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GLOBAL TRENDS

Smart Solutions?

The Hidden Power of Sanctions

Joy Gordon

Precision Medicine for Whom?

Barbara Prainsack

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Martin Ruhs

Rescue Missions

Climate Action Loses Momentum

Joshua Busby

The Axis of Anxiety

Edward A. Fogarty and Gene Park

Plus:

Rising Middle Classes in the Developing World

Frank-Borge Wietzke



CURRENT HISTORY

January 2019

Vol. 118, No. 804

CONTENTS

- 3 The Hidden Power of the New Economic Sanctions***Joy Gordon*
“Smart” sanctions, despite the benign name and claims that they precisely target wrongdoers, often systemically undermine a nation’s fundamental infrastructure and harm its entire population.
- 11 Precision Medicine Needs a Cure for Inequality***Barbara Prainsack*
A personalized, data-driven approach to medicine may improve outcomes. It could also widen divides between haves and have-nots, and raise new questions about privacy.
- 16 New Middle Classes Reshape the Developing World***Frank-Borge Wietzke*
Millions have escaped poverty in recent decades. But new aspirations may put fragile political and social institutions under pressure. *Fifth in a series on social mobility around the world.*
- 22 Can Labor Immigration Work for Refugees?***Martin Ruhs*
Rich countries can revamp guest-worker policies as a mutually beneficial and less controversial way to respond to the global refugee crisis—though complications abound.
- 29 Europe and Japan Try to
Stave Off Global Disorder.***Edward A. Fogarty and Gene Park*
The last bastions of multilateralism and rules-based cooperation in an era of great-power nationalism are joining forces to preserve the architecture of global interdependence.
- PERSPECTIVE**
- 36 As the Stakes Rise, Climate Action Loses Momentum***Joshua Busby*
Backsliding on the Paris Agreement by the United States and others is steering the globe down a dangerous path toward runaway climate change.
- BOOKS**
- 39 Terrestrial Thinking***Joshua Lustig*
A prominent philosopher of science calls for a radical political realignment to confront the existential threat posed by the climate crisis.
- THE MONTH IN REVIEW**
- 40 November 2018**
An international chronology of events in November, country by country, day by day.

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“Recent years have seen increasing sophistication in the sanctions that do the greatest damage to critical networks or functions of a target country’s economy and infrastructure.”

The Hidden Power of the New Economic Sanctions

JOY GORDON

In 1919, trying to persuade the United States to join the League of Nations, President Woodrow Wilson touted the “boycott”—the League’s primary tool of enforcement—as a powerful yet bloodless means of stopping war:

A nation that is boycotted is a nation that is in sight of surrender. Apply this economic, peaceful, silent, deadly remedy and there will be no need for force. It is a terrible remedy. It does not cost a life outside the nation boycotted, but it brings a pressure upon that nation which, in my judgment, no modern nation could resist.

While blockades and sieges have been used as forms of warfare since ancient times, the twentieth century saw the introduction of economic measures as a powerful means of enforcing international law. Sanctions were described by Wilson and others since in odd, contradictory terms. They were unlike warfare—there were no planes, bombs, or bullets involved. Yet their power was precisely in the damage they could do, even if that damage was less obvious and seemed less violent. This tension is still at the heart of current trends in how sanctions are formulated, applied, and justified.

In the past twenty years, the development of targeted “smart” sanctions has been widely viewed as resolving the core tension in the use of economic sanctions. They are seen as ensuring the effectiveness of sanctions, while sparing vulnerable populations from the collateral damage that occurred in the past. But how they have worked in practice is very different.

There have been two broad trends in the use of sanctions in the past two decades. First, contrary to the standard narrative of the rise of precision-targeted sanctions, they are, with some consistency, systemic. They seek to undermine systems on which the target country’s core functionality depends: its access to the international banking network, its imports and exports, and its energy sector. The second trend is the evolution of complex arrangements that serve to obscure the sanctioner’s role, particularly in regard to the humanitarian damage done.

UNCONSTRAINED POWER

After World War II, sanctions were included among the options available to the United Nations Security Council (UNSC) to respond to aggression and threats to international peace and security. But they were rarely used; the mutual veto powers of the permanent members meant that the UNSC’s enforcement powers were largely paralyzed. Sanctions were used by national governments to achieve foreign policy objectives, but their impact was limited. Comprehensive sanctions were not possible, since any country that was targeted by the Americans or the Soviets could simply turn to the other bloc for its trade. When the United States embargoed Cuba, the Castro regime could still trade with the Soviet bloc. Consequently, the humanitarian impact was limited as well.

