue to dominate the political agenda in the EU, and that we need to manage migration to meet the demands of the rapidly ageing working population of the EU. That is why the UK is issuing more work permits than ever before and Germany is experimenting with special immigration measures – the 'green card' or merit based immigration rules for those coming from outside the EU. What is needed is political leadership – better explanation by the EU's politicians that migration movements to the EU are here to stay – and that it affects the developing world more than the EU. We need a 'joined-up policy' – estimating the skilled and unskilled labour we need; strengthening partnerships with countries of origin so that we understand the effects of skills and labour drain in those nations. There are no easy solutions to migration issues – but better co-operation from EU member states and more responsibility from EU politicians and the media is desperately needed, as the hysteria over recent extreme predictions of free movement numbers from the EU accession countries prove.

**Claude Moraes MEP**

Generations and generations have moved within and into Europe's geographical territory but also have left it for other regions of the world, all with one purpose: to improve their living conditions. People will continue to move and no authority would prevent them from doing

so. European governments need to accept this reality and agree on a structured legal framework that would allow migrants to move and to settle in Europe. Unfortunately, up to now, governments are far from this understanding.

While settling down in their host country, migrants are getting accustomed with language, values and principles as well as the political and democratic systems of the society. Granting political rights to migrants on the European and local level, after five years of legal residence, would facilitate their rapid integration and enable their participation as active residents in the society of their host country'.

**Vera Egenberger, European Network Against Racism**

We firmly support the expansion of the European Union, and believe that the new citizens should be accorded full EU citizen rights, including the right to work. The rules agreed under the treaty are flexible enough to allow existing member states to take appropriate action in the event of unmanageable migration flows. While we must be prepared for that eventuality, all the indications are that the flows will be modest. The government's response to the media campaign for transitional arrangements has been ill-judged, and the proposal to deport EU citizens who cannot find work is of dubious legality.

**Simon Hughes MP, Candidate, Mayor of London**



## IN THE MEDIA

**'The Foreign Policy Centre report is an attempt to restate the battered case for ethical foreign policy in the wake of Iraq and Kosovo, and argues that Labour needs to rework the principles of international intervention'.**

**The Guardian**, April 22, on **Moral Britannia? Evaluating the Ethical Dimension** in Labour's Foreign Policy

**'Britain needs a campaign to revive its 'ethical' foreign policy to soften the blow to its credibility caused by the Iraq war, says a leading think tank. The Foreign Policy Centre says Britain can recapture its reputation by acting as a 'moral entrepreneur' and backing a 'worthy cause'.**

**BBC online**, April 22, on **Moral Britannia?**

**'An interesting prospectus, including the controversial idea of engaging with Islamist civil society, was recently put forward at a conference organised in London by the Foreign Policy Centre'**

Martin Woollacott, **The Guardian**, March 12, 2004 on the **Civility Conference on Middle Eastern reform.**

