

EUROPE'S HI-TECH FUTURE : THE LAST COLONIAL DELUSION

**Caroline Lucas MEP and Colin Hines
December 2005**

Caroline Lucas is Green Party MEP for South East England.
Colin Hines is the author of 'Localization – A Global Manifesto' and an associate of the
International Forum on Globalization

Foreword

As a Member of the European Parliament's Trade Committee, I was recently appointed to author a *Report on Prospects for Trade Relations between the EU and China*, which was adopted by the Parliament with a large majority in October 2005.

The Parliamentary Report focuses on the threats and opportunities posed by China's growth as a major trading power, and on measures the EU can take in response. It addresses the wider question of the challenge China poses, not just to the international trading system, but also to international trade theory itself - and therefore argues for a new framework for understanding the impacts of economic globalisation.

Proponents of the current free-trade orthodoxy argue that, although some EU jobs are lost, either to imports or because factories move to cheap labour countries like China or India, on balance everyone benefits. The bulk of this work is labour-intensive and lower-skilled, they argue, and can be done more efficiently by countries that have an abundance of less-educated workers. In return, those countries buy more of our higher-valued goods made by skilled workers – for which we have a comparative advantage. In theory, the lost jobs and lower wages in the industrialised countries are more than offset, leading to more robust exports and lower prices on imported goods.

With the rise of China and India, this long-held consensus is beginning to crack. As it becomes clear that China and India are developing increasing expertise in the higher-skilled, hi-tech sectors, and combining this with low wages, there is growing uncertainty about just where the EU and US have comparative advantage any more. At the same time, the costs of competition from these Asian giants to growing numbers of poorer developing countries are also increasing, with jobs lost and markets destroyed.

With a recent article from Nobel Laureate Paul A. Samuelson in the *Journal of Economic Perspectives*, this debate gained new prominence, as he concluded "comparative advantage cannot be counted on to create....net gains greater than the net losses from trade."

This report, **Europe's Hi Tech Future – The Last Colonial Delusion**, draws on my parliamentary work and – thanks to research by Colin Hines – puts it into the context of Asia's hi tech growth and recent experience in the US. It makes the case that the constant assertion that the EU can remain competitive by adopting ever more open markets, 'flexibility' and deregulation (the essence of the Lisbon Agenda) has already been tried in the US – with devastating results. The reality of the US's hi-tech job losses to Asia should provide a warning to those in Europe who fondly imagine that following US neoliberal policies will be the salvation for new jobs and retaining international competitiveness. There are also considerable disadvantages to the majority in China of this export dependence, since it relies on repression of labour and on environmental deterioration, and results in rising domestic inequalities.

Policy makers in the EU should recognise that the way forward lies, not in ever greater free trade, but in managed markets, based on tariffs and quotas where necessary, together with mandatory social and environmental standards. This would allow the gains from international trade to benefit the majority of people, rather than the narrow interests of the powerful minority and transnational corporations.

Caroline Lucas MEP
Brussels, 6 December 2005

The Nature of the Delusion

'Global Europe must be outward not inward looking, focused on external competition, and adjust its social model to combine flexibility with fairness. And we should recognise that with China and India not only leading in low-cost goods and services but producing 4m graduates a year, the new race is not to the bottom but to the top. Wholesale economic reform must help Europe raise its game where it matters - in high technology, high skill, high value-added goods and services'

Gordon Brown, Why it is make or break for European social reform,
Financial Times October 13 2005

Green Party MEP Caroline Lucas asks what Europe will be able to export in future, given competition from India and China. A large part of the answer lies in services. As the economies of India and China grow, so will their demand for services from Europe.

