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ONE NATION IN THE WORLD

A NEW FOREIGN POLICY FOR THE LEFT

Fabian Ideas 635

Edited by Marcus Roberts and Ulrich Storck

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One Nation in the World

A new foreign policy for the left

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and Ulrich Storck**

Like many other opposition parties across Europe, the British Labour Party has been relatively quiet when it comes to matters of foreign policy. It is however important for social democratic parties to develop and defend clear and credible positions in foreign policy.

The challenges which the German Social Democratic Party (SPD) has faced in its external policy, recently led to similar project by the Friedrich-Ebert-Stiftung on progressive foreign policy proposals for the German context (“Kompass 2020”). This collection of expert analysis is the first concerted effort to platform such leading foreign policy thinking in the UK which addresses the challenges of a new global agenda and provides a practical policy agenda for the world.

Given the collaboration between European partners as an essential ingredient for an effective social democratic foreign policy, the co-operation between the Fabian Society and the Friedrich-Ebert-Stiftung has been particularly vital for the creation of this collection. It allowed for the necessary international and European perspective on these topics.

About the Friedrich-Ebert-Stiftung

The Friedrich-Ebert-Stiftung is a non-profit German political foundation committed to the advancement of public policy issues in the spirit of the basic values of social democracy through education, research, and international cooperation. The foundation, headquartered in Bonn and Berlin, was founded in 1925 and is named after Friedrich Ebert, Germany’s first democratically elected president. Today, the Friedrich-Ebert-Stiftung has six adult education centres and 13 regional offices throughout Germany, maintains branch offices in over 90 countries and carries out activities in more than 100 countries.



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CONTENTS

	Introduction	1
	<i>Marcus Roberts and Ulrich Storck</i>	
1.	What is the Left's Story on Foreign Policy?	7
	<i>Mark Leonard</i>	
	2. Social Justice and Foreign Policy	17
	<i>Malcolm Chalmers</i>	
	3. New Alliances in Foreign Policy	27
	<i>Rachel Briggs</i>	
4.	Meeting Common Challenges Collectively	37
	<i>Ian Bond</i>	
	5. Framing Foreign Policy	45
	<i>Rachael Jolley</i>	
6.	Bringing Together Europe's Big Three	51
	<i>Olaf Boehnke</i>	

7. Joined-up Government 59

Jessica Toale

8. The Foreign Policy of Responsible Capitalism 65

David Clark and Duncan Weldon

INTRODUCTION

Marcus Roberts and Ulrich Storck

British foreign policy has long prided itself on avoiding choices that weren't in Britain's long-term interests. On the 'Europe or America' question, successive governments knew that to choose one over the other would be to reduce British influence with both. Likewise, on defence spending, Britain has long sought to maintain full spectrum military capabilities, from a nuclear deterrent through expeditionary warfare, refusing to choose one budget or another despite decades of cuts and reorganisations.

But now the combination of austerity's impact on defence budgets, America's pivot towards the Pacific, and the emergence of a multi-speed Europe with Britain on the periphery, is forcing a moment of choice on the British foreign policy establishment.

Should Labour form the next government many of those decisions will no longer be avoidable. In this collection, authors tackle these tough choices and explore the questions of strategy that comprise a progressive foreign policy. For it is this point that should particularly guide the next Labour government in its foreign policy decision making. By letting centre-left values more explicitly shape diplomacy, development and defence policy, the next Labour government can advance a strategic position in international affairs both more daring than that of traditional conservatives and more

successful than that of the neo-cons. These values of social justice, concern for inequality, belief in both the value and power of collective action, and a case-by-case approach to the use of force will, when properly translated into policy, result in a distinctly left-of-centre foreign policy agenda.

The shape of this values-based approach is to be found in fresh focus on the root causes of international problems shown by the authors of this collection. As writers like Malcolm Chalmers note in his chapter on global inequality, by shifting from the mitigation of problems to their prevention through early action (with profound implications for diplomatic and development budgets), progressives can move away from foreign policy problem management and into more ambitious international agenda-setting. In a similar vein, Ian Bond's writing on the advantages of collective security, not just as an expression of the progressive desire for co-operation but as a very real means of navigating the trade-offs the next government will have to make, also shows how a values-led approach can aid decision-making.

However, making choices guided by values is necessary but insufficient to a successful radical foreign policy agenda. As Rachel Briggs notes, avoiding choice after so much austerity is no longer possible yet the ideas of a more creative foreign policy offer the centre-left new strategic opportunities.

For the final necessary element is strategy. Take defence for example, where debates over spending and strategy have for decades proceeded in that order: budgets have determined direction. As a result, choices have been avoided as to the trade-offs required to maintain truly gold standard capabilities in each of the armed services. Instead, the Royal Air Force, British Army and Royal Navy have each been reduced in a succession of salami-sliced cuts to dramatically smaller versions of their past proud selves, whilst still struggling

to maintain the pretence of capability across the board as great as when they were far larger. This is precisely the kind of area in which clear thinking about strategy first should inform budgetary priorities guided by the values of a left-of-centre government. The potential for radical change stemming from such an approach – from defence procurement through to armed forces objectives-setting – is profound. Put simply, it is high time that Britain decided on its foreign policy objectives first and made budget decisions to achieve them, not the other way round.

A key part of this is the growing importance for Britain working together with its international partners, particularly within the EU. The ‘decline of the west and the rise of the rest’ argument is becoming a realistic future. Economic crisis, controversial military entanglements, a strong resurgence of populist political forces in Europe and the US are just a few of the issues we face. However, this new reality does not necessarily make for inevitable western doom. In particular, progressive politicians in western countries need to be pro-active in shaping the future rather than be shaped by it. Interdependence, internationalism and co-operation are progressive principles. With this in mind, Labour will find considerable support among its European centre-left partners.

With the future of relations between the United States and China unknowable, many in the world would like to see a ‘third power’ with substantial diplomatic, economic and cultural soft power in the shape of Europe. Britain has the ambition and the capability to shape this power.

The EU represents the largest economic market and sports the largest overseas development budget in the world, but is still hesitant to take the necessary steps to convert this into both hard and soft power and so become a global power to be reckoned with. This is mainly due to the fact that common

principles are not applied and 28 countries still follow their national foreign policies. One major breakthrough was the 2003 Nice Treaty establishing the Common Security and Defence Policy (CSDP). Through synergies such as CSDP the EU has increasingly developed common external relations. Olaf Boehnke goes into this in greater detail in his chapter and portrays the shortcomings but also possibilities of a common foreign and security policy.

Another co-operation vehicle for a foreign policy to be reformed by an alliance of progressive forces is the North Atlantic Treaty Organisation (NATO). The shift of its focus from cold war Soviet confrontation towards current security threats like terrorism and cyber-security sustains its attractiveness for its members. Furthermore, it provides a framework for continuous co-operation with the US. However, NATO is to large extent limited to hard power. As in today's world a mere focus on hard power would be short-sighted and so a strategic reorientation is needed. The ideas of David Clark and Duncan Weldon in proposing a foreign policy to match Ed Miliband's language of 'responsible capitalism' is a prime example of how this reorientation can occur in practice.

Taken together, an acknowledgement of the tough choices awaiting the next government, an intelligent approach to strategy that puts the establishment of Britain's foreign policy objectives before the setting of departmental spending not after, and the use of distinctly social democratic values to guide its foreign policy decision making makes for a powerful argument and answer as to the future of Britain's place in the world. All this needs to be encapsulated in a compelling new left-of-centre 'story' on foreign policy, which many people call for but Mark Leonard achieves the rare feat of actually telling us what it should be: a combination of 'rooted

internationalism' and reform of Europe, with tangible policies to match.

New realities can offer new possibilities: with partners from the centre-left family in Europe, alliances can be built to shape a progressive and common foreign policy in the EU.

This collection of essays explores the choices, strategy and values that can guide the next Labour government in a new, distinctly progressive fashion.

1. WHAT IS THE LEFT'S STORY ON FOREIGN POLICY?

Mark Leonard

If Ed Miliband is to present himself as a credible prime minister in waiting, he will need to craft a story about what Labour wants for Britain in a changing world. The unifying theme of the global face for 'one nation' should be a rooted internationalism that explains how Britain can prepare for Chinese-led globalisation, how a reformed Europe can help Britain succeed, and how we should respond to the new turmoil and openings in Middle East.

"We are in a global race today. And that means an hour of reckoning for countries like ours. Sink or swim. Do or decline." *David Cameron, 10 October 2012*

Labour only wins big when it manages to root its progressive aspirations in the national story. But in 1945, 1964 and 1997, Labour leaders did not simply recapture the flag, they offered a convincing narrative about how Britain could respond to a changing international environment, whether through winning the peace, catching up with continental Europe, or taming globalisation.

Today's political cycle is once again being framed by arguments about international affairs, with Europe, immigration and arguments about the use of force increasingly intruding into the bread and butter discussions about the economy, the cost of living and the distribution of the proceeds of growth. After several false starts, David Cameron has settled a story

One Nation in the World

about his political project that resonates with his party and offers an account of a changing world, the idea of the 'global race'.

Does the left have a story on foreign policy that fits with its domestic narrative? It is right to respond that Britain's future lies not in a race to the bottom, but rather one to the top, but Ed Miliband has neither developed an adequate critique of Cameron, nor put forward an alternative Labour story.

As a result, Labour too often comes across as oscillating between the defensive and the opportunistic. The combination of Blue Labour, euro-realism and the opposition to the war in Syria have led some to portray Labour as isolationist and pacifist. On the other hand, in the absence of a wider narrative, when Labour acts out of principle on foreign policy – as it did on Syria and the EU budget – it faces charges of cynicism.

It is time for the Labour party to tell a more positive story about what it wants for Britain in a changing world. The unifying theme should be an attempt to develop a rooted internationalism that seeks growth, fair rules, social cohesion and self-government in a world where power is flowing from the west to the east.

An account of tomorrow's world rather than an escape from New Labour

The foreign policy debates in both the Conservative and Labour parties have been defined more by arguments about the past than visions of the future. The Conservative party's obsession with Brussels has gone viral. But while the Tories seem doomed to re-enact their previous divisions on Europe, Labour's ability to engage with the future is hampered by its desire to escape from its own history on Iraq. However, while we must learn the lessons of Iraq, they must not blind us to the challenges of a future world where the rise of Beijing is

What is the Left's Story on Foreign Policy?

more of a challenge than the regulatory creep of Brussels or the imperial urge of Washington's neo-cons.

The last Labour government came to power at the apex of western power, where globalisation was driven by western capital and governments were focused on deregulation at home and building multilateral regimes globally. The Iraq war was – in many ways – the swan song of that western-led world order. The 2008 financial crisis showed the dangers of deregulation and has accelerated the development of a new era of globalisation, where capital is concentrated in non-western powers such as China. The re-emergence of non-western powers has gridlocked global multilateral institutions – from the WTO to climate talks – and come at the same moment that a war-weary United States is increasingly withdrawing from global affairs.

The Arab uprisings have convulsed the Middle East into a regional sectarian conflict and highlighted a global political awakening that embraces democracy but is about emancipation from the west. And the euro crisis is transforming the political and economic order of the European Union. Labour embraced Europe as a response to globalisation but it has too often been seen as globalisation on steroids with its strict rules on austerity, the facilitation of the free movement of labour and its hollowing out of national politics.