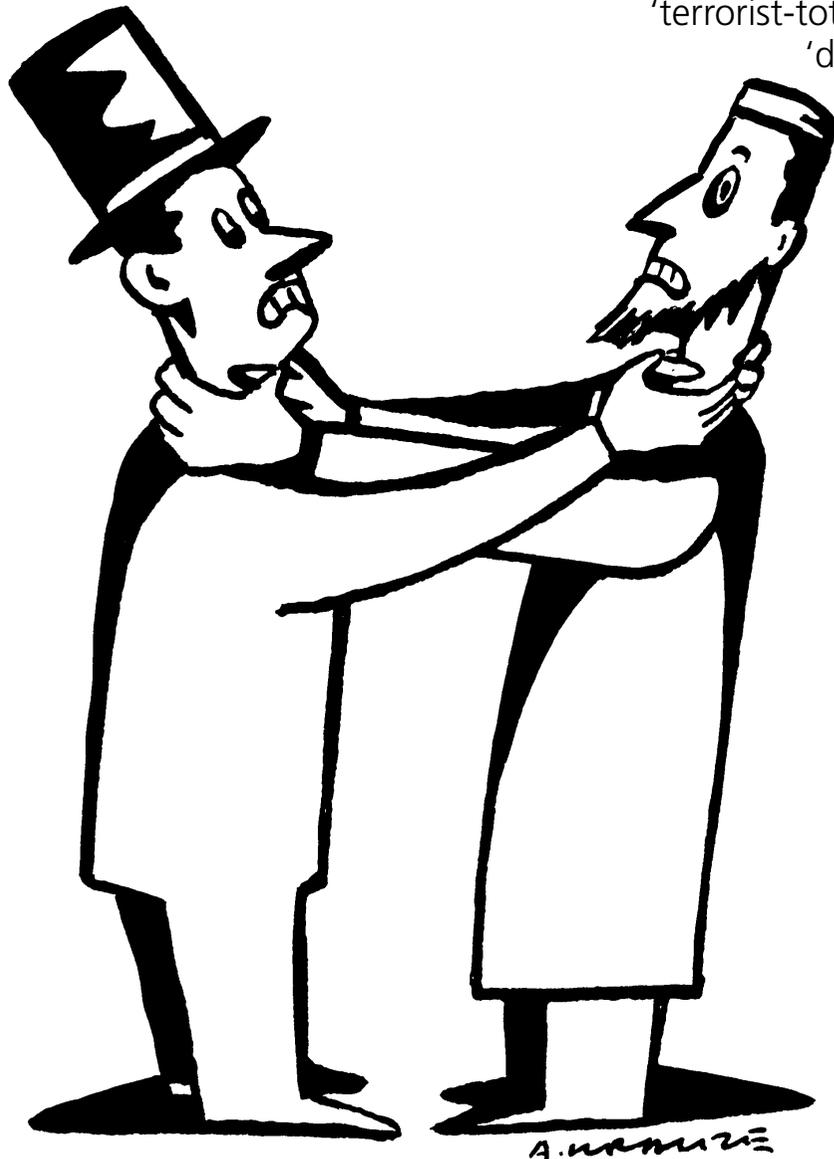
**'European Union countries should adopt a much tougher policy towards the Middle East by withdrawing aid and trade privileges from regimes that continue to abuse human rights or fail to introduce democracy, according to a Foreign Policy Centre report to be unveiled today by Jack Straw, UK foreign secretary'.**

**The Financial Times**, March 1 2004, on **Global Europe: Implementing the European Security Strategy**

# IRAQ ONE YEAR ON



The case for and against war last year produced some strange bedfellows. Social democrats lined up with George Bush to topple a tyranny, sceptical conservatives huddled with old school socialists to defend the UN and international law. A year ago, we published two opposing views. John Lloyd, from the Centre-left, argued that we face a new danger from 'terrorist-totalitarian states' while Conservative MP Andrew Tyrie was concerned about the 'destabilising doctrine of pre-emption'. At a Foreign Policy Centre breakfast they revisited the case for war: one year on.



## John Lloyd:

'I am glad that the US and the UK took the action they did in Iraq. I would even use the old fashioned word 'proud' that my country did so, and that the Prime Minister for whom I voted did so.

However, you cannot have a debate of this kind without reference to the fact that weapons of mass destruction have not been found, and this was a large case for those who were against the war. WMD may never be found: it may be that much of it has been destroyed, or been hidden in other countries and it seems very unlikely that any of it was deployable against the invasion forces. The central mystery is why all the secret services of all the major countries all believed that Saddam had substantial stocks of WMD – and that includes the secret services of such countries as Germany and France. Why did all the heads of UNSCOM, including Hans Blix, believe that Saddam possessed substantial quantities of WMD?