Christopher Roberts, Chairman, European Services Forum
Financial Times Letters October 18 2005

The unsubstantiated assertions made above typify the delusion of European politicians, businesspeople and commentators alike - that Europe can out compete China and India and at the same time solve its economic and employment problems by moving to hi tech exports. It is endlessly claimed that more education, retraining, research and development, allied with labour 'flexibility' and 'affordable' levels of social provision will enable us to triumph on the world trade stage by selling more hi tech goods and services. This strategy is also supposed to help compensate for the damage caused by domestic industrial decline, increasing company relocation and cheap imports.

This report will fundamentally challenge this approach by showing that it is China in particular, (and India in terms of some areas of information technology) that is becoming the cheap but well qualified labour platform for predominantly western hi tech companies. This allows them to provide exports for both the global market and increasingly the huge domestic Chinese one. Internal migration from rural to urban areas running into the hundreds of millions, a scale unprecedented in human history, plus an increasingly highly skilled workforce, will ensure that China maintains its growing dominance in these areas.

In spite of massive job losses in their traditional domestic manufacturing sectors, the United States and Europe are still being urged by free market advocates to compensate for this loss of jobs and tax revenue by competing aggressively in high value-added goods and services. The US is at the forefront of attempting to swallow the very free market medicine, constantly urged on Europe by employers and compliant politicians. This consists of constraining wages, working conditions and social provision in order to compete with China and India.

Yet the United States, with its far more ruthless and cost cutting economic policy framework, is failing in this attempt, and in the process conditions are worsening for huge numbers of its people. What chance for Europe, which is attempting to both keep its present much discussed 'social model' whilst trying to compete successfully with low wage, high skilled Chinese and Indian workers?

The answer is that Europe is simply trying to achieve the impossible - and the sooner politicians, business people and economists wake up to this, the sooner a meaningful public debate can begin about how the free market model should be replaced by one which protects and rebuilds economies as well as social and environmental conditions world-wide.

Harvard economist Richard B. Freeman has observed, "What is stunning about China is that for the first time we have a huge, poor country that can compete both with very low wages and in hi tech. Combine the two, and America has a problem."¹ This report argues that the EU has a problem, too.

¹ Quoted in *Business Week*, December 6, 2004

Europe's Hi Tech Sectors Threatened

"If we think that the competition from emerging economies such as China and India is simply about low wages and manufacturing, then we are kidding ourselves. These countries are also competing with us in hi-tech, high-skilled sectors because they are investing more and more in research and innovation."

Janez Potocnik, EU Science and Research Commissioner October 12th 2005 ²

15 years after US and European multinationals started shipping large numbers of manufacturing jobs overseas, experts are saying that the "second wave" of off-shoring is beginning; one that will be bigger and more disruptive to the European and US job markets than the first. Substantial numbers of skilled, reasonably well-educated, middle-income workers in service-sector jobs, long considered safe from foreign trade eg accounting, law, financial and risk management, health care and information technology, could be facing layoffs or serious wage pressure as developing nations perform increasingly sophisticated off-shore work. A study by the US consultancy firm McKinsey Global Institute estimated 4.1 million service jobs will have been lost by the rich nations by 2008 ³

The OECD recently analysed how many European jobs could be affected by service-sector off-shoring. The study found 15 at-risk job categories - among them clerks and keyboard operators, engineers and architects, mathematicians and statisticians, chemists and physicists - representing 19 percent of total employment in the pre-enlargement EU.⁴

Asia's Rapid Growth In Hi Tech Exports

At present India is the preferred destination for the relocation of hi tech work such as computer programming and embedded software and design for cars, involving companies such as IBM; General Motors; Daimler Chrysler Toyota; Ford Motor; Ferrari; and Honda. As a result there are already more information technology engineers in Bangalore (150,000) than in the US computer centre Silicon Valley (130,000).⁵

Not Just Call Centres And Software Engineering⁶

Although information technology and call-centres jobs were the first to move to Asia, the trend is now spreading to a range of tasks that are information based or highly skilled, including claims processing and financial analysis for tax departments; banking; insurance; financial services; and hi tech engineering. Professions once thought to be safe and unlikely to be outsourced, such as the media, tutoring and medical provision, architecture and the law are beginning to be transferred to Asia:

- Bank of America (BoA) the second largest bank in the US has outsourcing centres in India to undertake market research for its global capital markets and investment banking divisions, and to deal with the bank's corporate and consumer accounts.⁷
- Engineers in India are involved in the custom design of automated factory equipment for big US drug and packaged-food makers.
- Reuters, the news service, is outsourcing US editing and caption writing of photos to Singapore.⁸

² David Gow 'China is targeting hi-tech jobs, EU warns' *The Guardian* October 13, 2005

³ Quoted in David R. Francis 'The unwatched off-shoring pot: Will it boil over?' *Christian Science Monitor* June 23, 2005.

⁴ Richard Ernsberger 'The Big Squeeze: A 'second wave' of off-shoring could threaten middle-income, white-collar and skilled blue-collar jobs' *Newsweek* May 30, 2005

⁵ Pete Engardio 'Designing Dream Machines -- in India; India's Tata Consultancy and other outfits are taking on more complex jobs for Detroit' *BusinessWeek* October 17, 2005

⁶ These examples were derived from the Communications Workers of America (CWA) <http://www.cwa-union.org/outsourcing/blog>

⁷ 'Bank of America plans BPO centre in Mumbai' *The Business Standard* May 30, 2005

⁸ James T Madore 'Union protests over outsourced news' *Newsday* May 17, 2005

- Even Electronic Arts, the US video game maker, is debating how much of its work in the future it can move to lower-cost regions.⁹
- Companies like Growing Stars and Career Launcher India in New Delhi provide 'homework outsourcing' - charging American students \$20 an hour for personal tutoring, compared with \$50 or more charged by competitors in the US.¹⁰
- India's hi tech 'medical tourism' hospitals provide hip replacements for less than half the cost in the US, even allowing for airfares.
- An office lobby in Washington DC uses a 'virtual secretary' based in Karachi, Pakistan to answer phones, order sandwiches, greet employees and deal with visitors - all via a flat screen hanging on the lobby's wall.¹¹

China Begins To Catch Up With India

However India's dominance could be about to change. Microsoft is teaming up with the Indian outsourcing firm Tata, and the Chinese government, to form a software company in Beijing. This joint venture will provide technology outsourcing services both for the global market and for China itself. The project will begin in 2006, and confirms China's growing hi tech role. The joint expertise involved is expected to help China catch up more quickly with India, its major Asian competitor in this field. Tata has already been in China for three years, establishing an engineering centre in the eastern city of Hangzhou and collaborating with several Chinese universities.

Indian companies such as Tata have set up in China to keep their prices low and to gain access to the large number of technology graduates available there. However, perhaps with more prescience than sour grapes, Vivek Paul, outgoing president and vice chairman of a rival Indian off-shoring firm Wipro, has warned that in forming partnerships in China, Tata may be hurting itself by "breeding its future competition." American commentators have predicted that the Microsoft deal could accelerate the flow of skilled technology jobs from the United States overseas.¹²

Companies based in China will pose a huge competitive challenge in the future, since labour there is, and will remain, very cheap, and is becoming increasingly well qualified:

- Urban population growth will provide a huge pool of permanent cheap labour - with an estimated growth rate of 2.5 percent per year (versus 0.8 percent for India), the Chinese government expects 300 million people to move to its cities and towns between 2004 and 2020.¹³
- Research investment in China is growing by 20% a year while that in Europe is stagnating. The share of Chinese GDP devoted to R&D is growing 10% annually while in the EU it is only rising by 0.02%.¹⁴
- Around 15 to 20%¹⁵ of China's exports are already classified as hi tech. China has 2 million graduates a year¹⁶; 250,000 of which are engineers¹⁷ and 50,000 of which are new technology graduates.¹⁸

⁹ John Markoff and Matt Richtel 'Profits, Not Jobs, On the Rebound In Silicon Valley' *The New York Times* July 3, 2005

¹⁰ Saritha Rai 'Homework outsourcing' finds eager audience' *The New York Times* September 7, 2005.