Ed Miliband must offer a vision for how Britain can respond to huge changes in the world. He needs to explain how Britain can prepare for Chinese-led globalisation, how a reformed Europe can help Britain succeed, and how we should respond to the new turmoil and openings in Middle East.

Preparing Britain for China-led globalisation

In the 1990s, centre-left parties on both sides of the Atlantic saw it as their role to develop a progressive response to west-

ern-led globalisation. Like Bill Clinton and Larry Summers, Tony Blair and Gordon Brown made it their mission to embrace globalisation but mitigate its wage-suppressing impact through tax credits and credit-fuelled growth. In 1997, Tony Blair wrapped this up in an inclusive national story that united different ethnicities and faiths in a progressive nation-building project that celebrated common values, creativity and connectedness to the world, including through our membership of the European Union.

Ed Miliband has an opportunity to map out the core dynamics of the new wave of globalisation and explain how Britain should respond. Rather than a world of benign networks where everyone lives in the cloud, Britain must prepare for a world of economic competition where size and power matter, and where state capitalist economies such as China will seek to use their enormous markets and political power to create an unlevel playing field. Labour also needs to acknowledge that – although globalisation has benefited the British economy in the aggregate – it has speeded up the deindustrialisation of the British economy and has costs jobs and wage growth for many.

In developing a progressive response to this, he can learn from the experience of Europe's global achievers – including Germany and Scandinavia – who have thrived as a result of rather than despite their mixed economies. He can also learn from an Obama administration that has abandoned Clintonian consensus on globalisation. Obama's economic advisers are exploring government policies to support America's reviving manufacturing and export machines. They have abandoned 'benign neglect' of their currency, are looking at how to use energy to reinvent their economic model, and seeking reindustrialisation and export-led growth through a new generation of 'high-quality' trade deals with rich countries, including Europe and Japan.

On the other hand David Cameron has done little to reinvent the 1990s approach to globalisation. Although he talks a lot about China, he has not explained how the rise of state capitalist powers change the dynamics of the global economy. His global race narrative conjures up a less than benign global environment but does little to explain how Britain can prepare for it – beyond working harder and abandoning talk of human rights on trade missions to Asia. Cameron's neo-Darwinian rhetoric implies it is not just countries but individuals that are being challenged to 'sink or swim'. Most importantly, Cameron has no explanation of how a middle-sized economy like Britain will get leverage over continental-sized powers, which links to the second theme: Europe.

A new approach to Europe

Ed Miliband has an opportunity to explain how a reformed Europe can be a passport to success in this new world. Rather than defending the status-quo, Labour has an opportunity to critique it and offer a new reform agenda for Europe – a post-crisis economic growth and social policy; a new approach to migration; and an agenda of self-government in Europe.

Unlike the Tories who just want to stand aside from Europe's big debates – and use the opportunity to repatriate powers and deprive workers of rights – Labour can set out a constructive agenda to fix the system, try to defend its red lines by keeping Britain in the room, and pushing for a leading role in a multi-speed Europe rather than 3rd class membership of the EU.

In order to achieve that, Ed Miliband will first need to settle the referendum issue. He has been right so far both to resist calls for an immediate referendum, which would smack of political opportunism, and right to criticise David Cameron's strategy of renegotiation followed by a vote in

2017. However, very few people – even in the shadow cabinet – believe that Miliband will be able to stick to his current policy through the rigours of a European election, let alone a general election campaign. Labour should commit to holding an in-out referendum at such a time that there is a new treaty which transfers sovereignty from the UK to the EU. Labour would put itself on the side of public opinion and be in a strong position to mercilessly go after the Conservative party for putting party before country and being frozen and incapable because of their divisions.

Labour must set out an account of Europe as a multiplier of growth in a multipolar world, rather than a conveyor belt for austerity. It must make common cause with leaders in other countries in agreeing a strategy to boost demand by moderating austerity by changing the rules of the euro to facilitate social investment. This could include a European strategy for reindustrialization by extending the single market to the services, digital and energy sectors, as well reforming the EU budget to make investments in research and development (R&D), infrastructure and energy. And in order to get access to global markets, it should pioneer a new generation of trade agreements with countries such as the US and Japan to drive up standards in the global economy and level the playing field with China.

Labour's biggest challenges are in the area of migration. A lot of the response is necessarily domestic, including the agenda of boosting the living wage and addressing pressures that new migrants place on public services directly. But there must also be a European strategy of pushing for changes in the rules on claiming social security so that families cannot claim benefits from a member states where they are not resident. In addition, in order stamp out the fear of 'benefit tourism', the Labour party could explore whether EU governments could issue European social insurance cards to

What is the Left's Story on Foreign Policy?

citizens moving to other member states. In the medium term, if it is possible to track expenditure of public services, the UK could investigate if the EU budget could be used to help ease pressure on public services by intra-EU migration.

Labour must also claim the mantle of self-government. It should push for a chamber of national parliaments to observe European decision making, observer status for non-euro countries in eurozone meetings, and for sunset clauses in EU legislation so that it can be repealed if it no longer serves its purpose. However, the key is to reframe the debate so it is not just a question about a single one-off vote about being in the EU, but rather about the ability of governments to be sovereign over their own affairs. It is worth talking about the example of Norway whose own parliament labeled Norway's non-membership of the EU as "a democratic disaster". Because Norway cannot afford economically to be excluded from Europe's single market, it is bound to pay into the EU budget and adopt nearly all EU laws but has no role in making them.

Intervention after the Iraq war

Ed Miliband's decision to vote against military action in parliament at the end of August should be one of the crowning moments of his leadership. It is very rare for an opposition party to have an impact on their own country's foreign policy – let alone the wider world. However, Labour got very little credit for a vote which opened up a path for an extraordinary turnaround in global politics.

Miliband should have done a more robust job of explaining that the Syria vote was not about Britain or the Labour party turning its back on the world – but rather the heart of a more calibrated and effective international diplomatic strategy.

One Nation in the World

Getting back on the front foot on these issues will require a bigger attempt to explain Labour's vision for the world. This is partly about the question of military intervention. It is right for Labour to explain that the bar has been raised for British military action and that the public expect a more thorough account of the consequences of action and inaction.

However, to have real credibility, Miliband should have spent some time setting the decision in parliament into a broader strategy for addressing the tragedy in Syria and its dangerous spill over consequences in the Middle East.

The core elements of the Labour approach are clear and have been born out by events: exhausting every avenue for a multilateral approach before acting unilaterally; using diplomacy with unfriendly as well as friendly nations and exhausting that before thinking about military action; and linking the chemical weapons deal and the Iran deal to a Geneva II conference or an alternative structure.

However Ed Miliband has not yet articulated them or linked his approach to a region trapped in an ever-escalating cycle of sectarianism and violence to his wider international vision. It is now high time he set out a policy programme of de-escalation for the Middle East, and how it draws on his vision of diplomacy, multilateralism and collective security, as well as how this internationalism dovetails with an approach of being at the heart of Europe, rather than sulking on its sidelines.

The global face of 'one nation': a strategy of rooted internationalism

The world has changed dramatically since Labour last won power in 1997 – even since it lost power in 2010 - both in terms of the policy environment and public attitudes. The Labour party has not yet managed to find a compelling voice

What is the Left's Story on Foreign Policy?

on these issues. It is split between the New Labour tribes of globalisers, liberal interventionists and pro-Europeans, and the Blue Labour apostles of localism and disengagement.

If Ed Miliband is to present himself as a credible prime minister in waiting, he will need to craft a story which makes sense of the world that he will be governing in, as well as an aspirational account of what a Labour government might seek to do.

He urgently needs to develop a realistic account of the opportunities and challenges of China-led globalisation, of a reformed Europe as a platform for achieving it, and of his agenda for dealing with regional instability in the Middle East. Taken together, these strands can form the basis of a new approach of rooted internationalism, which could help Labour heal the wounds of Iraq and allow him to take the fight to David Cameron.

2. SOCIAL JUSTICE AND FOREIGN POLICY

Malcolm Chalmers

The UK has not been a superpower since the 1950s, but it is still able to exert influence to an extent that other like-minded but smaller states cannot hope to replicate. The policy question for the UK is how to use its considerable assets to contribute to international prosperity and security, and – crucially for social democrats – supporting inclusion and equality.

The UK's foreign policy has been shaped by liberal internationalism since the mid 19th century. Successive governments have committed themselves to the need for a rule-based international order, the desirability of free trade and free capital movements, and the promotion of democracy and human rights worldwide.

A social democratic approach to foreign policy broadly accepts all three of these principles. But it questions the desirability, and indeed the long-term viability, of pursuing freedom without also supporting inclusion and equality. As a consequence, it adds a distributional aspect to each of the elements of liberal internationalism. First, while agreeing that multilateral institutions should be based on sovereign equality of states, it emphasises the need for such institutions to facilitate – or at least not hinder – efforts to improve social justice within states. Second, while accepting the gains that can be made from free trade, social democrats worry that uncontrolled freedom of movement for goods and

(especially) capital can create instabilities and inequalities if not subject to appropriate controls. They also emphasise the key role that national states play in promoting economic breakthrough and protecting those left behind by globalisation. Third, social democrats argue that, unless the fruits of economic progress are widely shared, democratic institutions are likely to be fragile and unsustainable, open to exploitation by populists promising easy authoritarian fixes.

Social democracy's golden age

These internationalist principles are rooted in the UK's own experience of economic and social development. The Labour party itself was established as a result of a critique of 19th century British liberal capitalism, in which sustained economic growth and global superpower status was accompanied by widespread poverty and exploitation at home. Labour's first leaders believed that free markets alone could not produce a just society. Only an activist state, they believed, could harness the market's productive potential for the greater good, deliver the public goods (environmental and infrastructural) that the free market could not provide, and sustain a safety net for the old, the ill and the unemployed.

The ideals of social democracy have decisively shaped British politics for more than a century, starting with the radical programme of new social benefits and progressive taxes introduced by Lloyd George's 1909 'People's Budget'. But the dominance of social democratic ideas was greatest during the 'golden age' that followed the second world war. The quarter century after 1945 saw the establishment of a welfare state, including universal health provision, alongside narrowing wage inequalities, increased social mobility and the lowest levels of unemployment in British history.

The success of egalitarian policies at home, moreover, was paralleled by remarkable success in creating a new model of international society, also informed and shaped by social democratic ideals. Victory over fascism made possible the replacement of a world of empires by an international order that aspired to, and to a significant degree achieved, self-determination and sovereign equality. Liberal democratic welfare states became the norm throughout western Europe, and in turn made possible a 'democratic peace', in which war became unthinkable between the UK and its main continental neighbours. For all its faults, and despite the ever-present nuclear shadow cast by the cold war, the period since 1945 was a global 'golden age', characterised by historically unprecedented improvements in global prosperity and security.

The UK can be proud of its role in this great global transition. Despite emerging victorious (if exhausted) from the war, the UK played a central part in establishing the UN. The post-1945 Labour government then went on to begin the voluntary, and largely peaceful, dissolution of the country's worldwide empire.

British progressive internationalism was not limited to state diplomacy. Opposition to colonialism had deep roots in the British labour movement, reflecting a strong commitment to solidarity with those seeking social justice and freedom in other countries and continents. In its reactions to the Vietnam War and to the 1973 Chilean coup, as well as in its support for insurgent movements in Central America and southern Africa, the left's version of internationalism remained distinctive.