The case for Saddam's possession of WMD was, to say the least, stressed by both the USA and the UK and probably exaggerated. In the USA the link between Saddam and Al-Qaeda was assumed to be there, but the evidence was at best circumstantial. In the UK Blair had also been making the moral case against Iraq since he came to power, but to say that Saddam Hussein is one of the bloodiest tyrants in the world is not enough to legally underpin intervention. It is however also the case that Saddam Hussein was in breach of a number of successive resolutions of the Security Council. Those who are in the position of the defending the UN against the war get themselves into the

daft position of believing that the US is more of a violator of the UN system than Saddam Hussein.

The UN had retreated from almost every case for intervention on humanitarian or any other grounds for many years. It did so in Sierra Leone, Rwanda, Bosnia and Kosovo. The holding up of the UN as a kind of talisman whose consent must always be attained before an intervention is made moral, is actually belied by the facts. In all of these interventions that were made, no-one who has seen these societies operate can be in much doubt that the situation is much better for the intervention than it was before. Intervention doesn't create miraculous change, although much of the immediate discourse expects it to. Clearly change in societies come over a very long period of time, especially in societies with a clan or tribal base like Afghanistan, including more modern societies as we would understand it like Bosnia. Few feuds die down and they are still visible under the surface. Once committed it seems to me, even for those against intervention, it would be foolish to withdraw.

Let me talk about the responsibility to protect. That strand of liberal interventionism that comes quite clearly through the UN report and the endless speeches made by Kofi Anan and others, and is an argument that was still being had when 9/11 happened and when the war in Iraq was declared. It deserves the support of both the left and the right, because it is not necessarily a progressive or a left-of-centre cause. But there is a dilemma posed by the assertion of the Westphalian principle: horrors can and do occur within countries but the UN cannot do anything about it

because it is stymied by its Charter. This seems to me one of the largest dilemmas of our age and remains so. The mistakes that were made before Iraq and during Iraq are no case against this.

Finally, it is daft to claim that America, which throughout the Cold war supported dictators in Africa and Latin America, has undermined its moral values by removing the worst dictator in the world. America has actually found some moral values. They are of course contested and contestable, but to say that the golden age of America was the Cold War, and it is now a rampaging beast trampling on human rights throughout the world seems to me at best a case unproven'.

**John Lloyd is Editor of FT Magazine**

#### **Andrew Tyrie:**

'My main reasons for opposing the war were based on a deep concern about the rhetoric used by the US government to justify military action, which I think is destabilising of international society and will make the world a less safe place. The doctrines of regime change and pre-emptive action are inherently revolutionary in scope. Regime change says that if you don't like a country's regime then you will go and change it. Who is to say which regimes ought to be changed? Other countries which don't share our values will have a view about that.

Pre-emptive action is an extremely dangerous notion if it goes beyond an extended interpretation of the need to defend yourself. It gives countries, which we don't want to see act militarily, a justification for acting on the grounds that they think their neighbour will attack them. North Korea has used these arguments to justify a putative pre-emptive strike against South Korea. Less than a year ago a North Korean foreign policy spokesman used the language of pre-emptive action.

Actually the American administration never unambiguously articulated those views of pre-emptive strikes and regime change, and the need for a new world order. Some tried but it became quite incoherent within months because there are diametrically opposed sets of reasoning within the American administration for the action that was taken. Paul Wolfowitz is basically a utopian, with a great

deal of missionary zeal, believing in the export and the universality of values that will triumph. And those values are, of course, his. Donald Rumsfeld is quite the opposite: a hard realist, one would put him into the Hobbesian school of international relations, and he is ultimately an old-fashioned nationalist. Of course, the utopian, Kantian view of the world and Hobbesian view of the world are irreconcilable. It just so happened that after 11 September they provided a justification for similar action. But that 'coalition' has now fallen apart and we have seen the exertion of a quite different and better American foreign policy since.

The main threats in the world now are the same as they were before September 11: nuclear proliferation and the spread of terrorism. As the set of ideas that underpinned most of American foreign policy during most of the Cold War period return to the fore, we have a high chance of rescuing the situation and repairing the damage that has been done in the past year. What needs doing? The first thing needed is a reassertion of the primacy of order as a value in international society. From this flows the role of international law in underpinning respect for state sovereignty.

