



China – the rising power

China's phenomenal economic progress has been the big story of recent years

David Smith, economics editor, *The Sunday Times*

It is almost a cliché to say it but the superlatives really do look inadequate when it comes to talking about China. Once regarded as irretrievably backward and isolated, China's phenomenal economic rise has been the story of recent years. "China's growth has only just begun – and already it is having a huge impact on the world," says Professor John Driffill of Birkbeck College, Director of the World Economy and Finance Programme.

"But China is still on average a very poor country. Imagine how the world will be changed when its income per head is equal to that of one of the new European Union members, say half that of the United States, as it will be in the not-too-distant future. With a population over four times the United States, its national income will be twice that of the United States or the European Union. A very large

fraction of the world's economic activity will take place there."

For nearly three decades, since Deng Xiaoping began the process of liberalising the economy, China has achieved an average annual growth rate of 9.5 per cent. Not only will the 2008 Beijing Olympics provide China with an opportunity to showcase itself to the world but it will also mark the 30th anniversary of this remarkable expansion.

The story is well known of how Deng, pilloried and politically isolated by the end of the Mao era, took the reins of power and embarked, in the late 1970s, on tentative reforms of China's hugely inefficient agricultural sector. His declared aim was to preserve 'socialist agriculture': the freedoms given to individual farmers to market their surplus produce were intended to provide a small incentive, but little more. ➤

WORLD CHINA – THE RISING POWER

► But the incentives proved more powerful than anybody expected and the success of farm liberalisation set the tone for Chinese economic reform in other sectors. Officially, there was no retreat from ‘socialist production’. Practically, things were very different. Perhaps the most important freedom has been that of international businesses to invest in China. The rise of Wal-Mart probably would not have occurred without its ability to source low-cost goods in the People’s Republic.

Deng’s second great ‘opening up’ was endorsed by the communist party congress in October 1992, which declared that China now had a ‘socialist market economy’. The following year there was a flood of foreign direct investment into China, more than in the previous 14 years put together. Since then, China has been the magnet for direct investment from around the world, regularly attracting inflows of US\$50-60 billion or more annually (ten times the amount going into India, the other emerging giant).

Why has it only been recently that we have come to recognise China’s economic might? The short answer is that the country achieved critical mass: its



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economy became too large and influential to ignore. Economic growth, which averaged 9.5 per cent a year in real terms over nearly three decades – and comfortably in double figures recently – has long been spectacular. But to exert significant influence, economies need to combine growth and size.

China started from a low base and in the early years made a minor contribution to global growth. In the 1990s, after the Tiananmen Square massacre had cast doubts on the country’s ability to combine economic freedom with political control, the dot.com boom and the longest ever US economic expansion diverted attention from China. So it is in the early 21st century that China has really come into its own, accounting for a third of global growth. China’s emergence is truly a world-changing event.

‘China and the world economy’ is a core research programme at the University of Nottingham’s Globalisation and Economic Policy (GEP) Centre, headed by Professor David Greenaway. Nottingham’s interest has been sharpened by the fact that it has its own campus in the People’s Republic.

“Integrating China is one of the three biggest shocks to the world economy of the past 500 years and is happening faster than the other two – the industrial revolution and rise of the US,” Professor Greenaway says. “We want to help understand what that means for China and the world economy. The co-existence of GEP and the University of Nottingham, Ningbo, China provides a unique opportunity to observe from inside and out.”

Certainly, China will be hard to ignore in 2008. While Britain debates the cost of the 2012 London

The reconstruction of Beijing for the Olympics says much about how modern China operates.

Olympics, the Chinese authorities did not bat an eyelid at a cost initially put at US\$38 billion (£19 billion) for hosting the event in Beijing, not least because a large part of that cost would be incurred in transforming the city’s infrastructure.

Beijing’s new international airport, designed by the British architect Lord Foster, was intended to be ready in the space of four years, and capable of handling 53 million passengers a year, a bigger operating capacity than Heathrow’s. Foster has described it as “welcoming and uplifting, a symbol of place, its soaring aerodynamic roof and dragon-like form will celebrate the thrill and poetry of flight and evoke traditional Chinese colours and symbols”.

Futuristic buildings

China has called in the world’s best architects to design its futuristic buildings. But the reconstruction of Beijing for the Olympics says much about the way modern China operates. The city’s Olympic district, once home to tens of thousands of low-income people, was cleared of its occupants and flattened to make way for the new showcase, centred on a giant nest-like stadium, designed by Jacques Herzog and Pierre de Meuron, who turned the old Bankside power station into London’s Tate Modern.