The Gini rises

Yet, after its high point during the first post-war decades, the social democratic settlement became increasingly embat-

tled. Economic stagnation and fiscal crisis led to a sharp shift to the right within the UK, with levels of income inequality (measured by the 'Gini coefficient') rising sharply during Margaret Thatcher's premiership in the 1980s. Despite Labour's massive injections of public funds into income support and public services during its long period in office from 1997 to 2010, these did little more than stabilise inequality at the level that it had inherited.

This same period – from the 1970's onwards - saw further reductions in the prosperity gap between rich and poor countries. As states in both Asia and Latin America emerged from the constraints of colonial (and quasi-colonial) rule, a growing number moved onto a path of rapid and sustained economic growth. Over the last decade, key sub-Saharan African states have begun a similar transition. This process of rapid growth was facilitated by rapid reductions in fertility rates, themselves precipitated by improvements in health and education that had begun in the immediate post-war period.

The first movers in this transition – Japan, South Korea and Taiwan - adopted a relatively egalitarian approach to achieving economic breakthrough, accompanying rapid industrialisation with redistributive land reform and high levels of investment in education. This combination in turn played a critical role in helping in the later transition of all three states into high income economies, based on continuous improvement in skill levels, active state support for technological development, and peaceful democratisation.

As the process of rapid growth spread to the giants of the developing world, however, a less equitable development model became dominant. The success stories of the last three decades – especially post-1979 China – relied on state-sponsored wage suppression to achieve competitive advantage in labour intensive products, greatly helped by the rapid

liberalisation of world manufacturing trade that took place during this period. The result was a transformation of global production, with a rapidly growing proportion of labour-intensive products and processes being located in China or other low-wage economies.

The biggest losers in this transformation were precisely those lower skilled and manufacturing workers, in both the US and Europe, who had gained disproportionately in the post-war golden age. While the reduction of low-skill jobs in the west was driven in part by technological change, it was accelerated by the shift of many such jobs to China and other major developing economies. In part as a consequence, the median wage of a worker in the US is now lower in real terms than it was in the 1980s, despite the continuing growth in national GDP during the same period. A similar trend has become increasingly evident in the UK over the last decade. By contrast, the share of national income enjoyed by the top 1 per cent of the population has risen sharply in both countries.

The last three decades have also seen a massive growth in the gap between rich and poor within developing countries. Both communist and capitalist regimes have used labour surpluses to suppress the growth in real wages. As a result, a disproportionate share of the benefits of growth has accrued to local and global elites. These elites, in turn, have been the strongest supporters of the international consensus in favour of free trade, at the same time resisting attempts by national states to redistribute the gains from growth.

The gains in human welfare during this period have, as a result, been much lower than might have been expected given the rapid rates of growth that many countries have enjoyed. The problems generated by unbridled capitalism were particularly severe in Russia, where the mass privatisation following the collapse of communism allowed predatory elites to capture the bulk of the state's mineral revenues, even

as the majority of the population suffered steep reductions in living standards and average life expectancy.

The fight back

Yet the story of this period – viewed through an inequality lens – has not all been gloomy. The democratisation made possible by the end of the cold war has strengthened national social democratic forces, most notably in Latin America. Moreover, and of potentially the greatest importance, the world's largest reserve of surplus labour – China's countryside – is now running dry. Real wages are starting to rise rapidly, and seem set to continue to do so as the country's leaders seek to move the economy onto a consumer-led growth path. Even if China does not adopt Taiwan-modelled democracy (still an unlikely short-term prospect), popular demands for a better life and a more accountable state could become increasingly hard to ignore.

In response to China's transition to higher wages, some labour-intensive work is likely to shift elsewhere – to Indonesia, Bangladesh or parts of Africa. But none match China in size or productive efficiency. Moreover, many other parts of the developing world are now facing their own version of China's demographic and political transition, with the countryside emptying, birth rates falling, and newly-urbanised workers become steadily more restive and organised. Local elites will not easily surrender their access to economic and political resources. And the resulting turmoil could result in increasing political extremism and aggressive nationalism, as is evident today in (respectively) the Middle East and East Asia. But it could also offer an opportunity for social democracy, as empowered populations demand more accountable, and therefore more socially just, government.

Such a shift is, clearly, far from inevitable. Many argue that countries can only compete internationally through a 'race to the bottom', eroding social protection and levels of real wages in order to offer attractive locations for international business. The so-called 'European social model' is often the focus for particular derision. Yet the experience of Europe's successful social democracies shows that it is possible for countries to remain internationally competitive, without abandoning commitments to social protection, and with state activism supporting rather than blocking necessary economic reform.

The UK's interest in successful democratisation in emerging countries, therefore, is not confined to security or ethical considerations, important though these are. The rapid introduction of hundreds of millions of low-wage workers into the global economy has left many on the British left struggling to reconcile their commitment to social justice at home with their longstanding belief in internationalism. The fundamental shift in the balance of power towards workers within developing countries that might now be possible could go a long way to help resolve this tension.

Aid

Social democratic principles were at the heart of the last Labour government's decision to establish a new ministry, the Department for International Development (DfID), with an explicit mandate for international poverty reduction, and to begin the process of moving towards meeting the UN's target of spending 0.7 per cent of national income on international development aid.

The decision to meet the 0.7 per cent target differentiates it from the US, which devotes just over 0.1 per cent of its national income to aid, while placing it squarely in line with

the norm already established by Norway, Sweden, Denmark and the Netherlands, all (not coincidentally) strong believers in social democracy at home.

As with important previous social democratic innovations, Labour's commitment on aid has been accepted by the current coalition government. The UK will, accordingly, meet the 0.7 per cent target in 2014, an achievement made all the more remarkable by the cuts now taking place in other parts of government.

A future government could decide to reverse this commitment, and choose to reallocate the money saved to more important domestic priorities. Many argue that trade is much more important than aid, and that the key to development is in the private sector. Yet this argument overlooks the vicious cycles in which the world's poorest states still find themselves, characterised by the sheer shortage of resources at their disposal, and the weakness of their capacity to rapidly mobilise more. At least for the next decade, therefore, carefully managed aid can still play a key role in international poverty reduction and development, especially in sub-Saharan Africa.

Critiques of aid based on its deleterious side effects – encouraging dependency and corruption, forcing up exchange rates to uncompetitive levels - often have considerable force. Much more needs to be done to improve its effectiveness in delivering poverty reduction. DfID could learn, for example, from the experience of major middle-income countries (such as Brazil and South Africa) who have given much higher priority to direct income transfers than the external aid agencies have traditionally been prepared to do. Yet the UK's own experience over the last century – going back to the 'People's Budget' – has shown just how important basic state and disability pensions, along with support for mothers and children, can be in reducing absolute poverty.

Accumulating evidence from small-scale projects suggests, moreover, that poor people in Africa and South Asia can make much more efficient use of limited financial resources if given to them directly, rather than channelled through inefficient government services or emergency handouts of food.

Playing to our strengths

While the UK is not a superpower, and has not been one since the 1950s, it is still able to exert influence to an extent that other like-minded (but smaller) states cannot hope to replicate. Although declining in relative terms, it still has the world's fourth largest defence budget, and will probably remain NATO's strongest European power. It now has the second largest aid budget of all the western donors, and its seat on the UN Security Council gives it a voice across all important issues of global security. Its memberships in the EU, NATO and the Commonwealth further reinforce its importance in the governance of international society. Not least, its place as one of the leading centres for global services – banking and insurance, media and culture, higher education, policy research – gives it a degree of influence as a broker and shaper that belies its limited weight in terms of its proportion of global GDP.

The policy question for the UK is how it can use these considerable assets to contribute to international prosperity and security, and thus to a better world for its own citizens. From growing inequality to the breakup of the Arab system, there is no shortage of complex problems confronting international policymakers. The UK's own history shows that it may be able to contribute to the resolution of these problems through an internationalism that draws on the best of both liberal and social democratic traditions.

3. NEW ALLIANCES IN FOREIGN POLICY

Rachel Briggs

Without a review of Britain's structural alliances – partnerships with non-governmental actors, regional and international alliances – and systems capacity, especially languages and technology, our ability to deliver foreign policy objectives will be limited. To be mindful of economic constraints, Labour's foreign policy must limit itself to a small set of priorities and organise coalitions of the willing to work to achieve success within a finite period of time. It must also make the case to the British public, demonstrate value for money and bring them into debates about the things that are done in their name.

When Prime Minister Miliband walks into Downing Street on 8 May 2015, he will inherit a foreign and security policy system that needs fixing. The country can't afford to support its ambitions for global leadership: Austerity Britain's foreign policy narrative needs to be about value for money and demonstrating impact. The British public is war weary and wants to apply fairness tests to foreign as well as domestic policy; Labour's foreign policy needs to be streamlined and focused on a smaller group of priorities.

Labour's foreign policy needs to rest on the alliances that can deliver: regional bodies over international multilateral agencies, and non-governmental organisations (NGOs)

and the private sector alongside the emerging geopolitical powers like China and India. To make these alliances work, Britain's diplomatic network is in need of root and branch reform, especially in relation to the use of technology and social media and language competencies.

Britain's alliances, though, need to start at home. The British public has record low levels of trust in state institutions. British politicians have got much better at public engagement, yet foreign policy remains the domain of a select group of elites. A Labour government needs to open up the policymaking machine, have a debate with the public, and in the process reap the rewards of open government in the form of better analysis and decision making.

Intense prioritisation and focused foreign policy campaigns

The upbeat messages about higher than expected growth in the chancellor's 2013 autumn statement hide the long-term economic reality for the UK. The pace of cuts in public sector spending will accelerate from 2.3 per cent per year between 2011 and March 2016 to 3.7 per cent per year until early 2019. Foreign and security spending has been hard hit. The Foreign and Commonwealth Office's (FCO) budget will almost halve as a proportion of departmental spending, from 0.65 per cent in 2010 to 0.36 per cent in 2014-15. The Ministry of Defence (MoD) has experienced cuts larger than those of any other government department.

The only winners in the foreign policy community are international development and intelligence. Official development assistance has risen by 2 per cent since 2011, and although MI5, MI6 and GCHQ lost one tenth of their budget since 2010, in the 2013 budget they enjoyed the largest

percentage increase of any item of government spending, including the NHS and schools.

While efficiency gains can always be made one way or another, Britain cannot afford to play at the top of the Premier League any longer. Labour should learn from countries like Norway, that focus their foreign policy resources on a small number of priorities, allowing them to punch above their weight. It could choose touchstone issues that speak to its values and can demonstrate results that would be a call to action across the wider policy domain. The foreign secretary's campaign to end sexual violence against women in conflict areas is an excellent example of this kind of approach: a clear objective, a roadmap to achieve success, a smart communications strategy and visible high-level leadership. The success of this campaign will have ripple effects into gender, anti-violence and conflict policies more generally and will provide inspiration for what can be achieved.

New approaches to multilateralism

Frustration with international multilateral institutions is widespread; they are slow, bureaucratic, and mired in politics. Syria provides an example: while the UN struggled to get decisions made, local doctors and NGOs rolled their sleeves up and got on with humanitarian work on the ground. As is usually the case, the UN was late to the table.