¹¹ S. Mitra Kalita 'Virtual Secretary Puts New Face on Pakistan; Despite Area's Instability, More U.S. Firms Are Offshoring There' *The Washington Post* May 10, 2005

¹² Carrie Kirby 'Big joint venture in China; Microsoft, others to provide global outsourcing service' *The San Francisco Chronicle* July 1, 2005

¹³ George J. Gilboy and Eric Heginbotham 'The Latin Americanization of China?' *Current History*, September 2004.

¹⁴ David Gow op.cit.

¹⁵ Personal Communication from Peter Mandelson Trade Commissioner to Dr Caroline Lucas MEP 24th October 2005; Larry Elliott 'As China's economy grows, the EU must find a way to compete' *The Guardian* August 26, 2005

¹⁶ Larry Elliott ibid;

¹⁷ Richard Ernsberger op cit

¹⁸ Carrie Kirby op cit

Reasons for China's Growing Share of Global Hi Tech Exports

'The Joint Research Council is currently working on a study on trade in high-tech products. Some preliminary results of this study show that the EU is slowly reinforcing its position on high tech products; Japan is stable, the US are losing ground, while China is becoming an important competitor in the world'.

Personal Communication from Peter Mandelson, EU Trade Commissioner, to Dr Caroline Lucas MEP, 24th October 2005

'The China Price': 'They are the three scariest words in US industry. In general it means 30% to 50% less than what you can possibly make something for in the US. In the worst cases, it means below your cost of materials.'

The China Price: a special report on China, Business Week, December 6 2004

The economic importance of China to the EU is shown by the fact that two-way trade has increased more than forty-fold since reforms began in China in 1978, and was worth 175 billion euros in 2004. In 2003, China and the EU became each others' 2nd largest trading partners and, whereas the EU enjoyed a trade surplus with China at the beginning of the 1980s, EU-China trade relations are now marked by a large and growing EU deficit with China – reaching 78 billion euros in 2004.¹⁹

There are good reasons for European and US industry to worry about the likely and rapid future dominance of China in all export sectors. Although both have weathered decades of competition from, for example, Japan and Korea, China is different in a number of ways:

- **Speed:** Earlier rivals usually took years to build up a presence. Chinese competition often seizes share rapidly with unbeatable prices, leaving little time for domestic companies to adjust.
- **Breadth:** Other Asian nations shed labour-intensive work as they industrialised, but China is gaining share in low tech at the same time as advancing into higher-value areas such as digital electronics.
- **Competition:** Japan and Korea are limited players in many industries. But in China dozens of manufacturers battle for share in the domestic markets for appliances, cell phones, cars - keeping everyone more competitive.
- **Alliances:** Unlike Japan or Korea, China welcomes foreign investment in key industries. Foreign ventures account for 60% of exports and a big share of local sales
- **Size:** China is both an export power and is itself becoming the world's biggest market for cars, appliances, cell phones and more, giving China unparalleled economies of scale.

Chief among its formidable assets is its cheap labour, from \$120/month production workers to \$2000/month microchip designers. Even in sophisticated electronics industries, where direct labour is less than 10% of costs, China's low wages are reflected in the entire supply chain, from components and office workers to cargo handlers.