The authorities, meanwhile, are determined to present the best possible face to the world, and have ordered the shutdown of factories for the duration of the Games, and the removal of most of Beijing’s two million cars from the streets. The city’s legendary smog, which rises up like a grey-yellow mist in the early morning, will be put on hold.



oil and other natural resources and food,” says Professor Driffill. “They’ll all be massively increased. The effect on the environment of all that activity will dwarf that of the west. Chinese markets may well dominate global finance. And if the Chinese economy continues to save more than it can absorb in investment, which looks likely, China will become a big owner of assets in the United States and Europe. China – maybe not China alone, but Asia as a whole, including India and Japan and others – will be the centre and the United States and Europe will be the periphery.”

Nor is this rise simply on the basis of making and selling basic manufacturing products cheaply. The Organisation for Economic Co-operation and Development figures show that China is the world’s leading exporter of information and communications technology, including mobile phones, laptop computers and digital cameras.

The other essential point about China, despite continued concern over its human rights record and the absence of democracy, is that it has been a formidable engine for reducing global poverty levels. The World Bank says that the lifting of 400 million people out of poverty in China since 1980 means that on its own it accounts for 75 per cent of poverty reduction in the developing world. Indeed, in the absence of China, there would have been a net increase in the number of people in the world living in poverty.

That does not mean, of course, that China’s rise is tension-free. Roughly 100,000 demonstrations of serious political unrest are recorded by the authorities each year. Economic freedom and one-party rule make uncomfortable bedfellows. The tensions between town and country and between the newly rich and the very poor remain serious. Despite huge urbanisation, China will still have 600 million people living off the land in 2030.

The eyes of the world will be on China in 2008 for sporting reasons. They will be on China for a lot longer because of fascination with the country’s economic and political development. ■

The capital’s citizens, too, are being exhorted to be on their best behaviour. The ‘basic reader in civility and etiquette’, sent to millions of homes two years before the Games, provides detailed guidance. Among the advice is that ‘pyjamas should not be worn in public areas’.

These peculiarities aside, China will be hard to ignore for more fundamental reasons. It is now four years since Goldman Sachs made a startling projection: that China was on course to overtake the United States as the world’s largest economy within the space of 40 years.

The forecasts, presented in conventionally measured GDP, pointed to China quickly overtaking France and Britain, followed by Germany before 2010, Japan in about 2016 and the United States around 2041. Well before the middle of the century, in other words, China would be the world’s biggest economy. For those accustomed to seeing the world in terms of the North Atlantic axis plus Japan, this was a big change.

Goldman Sachs, which if anything has become more optimistic about China since then, was aware of being accused of naïve extrapolation. So China was not assumed to be capable of growing at 9.5 per cent a year indefinitely. As they put it: “As countries develop, growth rates tend to slow towards developed country levels.” By 2020, the economy would be growing by about five per cent annually, and by the 2040s, the rate of expansion would be nearer to 3.5 per cent. But this would still be enough to ensure China’s rise to No.1 status.

“Think of China’s effect on the demand for

China has lifted 400 million people out of poverty since 1980.

<http://www.worldeconomyandfinance.org>
<http://www.gep.org.uk>



Science and poverty

SUSTAINABLE PATHWAYS TO DEVELOPMENT

PROFESSOR MELISSA
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WE LIVE IN an era of unprecedented environmental and technological flux. Apocalyptic predictions hit the headlines daily – of climate change induced drought and floods, of epidemics like foot and mouth disease and HIV/AIDS, and of unsafe food and scarce water supplies. Rapid change is creating new interactions between people, the environment and technology, and new problems, such as novel strains of avian influenza and diseases becoming resistant to drug treatments.

The environment and its effect on human life and health are back on the global agenda in a big way. And the potential for science to contribute to reduced poverty and hunger, improved livelihoods and health is also attracting unprecedented investment from the big new philanthropic foundations, public-private partnerships and aid donors.

But in a world of growing poverty and inequality, we face major challenges in linking environmental sustainability with improved livelihoods, reduced poverty and greater social justice for poorer and marginalised people. And while opportunities to address these 21st century challenges exist right now, out-of-date policies are undermining the potential of aid commitments to improve the environment and combat poverty. In the rush for quick fixes, many policy interventions are ignoring crucial, interlinked social, technological and environmental dynamics as they play out in local settings – and therefore risking failure.