Smaller action-oriented networks of countries can be more effective at making decisions and getting things done. It is notable that the British prime minister took his recommendations about the payment of ransoms to the G8 before the UN. The Contact Group on Piracy off the Coast of Somalia was created in 2009 and is made up of more than 60 countries and organisations, united by their common desire to tackle piracy in a flexible, can-do way. Its results have been staggering.

One Nation in the World

A new approach to multilateralism should also boost support for regional bodies to deliver local solutions. This would increase resilience and be more cost effective than direct intervention. The work of the African Union Mission in Somalia (AMISOM) provides an excellent case study. Somalia is a country that was considered to be a lost cause only a few years ago, but thanks in large part to AMISOM, al-Shabab has been forced out of Mogadishu and the country is stabilising. The key to AMISOM's success is that it puts African boots on the ground funded by western money, although it remains under-staffed, under-equipped and under-funded. This model should be rolled out across the Sahel, where al-Qaeda is gaining influence; three-quarters of al-Qaeda leaders are now in Africa. The scale of the problem means direct intervention is not an effective or workable solution.

New allies and partners

Discussions about alliances in foreign policy tend to read like a cartographical roll call of who's hot and who's not. China. India. Brazil. The Philippines. Pakistan. Turkey. South Africa. Syria. The combination will depend on the problem in hand, although there are two countries that top all the charts: China, the US. Such discussions are important and should dictate foreign policy spending, resourcing and communication, but are dealt with elsewhere in this collection.

Power is not just shifting from west to east; it is also seeping away from governments towards the private sector, NGOs and the public. This is having an impact on how foreign policy is delivered and, when done well, can increase impact.

For example, Cathy Ashton has rightly received praise for mediating a landmark nuclear agreement with Iran under

the auspices of the European Union. However, for years the EU has failed to enforce its own sanctions against Iran and companies that trade with it. 18 months before the agreement was signed, United Against a Nuclear Iran (UANI), a campaign group, had pulled off an amazing coup in its campaign to make companies abide by the sanctions. It successfully lobbied SWIFT, which facilitates financial transfers worldwide, to discontinue its services to EU-sanctioned Iranian financial institutions, including Iran's central bank. Without access to SWIFT-issued business identifier codes, the Iranian regime became largely isolated from the global financial system. This was undoubtedly one of the pressures that brought Iran to the table.

A role for the private sector in foreign policy

The previous Labour government was criticised for being too close to big business, but Labour foreign policy must incorporate the private sector.

The private sector, especially tech companies, can deliver foreign policy products and tools. For example, Google's new uProxy allows ordinary citizens anywhere in the world to turn their internet connection into a proxy server for people whose access is limited in countries like Iran or China. These users are able to get content that would otherwise be blocked and do so anonymously and safely, avoiding detection by repressive regimes. By bringing the private sector into the 'circle of trust', government and business can work together to develop innovative solutions to what would previously have been intractable problems.

Labour's foreign policy should place strong emphasis on private sector collaboration. Secondments between the diplomatic service and private sector would help, but in 2012/13 only nine FCO staff were seconded to the private

sector and only one secondee from an external organisation joined the department. Labour should set ambitious targets to dramatically increase these numbers. In 2011, the foreign secretary established the Locarno Group to support and challenge the development and implementation of the FCO's foreign policy, but it is made up entirely of former diplomats schooled in the very system they are being asked to challenge. Labour should seek out people who will question the status quo: business people, campaigners and activists, entrepreneurs, cultural figures, and representatives from the next generation of 20-30 year olds who are not invested in today's institutions.

Investing in the skills to build effective partnerships

Political, technological and cultural shifts over the past decade mean that diplomacy and the business of influence no longer happen exclusively among elites. As events in the Arab Spring and Syria remind us, ordinary men and women, small groups and social movements can change the course of history – and fast. Diplomats need to have their ears to the ground, making language skills non-negotiable.

The language capability of British diplomats is deplorable. In 2012, just one in 40 were fluent in the language of the country in which they worked. 90 per cent had no recognised language abilities for the country where they were posted. Only one diplomat in India could speak Hindi. And there was only one Arabic-speaking diplomat registered in each of Britain's embassies in Saudi Arabia and Yemen. In contrast, almost half of Australia's diplomatic service were proficient in local languages.

The previous Labour government should be ashamed of its decision to close the FCO's language school, a decision reversed by the current government in 2013. Labour should

make a bold pledge to boost language tuition by, say, ten-fold. The inability to communicate and gather local intelligence on the mood of the people makes it almost impossible to deliver results. The enormity of this challenge should not be underestimated.

Embracing new technologies and social media

New technologies and social media have changed international relations. Today, anyone with an internet connection can become a potent actor on the global stage, with international disruptions caused by individuals and groups of individuals as well as nation states, armies and global economic forces.

The internet and social media offer new opportunities to gain information and insights about public opinion and hear voices that are hard to find. Large-scale sentiment analysis of social media big data would offer a much more accurate picture than small focus groups. And while social media should be used primarily to listen and engage, it also offers a route for direct communication to ensure government messages can be heard too.

There is a large mountain to climb. The FCO published its digital strategy in 2012 but this work is woefully under-resourced. In 2012, there were just two officers working centrally on digital issues alongside other responsibilities. The FCO celebrates the work of the British Ambassador to Lebanon, Tom Fletcher, who has 22,000 followers on Twitter. Yet he tweets almost exclusively in English.

The internet democratised access to information, and new analytics packages make it easier to analyse big data. Labour should promote open government to create opportunities for analytical burden sharing and the crowdsourcing of policy-

making. If sensitive industries like pharmaceuticals can take advantage of such approaches, why not foreign policy?

The best example on the contribution that individuals can make from outside institutions is offered by Eliot Higgins, an unemployed finance and administrative worker, also known as Brown Moses. With no background or training in weapons, he began to monitor YouTube channels looking for images of weapons and tracking where, when and with whom new types appeared in the Syrian civil war. He has become one of the most trusted sources on weapons in Syria; he uncovered the use of cluster bombs in 2012, which the Syrian government had denied using; he documented the use of so-called 'barrel bombs', which Russians said did not exist; he was able to show the proliferation of shoulder-launched heat-seeking missiles known as manpads; and he unearthed the proliferation of Croatian-made weapons. An unqualified man working in his living room was able to join the dots quicker and more effectively than the traditional institutions of foreign policy.

Rebuilding public trust in the institutions of foreign policy

Perhaps the most important foreign policy ally for the next Labour government will be the British public. Their trust in politicians and elites has been decreasing steadily over many years; just 7 per cent of Britons surveyed in the Angus Reid Global Survey in October 2013 said they trusted their governments implicitly. What Iraq started, Edward Snowden finished with the thousands of documents he leaked to the *Guardian* newspaper.

The foreign and security establishment's response has been systematic condemnation of Snowden for being a traitor who has jeopardised national security. The British public

does not agree; the same October 2013 survey found that a majority was supportive of Snowden and a majority also felt that monitoring the internet communications of the general public should not be tolerated. Interestingly, there was split along party political lines; Labour and Lib Dem supporters were more likely to consider him a hero, much more wary of surveillance activities, and less trustful of their national governments as information guardians.

In the eyes of the British public, the Snowden affair reinforces the feeling that things aren't working, that the 'system' has as much interest in self-preservation as public duty, and that elected politicians are not up to the job of reform. Labour politicians need to address this perception, whether or not they think it matches reality. Foreign and security policy are about national interest. But national interest is about delivering for and in the name of the British public, and they have a right to be taken seriously and to dictate the ethical parameters for this work.

Labour should launch a public national inquiry into the impact of new technologies, the internet and social media on foreign and security policy, addressing ethical challenges, governance, access to information, and opportunities for improving the effectiveness and impact. It should not shy away from taking on debates linked to the Snowden leaks or calling the foreign policy community to account.

It should be led by someone without a connection to the foreign and security establishment, who can be independent minded and unbounded by bureaucratic habits and assumptions. It should be made up of diplomats, tech sector innovators, young entrepreneurs, and the next generation of leaders from business, politics, the legal profession, the media and cultural life.

Conclusion

Developments in technology, politics and communications have had a significant impact on foreign and security policy. The genie cannot be put back into the bottle. A shift is needed in our foreign policy alliances. Debates about the changing geopolitical balance of power are important and need to influence where resources are prioritised around the world. But unless they are combined with a review of structural alliances (partnerships with non-governmental actors, regional and international alliances) and systems capacity (especially languages and technology), our ability to deliver will be limited.

Labour's foreign policy must also be mindful of the economic situation; it must limit itself to a small set of priorities and organise coalitions of the willing to work to achieve success within a finite period of time – 'touchstone' policy making. It must also make the case to the British public, demonstrate value for money and bring them into debates about the things that are done in their name.

The previous Labour government's approach to foreign policy was the source of considerable public mistrust and dissatisfaction of the party, even among its own members. But the scale of the challenge outlined in this chapter means that foreign policy is something that the next Labour government ignores at its peril.

4. MEETING COMMON CHALLENGES COLLECTIVELY

Ian Bond

A future Labour government should be among the leading advocates for a comprehensive European security strategy. Such a strategy would recognise that no single European country can resolve by itself the security problems it faces, but that collectively the countries of Europe can make a major contribution to meeting common challenges. A strategy should set out not only what Europe aims to achieve by military means, but also how it can make use of its diplomatic influence, development assistance and other soft power tools.

A future Labour government will be under pressure to spend on urgent domestic priorities like health, education and housing, repairing the damage done by years of austerity. But the government will still have to respond to multiple complex national security challenges. Military power may be only part of the solution to them – or it may be entirely irrelevant. The keys to maintaining security effectively but affordably will be acceptance that the UK cannot go it alone; agreement on a common strategy and a division of labour with allies and partners; and an honest assessment of the tools needed for defence, diplomacy and development.

Governments of both parties have tried since the end of the cold war to maintain a full spectrum of defence capabilities to be able to deal with most contingencies. According to

the Stockholm International Peace Research Institute's military expenditure database, in constant price terms the UK's defence expenditure was higher in 2012 than in 1988, before the cold war ended. But with the rising cost of increasingly sophisticated weapons systems, the result has been armed forces with smaller numbers of ever more expensive major weapons systems.

Governments have repeatedly said that in almost any conflict Britain would be fighting alongside its allies and above all the United States. Against that background, the coalition government has paid lip service to the idea of pooling and sharing capabilities in an EU or NATO context. But the reality has not reflected the rhetoric. The 2010 Strategic Defence and Security Review (SDSR) announced that the navy's new aircraft carrier, HMS Queen Elizabeth, would be fitted with catapult and arrestor gear in order to make it interoperable with French and US carriers and aircraft. But for cost reasons the Ministry of Defence has now reverted to a design without 'cats and traps', and will buy the short take-off and vertical landing (STOVL) variant of the F35. This is an aircraft which in 2010 it described as lacking the range and payload needed for the kinds of operations envisaged. Budgets can never be unlimited, but the decision makes a statement about the value the UK places on maximising capability through co-operation. The coalition government supports interoperability for others, but still harbours delusions of self-sufficiency for Britain.

Unfortunately, this is one case where the UK is not the odd man out in Europe. As Nick Witney (former chief executive of the European Defence Agency) and Olivier de France pointed out in a recent publication for the European Council on Foreign Relations, every EU member-state has a different national security strategy (or no strategy at all). Between them, all have signed up to the European Security Strategy

of 2003, the NATO strategic concept of 2010 or both. But in practice not many base their national strategies on these multilateral texts, or link strategy to resource decisions. The UK MoD says that strategy “seeks to align objectives, concepts and resources to increase the probability of policy success”. So if objectives are not clear, resources cannot be aligned with them and the probability of policy failure is increased.