China's enormous domestic market ensures economies of scale and strong local competition that keeps prices low. It has an army of engineers that is growing by hundreds of thousands annually; young workers and managers willing to put in 12-hour days and work weekends. It also possesses an unparalleled component and material base in electronics and light industry, and 'an entrepreneurial zeal to do whatever it takes to please big retailers'.²⁰

¹⁹ Prospects for trade relations between the EU and China (2005/2015(INI)) European Parliament Committee on International Trade 13 October 2005

²⁰ 'The China Price: a special report on China' *Business Week* December 6 2004

The American 'Competitive' Canary Falls Off Its Perch

Europe is constantly urged to mimic the US 'success story' of open markets, flexibility (ie less worker protection) and less 'business-stifling red tape' (ie regulation) in order to compete with China and India. Coal miners once used canaries to provide an early warning system alerting them to imminent life threatening conditions. The reality of US hi tech job losses to Asia should be seen as Europe's 'canary' - and provide a modern day warning for those Europeans who fondly imagine that following US neoliberal policies will be the salvation for new jobs and retaining international competitiveness.

The US software industry lost 16 % of its jobs in the three years from March 2001 to March 2004.²¹ The number of US students enrolling in computer and engineering dropped by 23% between 2002 and 2003, as students realised that they couldn't compete with Indian engineers who currently make about \$13,000 a year.²²

The latest official projections for new jobs confirm that, far from a future of countless new, well paid hi tech jobs, what is emerging is a consistent pattern of a US with no net job creation in high productivity sectors. The jobs being created are in lower paid domestic services that cannot be traded internationally.²³ According to the Bureau of Labor Statistics' 10-year jobs forecast, the majority of US jobs created in the coming decade will be in domestic services that do not require a college education and are lower paid. Of the 9 occupations projected to have the biggest growth in coming years - registered nurses, post secondary teachers, retail salespersons, customer services representatives, cashiers, food preparation and serving staff, janitors, managers, waiters - the average pay of five of them is below the poverty line for a family of four.²⁴

In 1999 then President, Bill Clinton, announced that former coal jobs in two cities in Eastern Kentucky would be replaced by hi tech call centre jobs to be opened by the Florida based Sykes Enterprises, with the help of \$7.6 million in incentives from the state. Sykes trained 3,000 people to take tech calls from personal computer users who were having problems. But by the spring of 2004, some 700 jobs disappeared, after Sykes shut down the call centres and opened similar facilities in China, India, El Salvador, Costa Rica and the Philippines.²⁵

Downsides for China

TNCs Dominate China's Hi Tech Export Sector

Whilst a quarter of all Chinese export earnings of textile products go to foreign textile companies, Chinese companies do reap the remaining $\frac{3}{4}$ of export earnings. Generally, however, their average profit rates are low, since the majority of them subcontract to foreign brands, only earning a fraction of value added, often just 10 percent²⁶. Importers like Wal-Mart and brand companies take the major share of profit.²⁷ Moreover, China itself lost nearly 4 million textile jobs between 1996 and 2001 in the race to remain competitive and those retaining jobs saw their wages cut.²⁸

The dominance of foreign firms in China is, however, even more apparent in advanced industrial exports. According to the most recent Chinese government statistics for hi tech industries (pharmaceuticals, aircraft and aerospace, electronics, telecommunications, computers, and medical

²¹ Richard Ernsberger op cit

²² Michael Kane 'Outsourcing threatens thousands of jobs: expert: Canada benefits from U.S. 'near-sourcing' but many of those jobs could migrate too' *The Vancouver Sun* August 29, 2005

²³ Paul Craig Roberts 'Resurrecting Karl Marx: The vicious downward cycle of the American economy' *Counter Punch* September 5, 2005

²⁴ US Department of Labour, Bureau of labour statistics, 'Occupational Outlook Handbook, 2004-5 Edition cited in Field Guide to the Global Economy Sarah Anderson, John Cavanagh and Thea Lee. Institute for Policy Studies Washington DC 2005 John Cavanagh p 43&135

²⁵ 'Overseas jobs hurt small towns' *Cincinnati Post* June 22, 2005

²⁶ *Hong Kong Economic Journal*, 17 Sept 2005

²⁷ Au Loong-Yu 'The Post MFA era and the rise of China' *Asian Labour Update*, issue 56, Fall 2005, Asia Monitor Resource Centre.