The tasks ahead are complex. Nature and people are both ‘biting back’ in unexpected ways: will new biotechnologies solve hunger and land degradation amid drought – or fail because they disregard existing farmer knowledge? Will the rollout of antiretroviral drugs solve HIV problems – or interact with disease ecologies, unregulated markets and social change to provoke devastating new resistances?

Deciding what environmental goals to pursue is one of the most pressing challenges, and is fraught with contradictions. Current attention focuses on ‘big-hitting’ technologies with the potential for global scope and application – new seeds, drugs, vaccines or engineering solutions. Assuming that both problems and solutions are broadly similar across the world, the focus is on developing technologies and building the capacity and resources to deliver ‘at scale’.

Yet universalised, top-down approaches to science, technology and development are problematic. Sustainable, poverty-reducing solutions badly need to be linked with bottom-up approaches that build on the knowledge, goals and capacities of poorer and marginalised women, men and children.

There are several reasons why top-down technological solutions, alone, often fail or miss opportunities. One is that people’s own local knowledge and practices, developed to adapt to social and ecological dynamics, livelihood and health challenges are not taken into account. Top-down

approaches ignore the opportunity to build on people’s creativity and risk imposing solutions that do not make sense in a local perspective.

A bottom-up perspective emphasises the many intertwining pathways that link science and technology to people’s own goals and contexts. It recognises that technological fixes are not enough and that social, cultural and institutional dimensions are key. It seeks to create hybrids between local and external knowledge for appropriate solutions. In this view, science and technology are part of a participatory process of development where citizens themselves take centre stage.

This means building innovation systems around poorer people and their goals, for example, putting farmers first in developing agricultural technology. So in the search for drought-resistant maize – a holy grail of agricultural science in Africa – biotechnology-led seed development

Out-of-date policies are undermining the potential of aid commitments

could be complemented by alternative pathways that build on farmers’ own soil and cropping adaptations.

Arguing for participatory, locally responsive science and technology is not new. Popular science and appropriate technology movements around the world have long called for such approaches. But the gap between these efforts and ‘big science’, with its increasingly globalised funding and contexts, is growing wider than ever.

It is high time this gap was bridged. This requires new interdisciplinary research efforts in which natural scientists, social scientists, citizens and decision-makers work together to understand problems and develop responses. Capacity-building efforts to enhance the science base in developing country settings are crucially important, but they need to be linked with training ‘bridging professionals’ to help harness science to local goals.

Above all, science, technology and development efforts need to be guided by a humility that recognises the wisdom and creativity of the poor and marginalised, and builds on this towards solutions that really do work for people, sustainability and social justice.

These are some of the global challenges that the STEPS Centre (Social, Technological and Environmental Pathways to Sustainability) has been set up to investigate. We believe that new approaches are needed to understand social, technological and environmental pathways and how their governance can contribute to sustainability and poverty reduction. The five-year programme of research, with partners in Africa, Asia and Latin America, focuses on agriculture, water and health. Initial projects include investigating the effects of climate change on maize crops in Kenya, urbanisation in India and drug regulation in China and Latin America. ■

<http://www.steps-centre.org>

FREEDOM FRIES

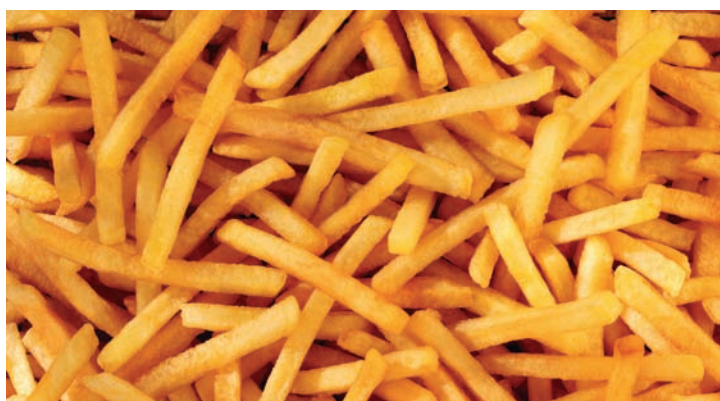
When international relations damage international trade

WHEN THE FRENCH Government opposed United States efforts to obtain a United Nations mandate to use military force against Iraq in 2002, the resulting stand-off led to a massive deterioration in Americans' opinion of France. Research by Dr Guy Michaels and Xiaojia Zhi of the Centre for Economic Performance has used this episode to track the impact of such worsening international relations on the business decisions of firms involved in trade between the two countries. They find significant effects: worsening attitudes decreased trade.