If Britain finds it hard enough to align its own objectives and resources, why not concentrate on fixing that, and leave the rest of Europe to go its own way? Perhaps because, leaving aside the (remote) possibility of Argentina attacking the Falkland Islands, it is hard to think of many threats to the UK which would not affect the rest of Europe, or vice versa. It is even harder to see how we or any other European country would deal better with these threats on our own than with allies.

Nor can we assume that the US will always rescue Europe, if Europe does nothing to rescue itself. In June 2011, then US defence secretary Robert Gates told the Europeans that if current trends in the decline of European defence capabilities were not halted and reversed, future US political leaders might not consider the return on America’s investment in NATO worth the cost. NATO’s ‘Steadfast Jazz’ exercise in November 2013 shows what the future might look like. This was the largest exercise conducted by NATO since 2006, and was designed to practise the defence of the Baltic States and Poland. Of its 6000 participants, only 250 were Americans.

Ironically, if European nations were more capable of protecting their own security, they would be both less dependent on the US for their defence, and less likely to provoke the US to give up on them in exasperation. But European security does not depend simply on spending more on high-tech military equipment. It depends on having

a strategy, agreed by all, which sets out what the nations of Europe are trying to achieve, and which can serve as a basis for plans to deliver those objectives. Some plans will involve military capabilities. Others may involve the use of non-military instruments. Both will need to be resourced.

The closest thing the EU has to a strategy at present is the European Security Strategy, adopted in 2003 and lightly revised in 2008. It is inspiring – “Europe has never been so prosperous, so secure nor so free” – aspirational – “Europe should be ready to share in the responsibility for global security and in building a better world” – and of little operational value. Ten years after the strategy was adopted, the countries of Europe have made very limited progress towards being “able to act before countries around us deteriorate, when signs of proliferation are detected, and before humanitarian emergencies arise”.

A number of European countries, most prominently Italy, Poland, Spain and Sweden, see the need for a new security strategy. With their encouragement, several European think-tanks have been involved in a ‘European Global Strategy’ project, designed to stimulate debate among policymakers, academics and others. The UK and Germany, among others, have been unenthusiastic or actively opposed to trying to rewrite the 2003 strategy, however. After a period when the German government was willing to join allies and partners in defending European values robustly, for example in the Kosovo conflict in 1999, Germany seems at present to oppose even a serious discussion of the use of military power.

The UK, perhaps worried that reaching consensus on sensitive issues like Europe’s attitude to Russia would be a long process, wants the EU to concentrate on increasing capability, and is against covering strategy at the December 2013 European Council discussion on defence. But it is hard to see how the UK can hope to persuade its European

partners to invest more in defence unless it can articulate what for. Without a strategy to underpin it, defence procurement becomes little more than an expensive job-creation programme.

A future Labour government should be among the leading advocates for a comprehensive European security strategy. Such a strategy would recognise that no single European country can resolve by itself the security problems it faces, but that collectively the countries of Europe can make a major contribution to meeting common challenges. A strategy should set out not only what Europe aims to achieve by military means, but also how it can make use of its diplomatic influence, development assistance and other soft power tools.

Though it will undoubtedly be difficult to get consensus among countries whose security outlook depends significantly on what is happening in their very different neighbourhoods, the European strategy should not be a Christmas tree with 28 national 'top priorities'; it should identify those issues where a European contribution is most needed and most likely to be decisive. As Sven Biscop of Belgium's Egmont Royal Institute for International Relations has recently argued, it no longer makes sense (and probably never did) for this to be an EU security strategy, as opposed to a European one: the 22 EU member-states who are also members of NATO do not (or should not) change their strategy as they move from one office building in Brussels to another; and in the post-cold war world the 'neutral' states largely face similar threats and challenges to the NATO members. The main distinction between a European strategy and the NATO Strategic Concept ought to be that NATO focuses on deterrence and defence, while the EU deploys its much-heralded comprehensive approach to crisis and conflict situations.

The resource decisions that flow from a European strategy need to reflect the comprehensive approach, so that (a) every element is resourced by someone; but (b) not everyone tries to do everything. There are obstacles to an effective division of labour, both in the military and civilian spheres. The Centre for European Reform noted this summer that “countries remain wary of relying on others for military capabilities”. But existing initiatives like the European Air Transport Command (a pool of almost 150 aircraft from Belgium, France, Germany, Luxembourg and the Netherlands) show that there are ways around the problem of trust. Giving up a national capability and handing over responsibility to another country is even more difficult, but it too can be done, as for example in the case of the Netherlands, which now leaves Germany to fly maritime patrols on its behalf. Britain and France have also shown that it is possible for countries with similar strategic cultures to agree to work together at the ‘hard’ end of security, even to the extent of sharing nuclear weapons research facilities.

European nations can work together better in ‘soft’ security as well; development assistance and capacity building can be just as important to Europe’s security as the application of military force. It is clear that for cultural or other reasons, some countries will continue to resist spending 2 per cent of GDP on defence; but they should then be challenged to invest more in assistance. Currently, the UK spends close to 3 per cent of GDP on defence and development combined and Sweden around 2.5 per cent; Germany spends a little more than 1.5 per cent and Italy around 1.3 per cent. The coalition government’s efforts to get partners to increase their defence capabilities have largely failed; a future government should think in broader terms. It should join other major contributors in pressing the back-markers to do more for European security, for example through well-targeted development

assistance in fragile or conflict-affected countries in Europe's neighbourhood.

Ultimately, the value of a European security strategy will depend on the way in which its conclusions are implemented through national resource or procurement decisions. Britain will be better placed to persuade its allies and partners to spend wisely if it can show the logic of its own spending.

A future Labour government must not shy away from difficult decisions for fear of being accused by its opponents of being weak on national security. The Challenger 2 was not the best available tank when it was first bought in the 1990s. Now that the British Army is withdrawing from Germany, it does not make sense to keep more than 200 of them until at least 2035, when our allies in Europe have more and better tanks.

Similarly, the Royal Air Force say that the F-35B Lightning II "will place the RAF at the forefront of fighter technology and will give it a true multi-role aircraft that will surpass the majority of other weapons systems in production today, or envisaged in the foreseeable future". That would be the right benchmark if the government believes that we are likely to face a conflict with a similarly equipped adversary in the coming decades. If not, then British taxpayers should not be asked to pay around £125 million per aircraft for the F-35B. Neither the UK nor anyone else in Europe can afford weapons systems that are designed for threats we do not face but ill-adapted to those we do. Fifth-generation fighters will not protect us from terrorist attacks, uncontrolled mass migration from North Africa or cyber-attacks on our economies. More modest expenditure on countering radicalisation, capacity-building in fragile states or helping companies to improve their cyber resilience might.

Finally, the next British government will have to take decisions on the future of the UK's nuclear deterrent. By about

2016, the government will have to decide how many ballistic missile submarines to procure as replacements for the four Vanguard-class boats currently in service. By about 2019 it will have to decide what to do about new nuclear warheads (to replace the current ones, which will last until the late 2030s).

The last Labour government concluded in 2006 that “an independent British nuclear deterrent is an essential part of our insurance against the uncertainties and risks of the future”, but reduced the number of operationally available warheads by 20 per cent. The coalition government announced plans in 2010 to reduce this number further for the current submarine fleet, and to cut the number of missile tubes on the next generation of ballistic missile submarines so that the maximum requirement for operationally available warheads would fall by about another 25 per cent, to no more than 120. Even so, the projected cost of the Trident replacement programme is around £20bn.

A future Labour government will have to decide whether 120 warheads is a threshold below which the deterrent would lose credibility; whether four submarines and a continuous at-sea deterrent are more stabilising and less escalatory than a smaller number of boats whose deployment at a time of crisis could lead an opponent to conclude that the UK was planning a pre-emptive strike; and whether current and potential threats to national security still include some which can only be deterred by nuclear weapons.

A nuclear-free world remains the ultimate goal, to which the UK has contributed and should continue to contribute by reducing weapons to an absolute minimum. But it is hard to imagine any government assessing the instability in the world and the risks of further nuclear proliferation, and deciding that Britain no longer needed a nuclear deterrent at all.

5. FRAMING FOREIGN POLICY

Rachael Jolley

Foreign policy matters to people, even if they don't call it that: the public regularly puts the economy, immigration and EU right at the top of their priority lists. One of Labour's biggest challenges a will be to tell a confident liberal internationalist story that fits the mindset of today's Britain, that makes sense emotionally to people and fits into their idea of who they are and what they want to be.

There's a long-held perception in Britain that we, the people, don't care much about foreign policy. Foreign policy, it is often argued, is about people thousands of miles away, and has little impact on life today in Cardiff, Camborne or the Cairngorms. And when it comes to spending more on foreign policy, well, wouldn't we better off spending it at home instead?

But major polls of public opinion tell a different story. When asked about the biggest issues and challenges for Britain, the public puts immigration and EU right at the top, along with the economy, and health. And since immigration, the economy and the EU are clearly both international and domestic policy areas, the overlap has a message: foreign policy is also domestic policy. The public clearly cares. Not only are these issues ranked as important, they are major sources of worry for many.

In June 2012, a YouGov poll asked the public to rank the most important issues for Britain. The economy came out

top at 88 per cent, in second place was immigration (44 per cent) and in third Europe (31 per cent). In May 2013 YouGov polled again, and the order had changed slightly, with the economy still in first position (76 per cent), followed by immigration (57 per cent), health and Europe.

In most people's minds there is not a dividing line between foreign and domestic policy. They are not policymakers, they don't define by departments. When the public tick the box suggesting they see "Europe" as a big issue, they might be talking about the domestic implications of being an EU member (housing or immigration) but also about European trade and economic policy.

Those polling numbers should bring home a point to Labour and those planning its foreign policy as well as for those planning how to communicate it. While politicians might see the impact of international security and prosperity in numbers, numbers don't persuade people of benefit, stories do. As the acclaimed US academic Drew Westen outlined in his political activism bible, *The Political Brain*, public opinion is swayed by emotion not facts.

A recent December 2013 poll from Opinium for *The Observer* showed that the UK public thought that EU membership gave us more drawbacks (48 per cent) than benefits (19 per cent). Germans, and Poles saw more benefits than drawbacks. The poll also, perhaps obviously, found UK citizens far less likely than Germans, French and Poles to define themselves as European.

What this didn't tell us is why UK citizens feel more alienated from Europe than other European citizens, why they feel less positive about what it offers, and why they are more likely to feel closer to the United States and Australia than other, geographically closer European countries.

Westen's research shows us that telling stories matters, far more than politicians and activists have realised. This can

be seen by looking at how other nationals relate to the EU through different narratives. The French and the Germans have their own positive national story about EU membership. It starts in the post second world war moment, in two nations rebuilding after invasion and destruction, and turns on preventing another war of that scale. The idea behind the treaties of Paris and Rome (having a combined and transnational peaceful purpose) had a strong resonance within the public psyche of the two states recovering from massive structural and emotional war damage. It made sense not just to the diplomats and civil servants creating treaties in quiet rooms, but to those out on high streets doing their shopping in bomb-damaged boulevards. Meanwhile in a post-communist world, East Europeans have had a different positive story about their membership of the European Union, and one that also had emotional power in average people's lives: the story of the joining the EU for that region has been about moving away from the communist era to a stronger future where people are wealthier; and there are more opportunities, and modernisation. The UK missed out on the first EU story by not being one of the first set of members and became an in-between, joining in 1973 with Ireland and Denmark. By missing the moment, the British public missed their sense of story of why the EU mission has something that they need or care about. And facts and figures about trade benefits or numbers of British people living around the EU do little to create that emotional connection.