²⁸ Wo Guo Zhong Chang Qi Shi Ye Win Ti Yan Jiu. (Research on medium-and long-term unemployment problems in China). Jiang Xuan, 2004, Publishing House of the Renmin University of China, p.179-181.

equipment), the role played by foreign companies is far greater than that of textiles, being responsible for 85% of high-tech exports by 2002.²⁹

Not only is much of the profit repatriated, China's desire to attract such companies has led it to demand a lower tax take from these companies than from domestic ones. The competition from foreign companies has also resulted in tens of millions of job losses from China's domestic companies, unable to compete with these new entrants.

Social Costs

Foreign competitors complain that China's competitiveness is built on unfair trade practices, in particular its failure to respect minimum social and environmental standards. This certainly seems to be at least partially the case, but it is the Chinese workers who are the real victims. For example, although China has very strict laws about the obligations of employers to protect their workers in dangerous environments, more than 100,000 people a year are estimated to die in work related accidents.

This is not surprising given that workers are not permitted to establish their own independent trade unions to negotiate working conditions, wages, health and safety etc. Conditions have got so bad that workers have been involved in mass protests in many sectors of Chinese industry, against excessive working hours, low pay, and frequent wage arrears.³⁰

China's economic expansion and rapidly growing exports have reportedly resulted in hundreds of millions of Chinese being taken out of poverty, but this wealth is increasingly being concentrated in the hands of a small minority; and their consumption is increasingly oriented towards luxury imported goods. The consumption of luxury goods by China already accounts for 12% of the global total, and is growing at 20% annually. On the other hand, vast numbers of people are facing stagnant or even decreasing income and diminishing job security, combined with rocketing health care and education costs.³¹

Environmental Costs

In an interview in early 2005, China's deputy environment minister, Pan Yue, said that acid rain is falling on one-third of China; half of the water in its seven largest rivers is "completely useless"; a quarter of China's citizens lack access to clean drinking water; one-third of the urban population is breathing polluted air; and less than a fifth of the rubbish in cities is treated and processed in an environmentally sustainable way.³²

Also because of China's increasing reliance on coal-fired power stations, air pollution has increased. Coal provides 70% of China's energy, leading to major air pollution problems, and contributing further to climate change. Local air pollution from power plants and industrial facilities has reached crisis proportions in most urban areas, and the World Health Organisation has concluded that six of the world's ten most polluted cities are in China.³³

If not curbed, the growth of China's carbon dioxide emissions over the next 20 years will mean that China will overtake the US as the top emitter of the greenhouse gases causing global warming. This increase will dwarf any cuts in CO₂ that the rest of the world can make.³⁴

Europe Must Take Stock of Global Hi Tech Reality

The Commission's response to date to the hi tech threat from China has been both tardy and complacent. It should urgently investigate the extent to which 'the China price' is already affecting

²⁹ George J. Gilboy 'The Myth Behind China's Miracle' Foreign Affairs. July/August 2004

³⁰ European Parliament Committee on International Trade op.cit.

³¹ Dale Jiajun Wen 'From Models of Corporate Social Responsibility to World Biggest Sweatshop Complex' International Forum on Globalization forthcoming

³² Michael McCarthy 'China Crisis: threat to the global environment' *The Independent* 19th October 2005

³³ European Parliament Committee on International Trade op.cit

³⁴ Michael McCarthy op.cit

EU industries; examine the level of existing off-shoring; and identify sectors that could be under threat in the future. This data should be used to evaluate the effects of such trends and identify the radical policy responses required. Finally, the question those in favour of ever-more open markets need to answer in detail is precisely what it is that rich countries will retain in the hi tech sector that cannot be produced by lower-wage competitors and in particular China?