According to US polls of public opinion, in February 2002, 83 per cent of Americans viewed France favourably; by March 2003, this proportion had declined to 35 per cent. Even three years later, in February 2006, the fraction of Americans with a positive view of the French had recovered only as far as 57 per cent. Very negative attitudes towards France became common even among affluent, college-educated Americans, so they were likely to be prevalent among managers. By contrast, attitudes towards Germany worsened much less and recovered quite quickly, and attitudes towards Britain, Italy and Spain changed very little.

The United States Government also singled out France in particular: Condoleezza Rice, the president's national security adviser, was quoted by Reuters in March 2003 telling associates to "punish France, ignore Germany and forgive Russia". There were also calls in the media to ban French products, and the House of Representatives cafeteria began to serve 'freedom fries' instead of French fries.

This shock to relations between France and the United States provides an ideal opportunity to examine the effect of attitudes on trade. In other circumstances, international trade may in itself affect attitudes. For example, perceived gains from trade may motivate the United States and China to improve relations. But at the same time, increased



In March 2003 the House of Representatives cafeteria began to serve 'freedom fries' instead of French fries.

trade may cause Americans to fear that China threatens their jobs, worsening attitudes.

But in the case of the United States and France, there are clear reasons for the worsening attitudes and those reasons are unrelated to trade. The US-France setting also avoids the problem that worsening attitudes may be correlated with increased personal risk; this may be a problem in other circumstances, where worsening attitudes may cause risk of war or terrorism. And using other OECD and Eurozone countries as plausible counterfactuals for France makes it possible to net out the short-run changes in trade that may have taken place in the absence of worsening relations.

Dr Michaels and Zhi's study finds that US imports from France fell by about 15 per cent and US exports to France fell by about eight per cent compared with other OECD or Eurozone countries. This decline was due in large part to a fall in France's share of the quantity of inputs traded with the United States. There was a similarly large decline in both US business trips and tourist visits to France, suggesting that worsening relations did indeed affect transactions between firms.

One interesting aspect of this natural experiment is that it is hard to rationalise the decline in trade of inputs using standard arguments of firms choosing inputs that minimise their costs of production. The attributes of inputs produced in France and by competing input producers, and the characteristics of firms' production processes in the United States are not likely to have changed in the short run. This suggests that tastes – and not only simple cost-minimising calculations – may affect firms' choice of inputs.

These results also suggest that international trade flows may be sensitive to large changes in relations and attitudes. Dr Michaels and Zhi conclude that the effect of attitudes may be particularly strong where there are strong incentives to punish a foreign country – as in the case of commodities used by governments – or where the availability of close substitutes lowers the cost of changing a firm's input suppliers. This result may be especially important for understanding the robustness of trade flows between Western countries and other important trade partners.



AT A GLANCE

The deterioration in Americans' opinions of France since the invasion of Iraq provides an opportunity to examine the effect of people's attitudes on international trade in isolation from other factors.

<http://cep.lse.ac.uk/pubs/download/dp0815.pdf>

THE WASTE OF THE WORLD

Where do old clothes and old ships go?

WASTE IS ONE of the most pressing of global and local concerns, whether we are concerned about the contents of our wheelie bins or worrying about living on a landfill. The Waste of the World programme is looking at waste economies, the trades in waste and how waste is regulated. Waste processes take material seriously, and the social sciences should too.

The fate of clothes cast out from Western wardrobes is attracting mainstream attention. What happens to that once-cherished coat, or that unworn pair of jeans? There is a vast trade in second-hand clothing as a global commodity. Pictures of people from Africa to Asia to the Americas sporting cast-off Western fashions are now commonplace. Often routed through charity shops, recycling bins, and now private collecting companies, unmanageable surpluses are imported into developing countries as affordable clothing and as raw material. The economic, social and political ramifications in the developing world are of increasing interest to social scientists, NGOs, environmental agencies, governments and industry.

The anthropological approach to waste management involves following objects through abandonment to complete destruction and eventual reincarnation as recycled consumer goods. Clothing from the West is discarded from the wardrobe and enters the anonymity of the market through processes akin to sacrifice. Through sorting, hoarding, and elimination, clothing is eventually cast out as dead matter. Yet as textile and fibre, it remains full of potential for re-use and recycling in radically different contexts.

The focus of the research in north India is on the trade in old rags known as 'shoddy', where a steady flow of waste clothing is imported as mutilated rags for re-use as raw material. Garments are bought in bulk by factories across north India, where they are stripped of their labels and logos, shredded and pulped to a fibrous mass. This 'shoddy' processing enables fibres to be reclaimed from old clothing and re-spun into new thread. This can then be re-woven into blankets and cloth for the local garment industries. The India based fieldwork will investigate the social and political implications of importing and processing such fibres, and their creative recycling into new textiles with appropriate aesthetic designs.