One of Labour's biggest challenges as it seeks to tell a confident liberal internationalist story to the electorate in 2015 and beyond, will be to tell a story that fits the mindset of today's Britain, and that makes sense emotionally to people, and fits into their idea of who they are and what they want to be.

Right now, clearly the strongest story of Europe for British people is a negative one; a story of how the EU brings us problems, opens a door to immigration, costs us billions; is a bureaucratic drain that marches all over our national identity and our right to make our own decisions. If Labour wants the UK to continue as an EU member, it can and should welcome the benefits of interdependence, free trade and easier EU travel. But until it has a clear emotional story about the EU, public opinion is unlikely to be swayed. The situation is likely to be complicated further by the Scottish independence vote next September. If the Scots were to vote for independence, then the rest of the UK would be faced with new foreign policy challenges including the question of border controls between England and Scotland, and Northern Ireland and Scotland.

Immigration remains a clear worry for the public. The story of immigration to this country is a tale of past foreign policy decisions. Involvement in wars and trade relationships and empire have all impacted immigration patterns. Primarily the wider public do not put together patterns of refugee numbers rising when a bloody civil war breaks out a continent away; neither do many recognise the emotional ties of empire, language and historical connection that bring immigrants to our shores rather than others. The story of Britain's past and its future can be tied together with more understanding of why a successful nation is one that is open to trade, to change, to new ideas and the firmament of a busy crossroads creates a strong economy. Point to the closed country with the strong economy one might say? While that story doesn't work without a face to it, as Westen has outlined, personalisation makes sense where factoids don't: the story of the refugees who invented the Mini has a little bit more strength. The USA, which also struggles with a strong anti-immigration rhetoric, balances it with its emotional idea

of itself as the 'land of the free' and home to the needy, an idea that has deep ties in the way US history is taught in its school, and its national holidays and celebrations.

David Cameron's commitment to retaining international aid budgets and the stand-alone Department for International Development has attracted criticism from across his party, but particularly from its right flank. Cameron has sought to connect with Conservative support for national security and free trade in his mission to create a support base for international development.

Going into the next election, Labour's position on aid and development should be drawn from the party's commitment to its belief that all people, wherever they live, should have the right to basic freedoms and human rights, freedom of speech, freedom of movement, and freedom to elect a government among them. It should also draw on a belief that strong democratic countries are a force for good in the world. Robin Cook's thought about diplomacy can equally be applied to aid: there needs to be a commitment to "lives of our peoples, their jobs, their beliefs of right and wrong, quality of the air they breathe".

Nationwide polling on public attitudes shows an interesting strength of feeling that countries should be turning to multinational agencies to take action together, rather than acting alone when they choose to make an intervention, even for humanitarian reasons. In September 2013, just after details of the chemical attack in Damascus became public, 73 per cent of the public (in a YouGov poll) said that President Obama should not go ahead with military operations in Syria without United Nations support; only 13 per cent said it would be acceptable. While 71 per cent opposed British military action, 50 per cent felt it was important enough that economic sanctions against Syria should be imposed. Labour will need to redefine Britain's commitment to taking human-

itarian action, where needed, in a way that makes sense to the people on our streets and in our shopping centres.

Britain has a long history of global connections, as an island nation its ships sailed out to all reaches of the world; there is a need to balance this burgeoning idea of isolationism being beneficial, with a story about trade, about jobs, about freedoms, and about a changing world that Britain cannot afford to disconnect from. We need a counterbalance to the easy-to-access negative tales that spark worry and disconnect, we need to define a foreign policy story that makes sense in today's world, and, importantly, also speaks to the soul of the ordinary citizen.

6. BRINGING TOGETHER EUROPE'S BIG THREE

Olaf Boehnke

European national armies will have to plan together and pool resources to achieve better value and improved efficiency in the future. The critical next step is a broader debate about Europe's role in the world, the strategies that will best promote European interests and values, and what contribution European defence efforts should make. This requires a convergence in strategic culture in European countries, prioritising an accommodation between the German approach on one hand and the UK/French attitudes on the other.

“Where did we start? As a peace project among adversaries. What is our greatest accomplishment? The spread of stability and democracy across the continent. And what is our task for the future? To make Europe a global power; a force for good in the world.” – *Javier Solana, former secretary general of NATO and former EU high representative for common foreign and security policy*

Europe's approach to external relations is undoubtedly lacking coherence, and fails to synchronise foreign, security, aid and trade policies among member states. But what is often overlooked in strategic circles is the outstanding success Europe has had in the last 20 years in becoming not just the paramount regional player, but also a force to be reckoned with on the world stage. Since the

fall of the Berlin wall, the European Union has expanded peacefully to absorb 16 new members, many of which are former Soviet satellites. Unfortunately, the unity within the European Union about the need to reduce ethnic conflicts, advance the rule of law and support economic development in its immediate neighbourhood has not been replicated in EU policies which reach beyond its backyard. Until a few years ago, this concern was not unduly alarming; since the US decision to shift their focus to the Pacific, however, it has become a matter of urgency that Europe is both prepared and able to accept more responsibility in key regions like the Middle East, North Africa and the 'eastern neighbourhood' countries to the EU's south and east.

On paper, it would appear that divisions among member states – especially in the field of security and defence policy – have narrowed in the last decade or so. 12 new EU members from the Baltic to the Bosphorus have also joined NATO since 1999. Moreover, heavyweights like France, who re-joined NATO in 2009, have become reconciled to a joint defence system and Atlanticist co-operation. Germany and Poland have reconciled their differences over Russia and now represent a largely united voice on issues around Moscow and the eastern neighbourhood. Further, the Lisbon Treaty established an almost-EU foreign minister plus an independent diplomatic corps which combines the resources of the European Commission with the political authority of the European Council.

Having said all that, it is clear that the EU's reputation, leverage and value as a major foreign policy player has been confronted by a series of challenges in the last few years which it seems unable to surmount. In particular the Arab Spring, the US pivot to Asia, Russian realpolitik, the rise of China and the discredited concept of liberal interventionism since Iraq and Afghanistan, mean that European approaches

to collective foreign policy, and particularly security issues, need a fundamental re-think. The need for a common European strategy combining all aspects of foreign relations to address Europe's changing position in the 21st century is imperative. Whether we like it or not, military capabilities and hard power will form a key component in upholding Europe's values and interests. But one of the key challenges for the upcoming years will be if and how Europeans will manage to overcome reluctance among both European elites and electorates to the establishment of a capable European reaction force.

If we look closely at the 'hard power' side of Europe's foreign and security policy, one has to agree with a recent European Council on Foreign Relations paper that European strategic and defence planning is "incoherent, derivative, devoid of the sense of a common European geostrategic situation, and often long out-of-date." The joint defence initiatives heralded by the 2003 European Security Strategy have been meagre and little material progress has been made on establishing a common EU foreign and security policy. Indeed, the 2003 strategy was designed to deal with a geopolitical order which no longer exists. While the economic crisis in the European Union is leading to deep cuts in defence budget, the real issue is the lack of co-ordination amongst European nations which is resulting in capability gaps.

Some progress on these issues was made in December 2013 at the meeting of the European Council to discuss defence and security strategy. But there is a fundamental issue which needs to be overcome in order to modernise and synchronise European defence measures. The old guard of Britain and France need to square their strategic priorities and political-military culture with that of Germany, which has emerged as the new European power. Until the three begin to act in

unison, it is difficult to see real (and not merely symbolic) coordination getting off the ground.

This co-operation is made problematic by the different trajectories of these three states. Britain and France's institutional history is one which defines their understanding of competence in foreign policy. This conception foregrounds the nation state as the primary actor which requires defence capabilities in every sphere – from handguns to nuclear warheads. Despite the European Security Strategy, it has been easy to fall into old habits. Take for example the crisis in Mali: on paper it was an ideal opportunity to deploy the EU French/German/Polish battle group on standby. Instead, France intervened unilaterally, as their partners in the so-called 'Weimar triangle' showed little appetite to join forces. The question is thus about more fundamental issues than capacities – it is about the willingness of national European governments to deploy troops under a truly international command structure.

There are signs that European countries are slowly realising the need for greater co-operation. In particular, potential UK-French 'pooling and sharing' is the first indication of a move away from the idea that it is better to have limited capacity in every area than proficiency in a few. However, there is a danger that this co-operation will be undertaken on an intergovernmental level between individual countries, rather than utilising EU defence structures.

The reason for this might be, quite simply, that the UK and France do not take other European countries seriously when it comes to security issues. While Germany has the ability, it has lacked the strength of its convictions in foreign deployments, with the singular exception of Afghanistan. Other European nations may have ambitions in defence policy, but their spending cannot match these.

Given the shifting international system, British-French co-operation may be able to delay their decline as military powers, but it cannot prevent it. These countries cannot 'go it alone' in places like Mali, Libya, Sierra Leone any longer, as British failures in Basra and Helmand amply demonstrated. Moreover, they have exhausted their legitimacy in foreign deployments both at home and abroad. Given the US 'pivot' to the Pacific, Europe is increasingly going to be tasked with defending its own interests. The only viable, long-term solution for this is a truly pan-European defence system.

It is therefore imperative that Europe's 'big three' – France, Germany and the UK, jointly invest (or better, re-assign) resources to completely overhaul Europe's defence and security strategy. Although their size and capability means these three countries must assume a leading role, the required restructuring of European defence planning should be conducted through pan-European mechanisms in conjunction with as many of the 28 member states as possible. Political willpower and a degree of courage are prerequisites for success in this endeavour. Britain and France must commit themselves to a European defence system, while Germany must accept its responsibility on the international stage.

These decisions can no longer be put off. Behind the rhetoric, the current reality is that Europe is losing power and influence, at odds over how external policy should be framed and implemented, and increasingly disposed to see the rest of the world primarily as an export market. The shift in the global distribution of power from west to east and shrinking political and military resources mean that the time has passed, if it ever existed, in which Europe can have it all.

Not even the largest European nations can afford a full range of military capabilities any longer. Trying (and failing) to have everything results only in wasteful duplication and

isolated national units which are too small to have independent operational value and yet incapable of working together. The entire approach of exclusive national operations has become hopelessly outdated – even the US now has recourse to ‘coalitions’. Since European national armies will simply have to operate more together in the future, it is paramount that they plan and build together. By pooling resources, they can achieve better value and improved efficiency.

The critical next step is to initiate a broader debate about the role that Europe can and should aspire to play in the fast-changing world around it; the strategies that will best promote European interests and values, and what contribution European defence efforts should make. This cannot overlook political reality of centrifugal forces at work within the European Union, and efforts to deepen military co-operation amongst European partners must provide scope to overcome potential setbacks, such as a UK exit from the union.