There is a role for liberal interventionism. But if we are going to intervene around the world without destabilising international society, we need to do this on the basis of shared common values. Our problem is that these shared values in international society are relatively weak. If instead we club together in small groups and say 'lets have a go', we create a justification and legitimacy for others who do not share our values to do the same. In that way lies anarchy. The export of Western values ought to be a long term objective of our foreign policy, as it was during the Cold War, directed towards Eastern Europe and parts of the Soviet Union, which brought about their collapse, backed by military containment. That is why I am so worried about what is going on in Guantanamo Bay, and the fact that we now have five people who are going to come back and tell us that the Americans may have behaved badly. Not because that in itself, though it is bad, is so earth shatteringly shocking, but that the implication of having a group of people in our society who can make the case that American values are hypocritical is corrosive of the very things that underpin our society.

I have painted quite a bleak picture but there is a great deal of good news. Mainstream Washington think-tank and foreign policy opinion was always extremely nervous about what George Bush articulated as his foreign policy. The US is already changing, and the limits to US power are already understood and the Rumsfeld view of the use of military force has already taken a knock. There has been no invasion of Syria, there has been engagement with Libya, a return to international organisations, a return to multilateralism, and a recognition once again of the need to think carefully about the regional balances of power which help conserve American interests. But trust in our leaders has been eroded, and liberal intervention has been made more difficult. That is why, on balance, the balance sheet of war shows more debit than credit'.

**Andrew Tyrie MP is shadow economic secretary. He writes in a personal capacity.**

# WHAT HAPPENED TO GLOBALISATION?



‘Everything about our world is changing – its economy, its technology, its culture, its way of living’, the Prime Minister told his Sedgefield constituents on the fifth of March.

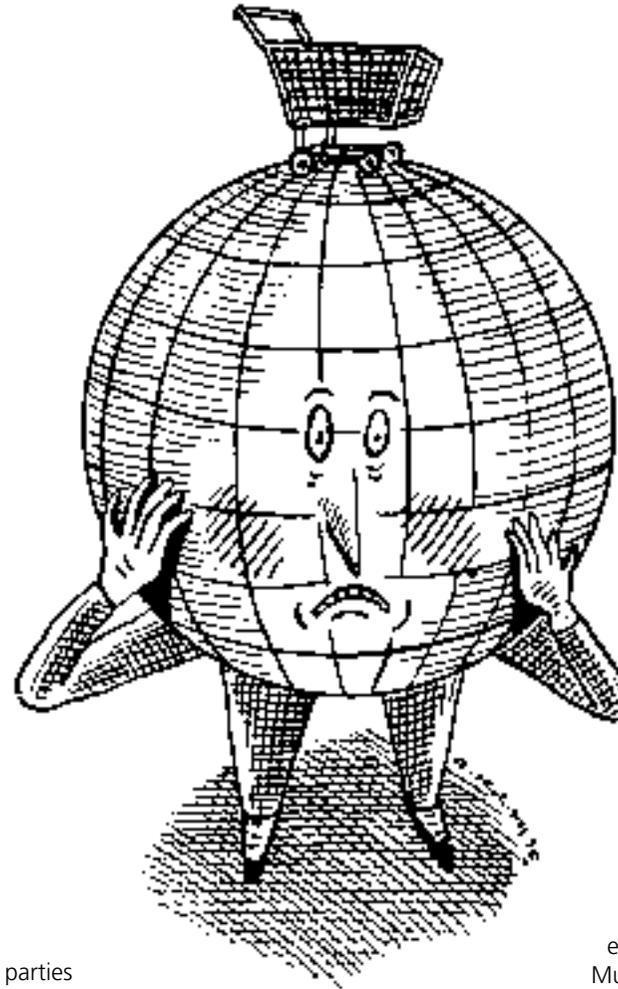
In a speech which was principally a detailed defence of his decision to take military action in Iraq – with just a casual reference to sweeping away the Westphalian system of statehood in place since 1648 – Tony Blair warned of the ‘mortal danger of mistaking the nature of the world in which we live’. In doing so, he also highlighted one of the major global issues to have suffered from post-9/11 neglect: the direction of globalisation. Globalisation can be a force for tremendous economic, social and even cultural good, a case made by writers such as Jagdish Bhagwati, author of *In Defence of Globalization*, and bodies such as the International Labour Organisation with its report *A Fair Globalization: Creating opportunities for all*. Even Joseph Stiglitz, proponent of globalisation’s discontents, has written of the pressing need to manage globalisation in a way that benefits everyone. So the question is how this can be achieved when no one institution or country – not even the US – can control or shape the direction of globalisation on its own.