But how exactly do you throw away a ship, and what happens when you do? A second Waste of the World project turns from skirts and shirts to ships, and to the complex and costly business of disposing of them. This project investigates the lives of ships such as oil tankers, cargo ships and military vessels, and their eventual deaths in breaking yards around the world. And the story does not end there.



Disposing of old oil tankers is a complex and costly process, or at least it should be.

Ships are built from a wide range of materials and when they get broken up, these materials are separated into different product streams – most reusable, some very valuable, and a number highly toxic. The project involves simultaneous research in Bangladesh, the United States and Europe to explore the difference that place makes in defining, regulating, recycling, handling and valuing these materials. Their movements are followed as some are traded on commodity markets while others, hard to track and harder to control, seep into soils, waterways and human bodies.

Millions of tons of oil are transported around the world by sea each year. The biggest supertankers carry half a million tons. However, many of these are ageing vessels vulnerable to accidents. After a series of major oil spills, older 'single hull' oil tankers are being replaced by safer 'double hull' designs. While the phase-out has been welcomed, it brings problems. More than 2,000 tankers are due to be disposed of by 2010 but few facilities exist where they can be processed safely and cleanly. As the backlog grows, many continue to carry cargoes, or are sailed at full speed onto beaches in Bangladesh and India, to be broken up where they come to rest.

Chittagong in Bangladesh is currently the world's top spot for ship breaking. The paucity of measures to protect workers and the environment from oil residues, asbestos and the many other toxic substances that ships contain means that the ship-breaking industry has attracted the attention of NGOs, governments and industry regulators. Most of the materials recovered are resold and recycled. The ships provide steel for the construction industry, and their fittings and equipment are stripped out and sold, supplying local businesses and furnishing Bangladeshi homes. The research team will start by equipping the local office with furniture from the very ships that they are studying.

In the United States, a 'ghost fleet' holds ships in reserve in case of national emergency until they are disposed of. Most go to breaking yards in Texas and feed steel mills in Mexico, but a few 'ghost ships' have been towed by tug to Teesside for dismantling. The ships remain in Hartlepool in a state of limbo, caught up since 2003 in lengthy disputes over planning permission and waste disposal licences. But while these ships are officially 'mothballed', their physical structures refuse to stay still. As legal and political debates go on, their materials continue to quietly degrade. ■

AT A GLANCE

What happens to all the unwanted clothes people in the West throw away? And what happens to all those ships that have ended up in the world's breaking yards?

<http://www.thewasteoftheworld.org>

YOUTH POVERTY ACROSS EUROPE

Current social trends, particularly late entry into the job market, exacerbate the problem

IN NEARLY EVERY country in Western Europe, young people face a higher risk of poverty than the population as a whole. They are more likely to be poor than every other age group except children and the elderly.

Dr Maria Iacovou and Dr Arnstein Aassve from the Institute for Social and Economic Research have been looking at the factors associated with young Europeans being poor and moving into or out of poverty: whether they have a job; whether they have children; and whether they live with their parents.

Researchers have long been interested in how young people make the various transitions from youth to adulthood: from education to work (possibly via unemployment); from living in the parental home to living independently; from being single to finding a spouse or partner; from being childless to becoming a parent; and from economic dependence to financial independence.

Half a century ago, these transitions typically took place over a short period of time, and usually in the same order: leave school and find a job; leave home and get married; have children. Nowadays, they happen later, over a longer period, and not necessarily in a particular order.

A young person may find a job at 17 but remain living at home because of financial insecurity until age 25. Another young person may leave home at 18 but not hold a job until 23, not settle down with a partner until 32 and not start a family until 38 – a full 20 years after leaving home. Several aspects of these trends – particularly a delayed transition into the often insecure youth job market – may be associated with an increased risk of poverty for young people.

The chart at the foot of this page depicts poverty rates in the 13 countries of the European Union pre-enlargement that the research examined. It shows the proportions both of the population as a whole and of young people aged 16-24 who are living below the poverty line, using the conventional measure of 60 per cent of median equivalent income.



Young people do not stop being poor as soon as they find a job.

There are huge variations between countries. Poverty rates among 20-24 year olds range from eight per cent in Austria to 30 per cent in Finland (the poverty rate among the whole population in both countries is around 11 per cent). Youth poverty rates in Britain are towards the upper end of the scale, at 20 per cent for the 20-24 age group.