It's Not China Stupid, It's The System

China per se is not the problem. It is just the newest, most far reaching and rapid symptom of the failures of a global trading system that values international competitiveness above the provision of global economic security, social wellbeing and environmental protection. The international rules of the World Trade Organisation (WTO) need to abandon their present socially and environmentally damaging emphasis on forcing open global markets. Although China is the major winner in terms of rapid growth in domestic and export markets, this has been achieved at the cost of more dependence on foreign capital and transnational companies (TNCs), as well as adverse social and environmental costs for the majority.

Localisation- The Hi Tech Route For All

Free traders have only one last refuge when peddling their wares to uneasy working people in the industrialised countries. Having written off swathes of domestic manufacturing and services such as call centres, these proponents cling onto the vain hope that retraining and retooling for a hi tech future will enable the West to compete successfully with the likes of China and India. This report has made the case that this is the last colonial delusion, and that there is very little that is hi tech that cannot eventually be provided more cheaply in Asia.

In order for low, medium and hi tech manufacturing and services to have a future in every country, the world must move away from economic globalisation towards an approach that protects, promotes and sustains the maximum feasible economic diversity - nationally and regionally.

This process has been termed "localisation" - a set of inter-related and self-reinforcing policies that actively discriminate in favour of the local. It provides a political and economic framework for people, community groups and businesses to re-diversify their own local economies. It has the potential to increase community cohesion, reduce poverty and inequality, improve livelihoods, social provision and environmental protection, and provide the all-important sense of security.³⁵

Localisation is the very antithesis of economic globalisation, which emphasises a beggar-your-neighbour reduction of controls on trade, and distorts all economies to make international competitiveness their major goal. Localisation involves a better-your-neighbour supportive internationalism, where the flow of ideas, technologies, information, culture, money and goods has, as its end goal, the protection and rebuilding of local, national and regional economies worldwide. Its emphasis is not on competition for the cheapest, but on co-operation for the best.

Among the policies that have been proposed as part of a long-term package to be gradually introduced to achieve localisation are: the re-introduction of protective safeguards for domestic economies eg tariffs and quotas; a 'site here to sell here' policy for manufacturing and services domestically or regionally; localising money, so that the majority of it stays within its place of origin; increased democratic involvement, both politically and economically to ensure the effectiveness and equity of the move to more diverse local economies; and the reorientation of the end goals of aid and trade rules so that they contribute to the rebuilding of local economies and local control worldwide.³⁶

³⁵ Colin Hines, 'Localization: A Global Manifesto', London, Earthscan, 2000

³⁶ For details of the actual changes in trade rules see Time to Replace Globalisation – a Green Localist Manifesto for World Trade, Caroline Lucas MEP and Colin Hines, p17-20 http://www.carolinelucasmep.org.uk/publications/pdfs_and_word/Global_2.pdf

The policy mix will obviously vary in practice to some degree from country to country. Some nations such as China and India are big enough to think in terms of increased self-reliance within their own boundaries, smaller countries would look to a grouping with their neighbours.

Conclusion: Europe Must Show a Lead

The EU must divest itself of the fantasy that it can keep its lead in global trading through dependence on hi tech dominance. In its place the EU must champion the new end goal of re-diversifying national and local economies, so that they provide for society's basic needs in a more equitable and environmentally sustainable way. With that approach China, India, Europe, and indeed all countries, will have a chance of achieving the security that their people so clearly desire and avoiding the exploitation of workers which is an inevitable consequence of the present corporate led global race to the bottom.

It will of course be impossible for such a radical change to be introduced by one country alone. Individual countries will need to co-operate on this project on a regional basis. Regional blocs like the European Union will have a key role to play. Indeed only Europe and North America are politically and economically powerful enough to be a counterweight to overcome the forces that are the major beneficiaries from globalisation — transnational corporations and international capital.

If such a change in the priorities of world trade rules is not begun at the WTO Hong Kong Ministerial, the demands for protection from their adverse effects will become unstoppable worldwide. The ultimate irony then will be that both the official venue and the cause of the downfall of the WTO will be found in the same place- China.