First, there needs to be a comprehensive reassessment of what

globalisation is. This will require looking at it in its entirety and no longer seeing it primarily as a trade issue. Virtually every consumer item, industrial product, theory or idea produced in one part of the globe is now readily capable of being reproduced or transmitted to any other part. This is as true for Coca-Cola as it is for Pakistani nuclear know-how. So a new inclusive assessment of globalisation needs to encompass everything from the free movement of people, goods, jobs and capital around the world to the internationalisation of markets for common goods, such as education and health care. It needs to look at terrorism, tax and tourism, as well as international law, military technology and even democracy itself. Moving beyond a pure trade agenda will demonstrate that governments, NGOs and consumers are now as influential in driving globalisation forward as corporations have been in the past.

Second, it follows from this that the traditional antagonism between the Ayes and the Nays on globalisation is a bar to any progress. New coalitions and partnerships and new ways of thinking will be required to address

this. All parties need to recognise their dependence on the others. In this world turned upside down, the challenge will be to marry peoples, businesses, governments and NGOs in new forms of civil, political and commercial partnerships which can harness the globalisation’s wild



energies. Much of this is already occurring piecemeal with positive change springing from unexpected places. In France, the fast food giant MacDonalds pioneered the introduction of salads and fresh fruit to its menus. Distinctions between profit-making and non-profit-making

enterprises and between public and private ownership are being challenged. Café Direct, the Fairtrade Company and one of the foremost social enterprises in the UK, and communist China’s largest computer chip manufacturer, SMIC, are preparing to list their shares in London and New York respectively. Anglo American is collaborating with the London School of Tropical Medicine and Johns Hopkins University in the US on the provision of HIV/Aids healthcare to its African workforce, of whom 30,000 are estimated to be HIV positive. These transformations should be welcomed and not greeted with cynicism about the corrupting power of the profit motive. A concert of globalisation’s major participants should not try to put the genie back in the bottle but should be better placed to enlist her in the cause of the common good.

Finally, a broad coalition of interested parties needs to re-establish the case for all that economic, technological and cultural change. The global audience, which is at turns sceptical of the benefits and fearful of the implications of globalisation, needs to be engaged. The advocates of the wider definition of globalisation must demonstrate that, through new coalitions of the eager, they can deliver together opportunities for better education, health care and security as well as greater wealth. That is the way to overcome the negative sentiment which dogs efforts to create a fairer and a more prosperous world.

**Keith Didcock is Deputy Director of The Foreign Policy Centre**

# INDIA'S FEEL-GOOD FACTOR



In both India and America, 'outsourcing' has turned into a central political issue. Recent months have seen in the US the sharpest ever drop in support for free trade; abuse has been heaped on Bush's 'pro-outsourcing' economic advisor and a ban has been introduced on the outsourcing of government work to non-Americans. Even the US's membership to the WTO and support for the WTO are now being questioned.

Meanwhile, President Vajpayee was buoyed to election victory in May with his 'India is Shining' mantra. Some analysts are even going as far as assigning outsourcing the power of not only 'doing for India what manufacturing did for China' but of becoming a force in defeating conservatism, decreasing ethnic tensions and even transforming gender relations in Indian households.