The research finds that by far the most important predictor of a young person being poor is whether they still live with their parents. Those who have left home are at a much higher risk of poverty. In Britain, for example, leaving home increases the risk of poverty by 20 percentage points. This risk is particularly pronounced within the first year after leaving home.

Living with a partner (whether married or cohabiting) protects young people from poverty in most countries, including Britain. But this protective effect is not evident in the first year of a partnership, perhaps because of the costs that are involved in setting up home.

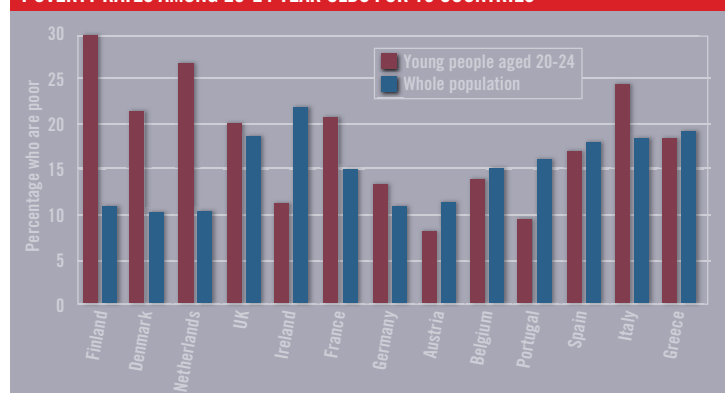
Having children is associated with a greater risk of poverty, especially in the year after children are born. This extra risk is evident in most countries, particularly in Britain. But in the Scandinavian countries, having children carries no extra risk of poverty whatsoever.

As might be expected, having a job protects young people from poverty. But young people do not stop being poor as soon as they find a job – in most countries, the protective effect of employment is apparent only after the young person has held a job for at least a year.

AT A GLANCE

Young people in Western Europe are at a greater risk of poverty than any other group except children and the elderly. There are huge variations between countries, but the fundamental causes of youth poverty are the same all across the European Union.

**HOW YOUTH POVERTY VARIES BETWEEN COUNTRIES:
POVERTY RATES AMONG 20-24 YEAR OLDS FOR 13 COUNTRIES**



Youth Poverty in Europe by Maria Iacovou and Arnstein Aassve is published by the Joseph Rowntree Foundation and available at <http://www.jrf.org.uk>

<http://www.iser.essex.ac.uk>



GOLDEN YEARS

Charting the chequered history of an African multinational

FROM 19TH CENTURY British investment in pre-colonial West Africa to 21st century African multinational: that is the story of the Ashanti Goldfields Corporation (AGC), a company whose colourful history features unusually rich gold deposits at its principal mine in Obuasi, intrepid leaders – men such as General Sir Edward Spears, Tiny Rowland and Sam Jonah – and, more recently, a much-publicised financial crisis.

A study by Dr Ayowa Afrifa Taylor from the London School of Economics traces the evolution of the company from its incorporation in 1897 to the present day, drawing on previously unexplored primary sources. She argues that AGC is notable among freestanding companies of the late Victorian era because of its profitability and longevity. These stemmed from the successful internalisation of mining expertise, the swift development of professional management and the geological good fortune at Obuasi.

The firm's history is inextricably linked with the changing political economy of Ghana. Political junctures, such as the change from a colonial to a post-colonial government, did not matter as much as changes in economic policy. At one stage, the National Redemption Council government of Colonel IK Acheampong was extracting – through direct and indirect means – over 50 per cent of the firm's gross revenues. This coincided with a bleak decade of macroeconomic meltdown from 1973. Despite rising gold prices in the 1970s, AGC experienced acute operational problems, dwindling production and 'de-modernisation'.

Ghana embarked on a programme of structural adjustment in 1983, which ushered in positive economic changes for the country and the firm. Political stability also improved the company's access to much needed foreign investment. These funds allowed the mines at Obuasi to be rehabilitated and

AT A GLANCE

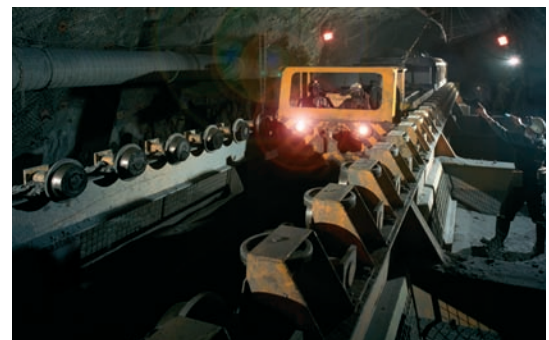
The Ashanti Goldfields Corporation (AGC) evolved from a 19th century British investment to a 21st century multinational. Its profitability and its longevity were remarkable.

gold production correspondingly increased. The mine's management came under African leadership for the first time only in 1986. Rehabilitation successes at Obuasi encouraged AGC to expand ambitiously as a multinational across Africa. But the execution of this relied heavily on debt at a time in the 1990s when gold prices were falling. To counter this, AGC's derivatives portfolio grew in complexity and size.