Member states are a diverse bunch. Interests vary from state to state and, ironically, the single currency has led to a divergence of foreign policy interests. Exporters and surplus countries like Germany and the Netherlands seek open markets in the wider world for economic growth. Deficit countries prioritise investment in their sovereign debt, infrastructure and firms. Other member states have specific interests in the eastern and southern neighbourhoods.

The central task is thus to accelerate the convergence in strategic culture in European countries, prioritising an accommodation between the German approach on one hand and the UK/French attitudes on the other. Whereas the UK and France are more willing to manoeuvre around international legal obstacles in the formation of spontaneous multilateral alliances such as the ‘Friends of Libya’, Germany is much more sceptical. While France and the UK perhaps need to rein in their ambitions, Germany must accept that in

the face of Russian and Chinese intransigence in the Security Council, the Europe of the future may be forced to rely on short-term alliances and regional partners to handle fast-moving threats.

To bring about this convergence, EU member states should share national defence plans, informing each other how much they are spending in each area in order to improve co-ordination. This already happens in eurozone countries with regards to budget plans, and while military planning is naturally more delicate and demands a great deal of trust (especially in the wake of the Snowden revelations) this is an integral part of an effective European defence system. A European 'defence semester' of this nature would highlight the extent of the waste and duplication in European defence expenditure; the size and nature of the capability gaps; the incoherence of national programmes; and, crucially, the opportunities for getting more from less by pooling efforts and resources in new co-operative projects. In a promising development, the new German government suggested in their coalition agreement a yearly meeting of EU heads of state to coordinate this process.

Ultimately, the task of Catherine Ashton's successor as the EU's high representative foreign affairs and security policy is to produce a detailed plan addressing the challenges and opportunities for Europe in the new global environment, which will play a vital role in Europe's strategic future. A key requirement will be that political leadership from individual member states meets the challenge of developing a cohesive European defence system.

These issues are complicated further by the fact that a coherent external relations approach is dependent on a clear agenda which combines foreign, security, aid and trade priorities. Greater coherence in joint European defence policy is therefore dependent on a closer alignment of the strategic

One Nation in the World

world views of the member states. Europe must therefore determine a global strategy for itself, what role it wants to play in the 21st century and figure out how best to match the various means at its disposal (including military capabilities) to these goals. This will be difficult, but the alternative is a steady corrosion of Europe's capacity to defend its values and interests in the future.

7. JOINED-UP GOVERNMENT

Jessica Toale

Departmental silos have long been considered a problem for Whitehall. The challenge for an incoming Labour government will be to ensure we have both the infrastructure and incentives in place to effectively implement a policy coherence across government that meets our international strategic, political and economic aims. Ultimately this will also enable us to tell a story about the type of country Britain is in the world and to use the foreign policy tools at our disposal for maximum influence.

Foreign policy issues affecting the UK are becoming increasingly complex. World events are causing unprecedented change and uncertainty and calling into focus how well the machinery of government is equipped to respond.

The nature of fragility and conflict, and its intersection with our security, political and economic interests, has renewed the debate about how best to organise our defence, diplomatic and development capabilities. New and emerging economic powers are requiring us to develop relationships which may challenge our commitments to human rights, poverty reduction and anti-corruption. A change in the global distribution of poverty and a growing awareness of the social and environmental impact of business practices is catalysing a rethink of effective interventions. These developments, alongside rapid technological change, the

impacts of climate change, resource scarcity and migration are redefining the political and economic landscape in which we operate.

Responding to these issues more than ever requires action that cuts across government departments and requires them to work more closely together. But despite some attempts, there has been consistent criticism of Whitehall's ability to adequately work in this way.

The challenge for an incoming Labour government will be to ensure we have both the infrastructure and incentives in place to effectively implement a policy coherence across government that meets our international strategic, political and economic aims. Ultimately this will also enable us to tell a story about the type of country Britain is in the world and to use the foreign policy tools at our disposal for maximum influence.

Silos in Whitehall

Departmental silos have long been considered a problem for Whitehall. Attempts to improve the way Whitehall operates to address many of the complex domestic and international challenges government faces are not new. 'Joined-up government' was a key concept during the Blair years, exemplified by the introduction of the government's Social Exclusion Unit and the Stabilisation Unit.

While many would say the importance placed on joined-up government has dropped out of parlance, it remains key to addressing the many challenges of governing. Cross-departmental co-operation and coordination harnesses a range of expertise and skills, and in theory reduces inefficiencies and duplication of roles and cost centres. Its pertinence to foreign policy in the current climate cannot be overstated.

Breaking down silo mentality and departmental cultures for a coherent and coordinated approach is essential.

The challenges

The current government has introduced a number of strategies and initiatives in this vein, but a number of challenges consistently arise.

Firstly, great strategy does not always trickle down into great implementation. While there is much to be welcomed about the current government's commitment, particularly, to addressing the challenge of fragility and conflict overseas, the gap between strategy and implementation remains.

The government's Building Stability Overseas Strategy was introduced to bring together the FCO, MoD and DfID's capabilities in fragile and conflict affected states. Despite this it has been criticised for lacking sufficient clarity on how it works in practice and how it is integrated into overseas engagements. The Independent Commission for Aid Impact's 2012 report on the Conflict Pool, which will shortly be replaced with the Conflict, Stability and Security Fund, further highlighted the challenges of joined-up working, recommending a clearer strategic focus to avoid duplication of effort across departments and greater articulation of its multidisciplinary approach and comparative advantage.

Equally, while the introduction of the Preventing Sexual Violence Initiative and the UK government's action plan for implementing the UN Security Council's resolution on women and peace and security was welcomed, concerns have been raised by Amnesty International about how well this is translating into effective action on the ground, particularly in Afghanistan.

In these cases there needs to be a greater effort made to overcome the institutional barriers of the three international

departments to ensure positive steps in creating overarching strategy is implemented effectively.

A second issue that routinely arises is the often contradictory nature – whether unintentional or wilful – of policies across government that govern our relationships with different countries and regions.

David Cameron's most recent visits to China and the Middle East and new free trade deals have raised serious concerns about the government's enthusiasm for commercial interests over our long-standing commitment to human rights standards.

In addition, while our international aid budget can play a crucial role in our national security and economic strategies, concerted effort is required to ensure that this does not conflict with its original poverty reduction function and more ethical objectives, thus diminishing its overall impact.

The G8's focus on tax avoidance and transparency highlighted some of these cross-government contradictions. While DfID is working to help countries build their capacity to collect tax revenue, a loophole in our corporate tax code allows UK-based companies to avoid paying an estimated £4bn per year in developing countries. Similarly, an emphasis on efforts to support smallholder farmers or community initiatives should not be undermined by support to multinationals investing overseas or regimes that undermine livelihood opportunities.

Heightened awareness of the cumulative impacts of policy across government needs to be a fundamental part of government strategy so that actions to meet our economic interests will not be in conflict with our commitments to uphold international human rights, poverty reduction and anti-corruption.

Finally, on a more general point, a failure to adequately join up departments is at its heart a missed opportunity to

use the expertise that we have embedded in many of our domestic departments to contribute to our foreign policy and overseas initiatives.

Whilst some work is happening between the three international departments and there are some cross-departmental mechanisms which encourage joint working practices and knowledge sharing, there is scope to expand this type of practice. For instance, issues like global health and education policy in development could benefit from the input of experts in the Department of Health and Department for Education. Creating consistency between domestic and international agendas should be enhanced, and DfID, in particular, due to the facilitative nature of its work could play a much greater role working across Whitehall to ensure a coordinated agenda which strengthens our ability to exert global influence.

What this means for Labour

The Labour party now needs a process for determining how best to address some of these challenges and the increasingly complexity of foreign policy issues.

This will require:

- Robust analysis of the current infrastructure and incentives – A process to examine what is needed to improve cross-departmental working and where responsibility for strategy, implementation and budget is best located. This could also include the exploration of how to strengthen accountability mechanisms or the development of issue or region-based strategy frameworks organised through a coordinating cabinet-level structure.
- A clear vision – A strong and clearly articulated vision of our foreign policy aims and approach will be necessary

so that Whitehall departments are mutually supportive and work in the interest of government as a whole not just their own department.

- Strong political leadership – Notwithstanding the huge challenge of coordinating the behemoths of Whitehall, this will require ambitious political leadership to ensure joint-working happens and to make the difficult decision where our political, strategic and economic priorities and ethical considerations intersect.

We need to make a renewed case for joined-up government in its widest conception and a distinctive Labour approach to delivering a coherent foreign policy. Better coordination, coherence and communication across Whitehall will lead to better implementation and the ability to more effectively respond to complex foreign policy issues.

Conclusion

In an increasingly interconnected and interdependent world, we cannot simply ignore the many foreign policy issues at our door and retreat into drawbridge Britain mode. Not only is that disingenuous, it is not sensible. Foreign policy is not a doorstep issue, but in many cases it is essential to our security, political and economic wellbeing. Many of the things that the average Briton cares about are impacted by influences beyond our borders – our food and energy bills, our jobs, immigration, climate change – so having a robust understanding of this also provides an intellectual underpinning for much of our domestic agenda.

Joined-up government and policy coherence which works will create mutually beneficial long-term economic, cultural and social relationships, that will in the end help us achieve our domestic objective as well as our international ones.

8. THE FOREIGN POLICY OF RESPONSIBLE CAPITALISM

David Clark and Duncan Weldon

At a domestic level, responsible capitalism means refusing to accept market outcomes as an unchangeable force of nature and recognising the role of the state in the economy as a necessary and legitimate actor. Internationally it must mean the same. There is nothing unchangeable about a global economy that remains vastly unequal and prone to crisis – the financial architecture, the world trading system and supposed market forces are all shaped by political decisions. By taking the reformist spirit of the 1944 Bretton Woods conference as its inspiration and setting the agenda for a global new deal based on managed openness, an incoming Labour government could be the catalyst for real and lasting change.

All governments embrace some kind of economic diplomacy as part of their foreign policy. New Labour followed its Conservative predecessors in making multilateral trade liberalisation its main priority, only switching to a policy of global financial reform in conditions of crisis management following the crash in 2008. The coalition government, by way of compensation for deep cuts in domestic spending, has focussed narrowly on bilateral export promotion in the hope of boosting foreign earnings and providing an external driver for growth.

Neither of these strategies has proved particularly effective in advancing the national economic interest. The laissez-faire globalisation of the pre-crash era produced a ruinous mix

of squeezed living standards, growing imbalances in trade and finance, sub-optimal growth, de-industrialisation and unsustainable speculative bubbles. We will be living with its destructive consequences for many years to come. The current government's export drive, which was supposed to contribute to the goal of national economic rebalancing, has failed spectacularly. Despite a 25 per cent depreciation of sterling, the Office for Budget Responsibility projects that the UK will continue to run a trade deficit until at least 2019. Far from rebalancing the economy, the government has fallen back on house-price inflation and rising personal debt as substitutes for genuine wealth creation. The seeds of the next crisis are already being sown.

The economic diplomacy of the next Labour government will need to be different in substance and more ambitious in scale if Ed Miliband's vision of responsible capitalism is to stand the best chance of success. This calls for a new national settlement based on fundamental changes in economic behaviour, performance and outcome. The most important of these include a shift in the distribution of national wealth before tax to wage earners on low and middle incomes, a change in the relationship between finance and industry to increase the availability of long-term productive investment, changes in corporate governance to reduce short-termism and give a bigger role to employees, and a major expansion of opportunities in skilled and manufacturing employment. The goal is to create a more stable and sustainable model of British capitalism in which growth is underpinned by the increased spending power of the majority, not the 'trickle down' economics that concentrates wealth at the top.