Outsourcing is not a development magic bullet and the jobs generated represent just a drop in the ocean for a job starved economy like India. Moreover, Americans are right to point out that the outsourcing frenzy may have created a globalised mirage which hides the fact that India is a very reluctant liberaliser. Internet use may be growing at 136% per year but with average agricultural tariffs standing at 112% (compared to an average of 12% in the US) India is still one of the most protectionist countries in the world.

Even so, outsourcing has undoubtedly had an important effect on Indian national morale and its global outlook. The fact that Indian firms such as Tata, Infosys and Wipro are today global entities which are actively courted by giants like IBM, American Express and Citigroup is a source of national pride and has played an important role in driving investment-led growth. Furthermore, even though the lion's share of jobs will be going to India, its outsourcing success story is becoming an icon for much of the developing world. Service providers are also emerging in countries as varied as Bangladesh, Brazil, China, the Philippines, Romania, Russia, Singapore, Thailand, Venezuela and VietNam. And other countries are joining the queue: the South African government recently issued reports urging businesses not to miss the boat on offshoring; even Rwanda and Uganda have produced strategies to promote local SMEs in low-skill sectors such as transcription and data input.

The momentum that has gathered behind outsourcing therefore raises the stakes in terms of our economic relations with the developing world. Taking this lifeline away, particularly at a time when the developed nations are bitter about our failure to live up to promises on agriculture at Cancun, could have dire consequences adding to the litany of accusations which are currently driving globalisation-sceptic agendas in countries like India where economic nationalism is never far from the surface. In the words of Sunil Mehta, vice president of the leading Indian IT body NASSCOM: 'Developed economies should be wary of the way in which their actions get interpreted in India. Globalisation is still a new concept in the popular imagination and antipathy for foreign companies and investors could easily be whipped up by politicians with populist agendas.'

Importantly, the offshoring row could fuel further impatience with multilateral trade liberalisation and the WTO among free traders who are becoming frustrated with the lack of progress on the negotiating table. Trade experts like Jagdish Bhawati have already warned of the danger that developing countries today would rather avoid becoming embroiled in the costly and tortuous processes of the WTO. So-called 'can do' nations naturally prefer the easy option of bilateral trade agreements, even if in so doing they deny themselves the ability to hold their

partners to account. This impatience is likely to become even more intense when it comes to trade in services. The problems in resolving agricultural disputes is dwarfed by the challenges facing the General Agreement in Trade in Services (commonly referred to as GATS), which is likely to become more acute as the number of 'tradable' services increases due to advances in technology and business models.

Offshoring has opened a new front in debates about the world trade. However, the defence cannot be left to economists alone. Leaders in the developed nations, particularly the US, need to look at the international implications of their paranoia about jobs disappearing 'off-shore'. Ignoring the advice of economic advisors and announcing, for example, blanket bans on the outsourcing of government contracts, while raising cheers at home, will further sour our relations with much of the rest of the world and the health of the multilateral system.

**Phoebe Griffith is Democracy and Development Manager at The Foreign Policy Centre**

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## FORTHCOMING PUBLICATIONS

May 2004

### **The Beijing Consensus**

Joshua Cooper Ramo

Former Foreign Editor of *Time* Joshua Ramo argues that China's rise is creating a new model for the developing world to emulate now that the Washington model of the nineties has become so discredited. He argues that China's emerging power is based on a rigid defence of sovereignty and an interest in preserving multilateralism. Its growing power makes arguments the usual arguments about containment and engagement redundant. China is already changing the world.

### **Ethical Foreign Policy: Evaluating the Ethical Dimension in Labour's Foreign Policy**

Nicholas J Wheeler & Tim Dunne

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£250 per year for UK-based embassies  
£275 for embassies inside the EU  
£300 for embassies outside the EU

#### **Library/Organisation subscription:**

£225 per year

For more details about these schemes contact Keith Didcock on

020 7461 5262