When gold prices suddenly rose in October 1999, the portfolio was 'out-of-the-money' to the tune of half a billion US dollars. Bankruptcy was only narrowly avoided and the financial crisis precipitated the sale of the 107-year old company to a South African gold producer in 2004.

The economic history of AGC is an important case study in several respects. For policymakers, it shows the impact of macroeconomic decisions on microeconomics, as well as the problem for mineral-rich states of striking a balance between providing incentives for capital and obtaining fair compensation for the exploitation of non-renewable assets. For businesses, AGC is a sterling example of the need to manage growth carefully.

<http://www.lse.ac.uk>



The AGC's history is inextricably linked with the changing political economy of Ghana.

MIGRANT WORKERS

Their impact on low-wage sectors

WHAT IMPACT ARE migrant workers having on UK labour markets, especially those from Eastern Europe working in low wage sectors? In public discussion of this issue, simplistic assumptions abound. Some people, for example, assume that these workers are 'taking away' jobs that should be given to British people. At the same time, supporters of immigration suggest that migrants are needed to 'do the jobs that British people won't do', thereby filling labour and skills shortages in the economy.

Research on low wage migrant labour and the European Union's (EU) 2004 enlargement, conducted by the Centre on Migration, Policy and Society at Oxford University, suggests that the real picture is more complicated. The study involved two waves of surveys and in-depth interviews with migrants from the so-called accession 8 (A8) countries – the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia – and their employers and other stakeholders.

Among the 15 EU member states prior to the 2004 enlargement, only Ireland, Sweden and the UK granted A8 nationals free access to their labour markets immediately. This enabled A8 workers to take up employment in the UK without restrictions (as long as they registered in the Worker Registration Scheme). It also meant that A8 nationals already

Migrants are often regarded as high quality workers, with experience, education and generic soft skills

working in the UK experienced a 'change of status', legalising their work status or giving them freedom from previous imposed work restrictions.

Focusing on migrant employment in four sectors – agriculture, construction, hospitality and au pairs – the study explored the nature of employers' demand for migrant labour, and the role of migrants' immigration status in employers' recruitment decisions. The employers reported significant difficulties with recruiting British workers, especially for low-wage work. They attributed these difficulties to the physical demands of the work, unpredictable shift patterns, long hours and unattractive pay.

Moreover, it was not simply that employers felt that migrant labour offered a 'good enough' solution to otherwise unmanageable recruitment difficulties. Rather, the migrants were often regarded as high quality workers, with experience, education and generic soft skills, such as having a pleasing manner, a flexible attitude and the ability to work in a team. In this respect, there are similarities with



Employers often prefer to take on migrant labourers; it is not just that they 'fill a gap'.

the growing phenomenon of student employment, which offers employers a flexible, well-educated labour force.

In the interviews with employers, migrants' motivation and 'good work ethic' were often contrasted with those of UK nationals. They were commonly attributed to conditions in migrants' countries of origin. Indeed, employers tended to express their preference for certain types of labour in terms of nationality, which was used as shorthand for both objective and subjective characteristics.

Retention difficulties as well as recruitment issues were also an important factor in the hiring of migrant labour. For certain types of work, it was crucial for employers to have labour they could rely on. In such cases, legal schemes were found to be very useful. Since May 2004, A8 nationals can come to the UK without using such schemes and they have diminished in importance.

For less predictable types of work, employers tended to find migrant labour via contacts with other immigrant workers, or via employment agencies. Workers who are found via agencies might be British or from elsewhere in the EU. European Union enlargement means that more agency workers are likely to come from the A8 countries.

The largest sector of employment (37 per cent) for registered workers is administration, business and management and the majority of them work for recruitment agencies. This points to the importance of enforcing minimum employment standards across the board to avoid the erosion of wages and employment conditions.