Most of the policy instruments required to bring about this transformation will be national in scope. A living wage will advance the fight against poverty pay, regional investment

banks will help to make finance the servant of industry, employee representatives on corporate remuneration boards will improve industrial accountability, and action to tackle abuses by the energy companies will ease the squeeze on living standards. But the effectiveness of these policies will also be determined by the global context in which they are introduced.

Efforts to increase the availability of skilled employment will be assisted if countries co-operate in pursuing growth-optimising trade policies. The ability of government to insist on high social standards will be strengthened if the opportunities for transnational companies to engage in 'regulatory arbitrage' by outsourcing work to countries with weak social and environmental legislation are reduced. The size and sustainability of public budgets will be improved if companies and wealthy individuals are given less scope to avoid paying their proper share of tax, using tax havens and transnational accountancy practices. The stability of the economy overall will benefit if there is concerted international action to prevent the kind of destabilising movements in exchange rates and capital flows that have become more frequent with the liberalisation of global financial markets. On the other hand, efforts to introduce 'responsible capitalism in one country' could falter if global trends pull strongly in the opposite direction.

The need for radical global economic reform is pressing because the lessons of 2008 have still not been properly absorbed. In particular, there has been no sustained effort to resolve the serious imbalances in trade and finance that led to the crash. In the boom years that preceded it, the strong trade performance of emerging economies was matched by the hollowing out of developed economies as skilled jobs moved east and inequality soared. The proportion of world GDP held as reserves by the central banks of surplus coun-

tries more than doubled from 5.6 per cent to 11.7 per cent, further depressing growth and employment levels. Instead of being recycled into the global economy in the form of demand for goods and services, these surpluses returned in the form of 'hot capital', feeding the desperate borrowing habits of hard-pressed consumers and encouraging risky banking practices. The US sub-prime housing bubble proved to be the weakest link in the chain.

Free market orthodoxy insists that balance will always be restored through the normal functioning of the marketplace. But we still live in a world divided between a west that consumes and an east that produces, and there is no evidence that this deep structural imbalance will prove self-correcting – especially in a world in which many economies are now attempting some variant of 'export-led growth'. We can only ward off the threat of further instability in the future through the collective efforts of governments working together to redesign globalisation for the 21st century. Our starting point should be to move beyond the one-size-fits-all approach of the Washington Consensus and the blind faith that market liberalisation is the answer to everything.

The goal should be to maintain an open global economy with expanding trade opportunities, but one flexible enough to allow national governments to pursue their own domestic priorities. That was the purpose of Allied leaders who gathered at Bretton Woods in 1944 to establish the foundations of the post-war economy. Determined to avoid the mistakes of globalisation's first crisis and the era of protectionism that followed, they crafted a system of managed openness that paved the way for economic recovery and rising opportunity. They understood that the key to success would not be the promotion of free trade for its own sake, but the extent to which free trade could be combined with policies of social

protection at a national level to increase the sum of human welfare. It is the same spirit that should animate the drive for global economic reform today.

If a re-run of 2008 is to be avoided, four areas can be identified as priorities for the economic diplomacy of an incoming Labour government. The first is global trade. Ed Miliband has already argued that David Cameron's 'global race' must not become a race to the bottom, because if responsible capitalism means anything it means a higher skill, higher productivity and higher wage economy in the UK. Creating that kind of economy involves competing on quality through investment, knowledge, efficiency and technology, not on cost, using low wages or a weak currency. But attempts to win a race to the top could be undermined by narrow trade deals that allow countries to engage in a race to the bottom through low social, environmental or employment standards.

Trade negotiations are handled at the European level and the 27 EU countries wield more power in global negotiations by acting collectively than they would do on their own. Although it remains the world's largest single market, the EU has failed to use the leverage that comes with controlling access to that market effectively enough in creating a world trade system that reflects its values. It must do more to question the neo-liberal rules of the game. Britain needs to make its voice felt in arguing for trade deals that incorporate decent minimum standards of employment and environmental protection. The EU should consider a system of social and green levies on imports from countries that fall short of acceptable standards. There should also be collective pressure on trade partners running persistent surpluses to adjust their policies to ensure high and stable levels of growth in the global economy.

This brings us to our second priority area – tackling global imbalances. The global imbalances created by the large Asian ‘savings glut’ were among the prime drivers of the global crisis. Both sides were at fault – whilst many Eastern economies saved too much, many Western economies (at the household and corporate levels) borrowed too much. Any solution should be symmetrical on debtor and creditor countries alike, because focussing the burden of adjustment on debtors alone creates a deflationary bias that hits jobs and growth.

At a national level there is much Britain could do – raising investment and savings as a share of GDP is a first step. But a sustainable solution would require a new global deal. In 2010 the then US Treasury secretary, Tim Geithner, proposed in a global deal at the G20 level to limit current account surpluses and deficits to 4 per cent of GDP. Countries in breach (on either side) would be required to take action – by boosting or lowering domestic demand. A more ambitious plan was proposed by John Maynard Keynes at Bretton Woods for an international clearing union with the authority to impose financial penalties on countries that failed to adjust. Either way, the principle is one that Labour should argue for at a global level: the responsibility for running a strong and stable global economy must be shared by surplus and deficit countries alike, in order to optimise global demand and sustain growth and employment.

Related to the problem of global imbalances is the issue of currency management. Since 2008 many countries (including implicitly the UK) have sought to take advantage of weak currencies to aid export-led growth strategies. One factor driving the Asian savings glut was the use of foreign reserve accumulation by developing country central banks to keep their currencies cheap. Better management of global imbalances would remove the temptation for countries to use

currencies as tools of economic competition by artificially holding down exchange rates (what one finance minister has called 'currency wars').

Tax is the obvious third priority. Even the coalition has recognised that global corporate tax avoidance is a problem, however whilst decrying this they continue to slash corporation tax and boast that this makes 'Britain open for business'. Global tax competition is a zero-sum game that is in no state's interest in the long run. The opportunities they give companies and wealthy individuals to avoid and evade tax undermine public finances and redistribute tax burdens from the rich to the rest.

On one level, more could be done to crack down on blatant tax havens – or low transparency states – by increasing disclosure, demanding details of beneficial ownership of firms and trusts, and closer monitoring of financial flows. The most important step required however is 'country by country reporting'. Only by forcing global firms to publish detailed and accurate accounts by country can the abuse of 'transfer pricing' to shift profits to low tax jurisdictions be stamped out. As a first step this could be introduced at the EU level and written into future bilateral trade deals.

The fourth area where there is a need for new economic diplomacy is 'global public goods'. There are many policy areas where there is a common benefit to states working together, but where there is also the potential for free riding on others' efforts. The two most obvious examples are, in the short term, financial regulation and, in the long term, climate change. In both cases action should start at the national level. There is a role for the UK in simply setting an example to the world because we would be a much better position to argue for global solutions if we showed best practice at home.

For example, the UK should be arguing for a global financial transactions tax (FTT). This would not only help public finances but also 'throw some grit' into activities such as high frequency trading, which provide no social benefit and often increase the risk of instability by adding momentum to short-term price moves. As originally proposed by James Tobin, an FTT would help to reduce excessive exchange rate volatility, which can undermine the real economy and wreak havoc with exporters' long-term plans.

But if no global deal is currently available then the UK should support the proposed EU FTT – including introducing it in London. If this deal were to fall through, there is nothing to stop the UK introducing its own FTT. For several centuries the UK has charged stamp duty on share purchases (a form of limited, UK specific FTT) and yet London is still home to the world's deepest financial markets. The threat of business exit from the City is a bluff.

At a domestic level, responsible capitalism means refusing to accept market outcomes as an unchangeable force of nature and recognising the role of the state in the economy as a necessary and legitimate actor. Internationally it must mean the same. There is nothing unchangeable about the current global economic system – the financial architecture, the world trading system and supposed market forces are all shaped by state decisions. These decisions are political.

Creating the conditions for responsible capitalism to succeed at home will require an active approach abroad to reshape a global economy that is still vastly unequal and prone to crisis. The reforms needed to address this cannot be achieved by one country alone. But the UK remains a major financial centre and a major player in the EU, the G7 and the G20. By taking the reformist spirit of the 1944 Bretton Woods conference as its inspiration and setting the agenda for a

The Foreign Policy of Responsible Capitalism

global new deal based on managed openness, an incoming Labour government could be the catalyst for real and lasting change.



Discussion Guide: One Nation in the World

How to use this Discussion Guide

The guide can be used in various ways by Fabian Local Societies, local political party meetings and trade union branches, student societies, NGOs and other groups.

- You might hold a discussion among local members or invite a guest speaker – for example, an MP, academic or local practitioner to lead a group discussion.
- Some different key themes are suggested. You might choose to spend 15–20 minutes on each area, or decide to focus the whole discussion on one of the issues for a more detailed discussion.

A discussion could address some or all of the following questions:

1. What are the values that should inform Britain's foreign policy after 2015? How can Labour make the right choices to ensure that these values are represented on a global stage?
2. How far do Labour's foreign policy objectives accord with those of the European Union? Is there a role to play for greater cooperation between Britain and the EU on defence, foreign and developmental policy?
3. Is 'responsible capitalism in one country' viable? In an increasingly globalised world, how far can domestic policy result in fundamental and radical change? In what ways can Labour use foreign policy to change this?

Please let us know what you think

Whatever view you take of the issues, we would very much like to hear about your discussion. Please send us a summary of your debate (perhaps 300 words) to debate@fabians.org.uk.



2030 Vision

The final report of the
Fabian Commission
on Future Spending
Choices

This is the final report of the Fabian Society Commission on Future Spending Choices, which was established to explore the public spending choices facing government over the next two decades, including in the next parliament. It asks how these decisions can be made in a way that maximises prosperity, sustainability and social justice.

Over the short term, the Commission proposes an approach to reducing the deficit that returns the public finances to a sustainable position in a timely manner without neglecting the economic and social investment which will lay the foundations of national success in the future. 2030 Vision assesses a number of scenarios for public spending from 2016 onwards and concludes that the next government can afford to spend more, but must spend in line with long-term objectives.

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One Nation in the World

A new foreign policy for the left

The world has changed dramatically since Labour last won power in 1997. While Labour has been gradually assembling domestic policy ideas under its 'one nation' banner, the party has not yet managed to find a compelling voice on global issues.

To present himself as a credible prime minister in waiting, Ed Miliband will need to craft a story which makes sense of the world in which he will govern, as well as an aspirational account of what a Labour government might seek to do. This collection of essays explores the choices, strategy and values that can guide the next Labour government as it seeks to address the challenges of a new global agenda.

The combination of austerity's impact on defence budgets, America's pivot towards the Pacific, and the emergence of a multi-speed Europe with Britain on the periphery, is forcing a moment of choice on the British foreign policy establishment. The next Labour government can advance a distinctive and successful strategic position in international affairs by letting centre-left values more explicitly shape our diplomacy, development and defence policy.

With chapters by Olaf Boehnke, Ian Bond, Rachel Briggs, Malcolm Chalmers, David Clark, Rachael Jolley, Mark Leonard, Jessica Toale and Duncan Weldon.

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