In this respect, it would seem that migrant and UK workers have a common interest. ■

<http://www.compas.ox.ac.uk/changingstatus>

AT A GLANCE

Some people think foreign workers are 'taking away' jobs that should be given to British people; others argue that migrants are needed 'to do the jobs British people won't do'. The truth is rather more complicated.

Iraq – four years on

WHAT WENT WRONG AND WHAT DID WE LEARN?

PROFESSOR SIR
LAWRENCE FREEDMAN,
Vice Principal
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WELL OVER FOUR years after the start of the Iraq War, the questions are starting to move from 'what can be done?' to 'what can we learn from the experience?' The future of Iraq is hardly settled and there will no doubt be some awkward policy choices ahead. Nonetheless, the decision to draw down Britain's military presence means that it will have less influence on events on the ground. The aim has long been to hand over responsibility for security to Iraqi forces and, while there are worries about the political conditions in southern Iraq and the role of the Shi'ite militias, there is no desire to wait for better conditions even if they could be achieved.

After handing over Basra province to Iraqi control, troop levels will fall to around 4,500 at the end of 2007, with a focus on training and mentoring Iraqi forces, and providing emergency support, with the intention of getting numbers down to 2,500 next spring. This reduction has taken some of the heat out of the domestic political debate.

Around Baghdad, where 80 per cent of the violence occurs, there is some evidence that the changes in American strategy, combined with Sunni leaders turning against al-Qaeda and Shi'ite restraint, have led to an improvement in the security situation. For the first time, and after terrible civilian losses, there is a sense that matters are not going from bad to worse, even if words like 'stable' and 'secure' appear to be premature.

Iraq should not be viewed as some gigantic social science experiment designed to teach us how to do it better next time. Lessons learned from one conflict are often inappropriate for the next and in this case, it might be argued that the basic lessons revolve around what not to do. Future governments will find it hard to make a case for war on the basis of uncertain intelligence or without support from key allies and wider international support or on the basis of optimistic assumptions about reconstruction.

There are many non-violent means of influencing events and even obnoxious regimes: economic sanctions and occasional inducements, diplomatic isolation, publicity for oppressed groups and reinforcement of democratic processes. These are all imperfect and often time-consuming, but there is now a far less dismissive attitude towards them.

Yet cases where military intervention is both desirable and feasible will continue to arise. What might be gathered from Iraq for future interventions? First, western armed forces, backed by airpower, are likely to prevail in any conflict fought on conventional lines and probably quickly.

Second, they can be embarrassed by irregular forces fighting guerrilla or terrorist campaigns. This is an area where the grim experience of Iraq may encourage changes in doctrine and training that would avoid some of the obvious pitfalls, including heavy-handed and

indiscriminate search and destroy missions, inattention to local power structures and failure to provide for basic security and material needs.

Third, democracy in the form of early elections is no remedy without a system of law that can secure rights and forms of accountability to ensure good government.

There are already signs that more sensitive approaches to insurgencies are being applied somewhat belatedly in both Iraq and Afghanistan. The basic objective of any counter-insurgency strategy is to separate the militants from their sources of recruitment, material, finance and sanctuary. This is why 'winning hearts and minds' is normally considered so important, although the goal can lead to crude and dangerous prescriptions if it is taken to mean just showing a friendly face or somehow sharing a point of view with the target population.

If armed forces think war is just about eliminating enemy fighters, they will soon lose hearts and minds

What it does mean is that even as troops move in, they are trained to think about the effects of their behaviour on the attitudes of the civilian population, and that preparations are made to bring in civilian specialists in policing, infrastructure and economic and social reconstruction. In contrast to earlier generations, modern armies need to work with aid agencies, NGOs, international bodies and the media from the start. If they think war is just about eliminating enemy fighters, they will soon lose hearts and minds.

All armed forces can do is create conditions and time to get social, economic and political affairs in order. This cannot be an afterthought, a 'phase four' to be addressed only after the serious fighting is over. It must be integral to operational planning from the start. In 2003, it was assumed that somehow once Saddam Hussein was overthrown, a new civil society and political order would appear spontaneously despite the brutalisation and deprivation of past decades.

This indicates a basic challenge for social scientists. Many are understandably nervous about too close an association with policymaking let alone providing direct advice for military operations. Yet this is an area where policy debates often reflect simplistic assumptions about how people and societies will react to the extreme stress of war and about the interaction of external forces – including those on humanitarian missions – with local traditions and cultures. What went wrong in Iraq cannot be put down solely to simplistic assumptions, but they certainly did not help. ■

<http://www.kcl.ac.uk/schools/sspp/ws/staff/lf.html>