While sieges and blockades had long been seen as devastating and indiscriminate, it was not at all clear that this might be true of economic measures outside the context of war. For the duration of the Cold War, scholars writing about sanctions were mostly concerned with how effective they might be

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at pressuring the target state to change its behavior, or how long an alliance of sanctioning states could stay intact without defections as shortages of goods drove up prices and created opportunities for profiteering. There was little discussion about the humanitarian impact of sanctions, apart from the case of South Africa.

At the end of the 1980s, sanctions were widely seen as a humane and effective route to political reform in South Africa—imposing them on the apartheid regime drew little criticism except from the Reagan administration. So when Iraq invaded Kuwait in 1990, there was considerable enthusiasm on the part of nearly everyone, from pacifists to US military leaders, for the imposition of sanctions on Iraq. But the UNSC had just undergone a radical transformation. The Soviet Union was collapsing and no longer a counterweight to the Western permanent members, while China showed no interest in contesting their influence. For the first time since its inception, the vast powers of the UNSC under the UN Charter could be exercised to their fullest.

Under Chapter VII of the Charter, in response to threats to international peace and security the UNSC has broad discretion to impose an array of measures that “may include” severing diplomatic ties, prohibiting travel and communication, cutting off trade, and using military force. Once such measures are adopted by the UNSC, all member states of the UN are required to implement them. There is no provision in the Charter by which a member state may question the UNSC’s decision, or decline to implement the measures it has adopted. A country subject to such measures could not look to an ally or an opposing bloc for trade or military support, since virtually every nation in the world would be bound to enforce the UNSC’s decisions.

That is what happened to Iraq. In response to its invasion of Kuwait, the UNSC imposed nearly comprehensive sanctions, prohibiting both imports and exports. They were disruptive from the start, since Iraq was so dependent on oil exports for its income, and was highly dependent on imports for everything from food to equipment for its infrastructure. Initially it was not even permitted to import food.

But the real damage did not occur until the first Persian Gulf War in the winter of 1991, when a

coalition led by the United States conducted a massive bombing campaign that devastated Iraq’s industrial capacity, its electrical generators, its telecommunications system, its water and sewage treatment plants, and most of its bridges, dams, and major roads. The global sanctions then prevented Iraq from importing the equipment and materials needed to repair and rebuild its infrastructure. In any case, the ban on oil exports meant that Iraq could not generate the income needed to pay for these goods.

The humanitarian impact was immediate and severe. Iraqis suffered epidemics of cholera and typhoid, widespread malnutrition, and the near-collapse of health care and education. This crisis gave rise to considerable tension within the UN, as UNICEF and other agencies—as well as many of the UNSC’s members—pressed the UNSC to allow humanitarian goods into Iraq. While Iraq was permitted to import food after 1991, sanctions continued to block much of what was needed to meet the population’s needs for potable water, nutrition, and adequate medical care.

In the mid-1990s, under the Oil for Food Program, Iraq was allowed to sell limited amounts of oil, the proceeds from which could then be used to purchase humanitarian goods. But even then the UNSC permitted very few imports that could be used to rehabilitate the country’s foundering infrastructure. Although food could be imported freely, the trucks needed to distribute it could not. When the UNSC approved the purchase of a new water treatment plant, it blocked the electrical generator needed to run it, claiming that it had potential military uses in addition to its civilian uses. Such restrictions drew broad criticism internationally and within the UN, as well as from the Red Cross and other organizations. For over a decade, the Iraqi population continued to suffer.

‘SMART’ SANCTIONS

It was in this context that targeted sanctions—also known as “smart sanctions”—emerged. In contrast to the comprehensive sanctions imposed on Iraq, smart sanctions primarily consisted of narrowly tailored financial restrictions and asset freezes, commodity and arms embargoes, and travel restrictions. They were envisioned as a means of having a powerful impact on individual

Targeted sanctions are said to bear no resemblance to indiscriminate past measures.

wrongdoers by targeting their personal assets or their freedom to travel, or by blocking their access to weapons. The expectation was that these targeted measures would not do the kind of broad, indiscriminate harm to vulnerable sectors of the population that was seen in Iraq.

Since the late 1990s, considerable effort and expertise has gone into the design and implementation of targeted sanctions. The Swiss government facilitated a series of discussions on targeted financial sanctions, known as the “Interlaken Process.” In 1999 and 2000, the German government sponsored the “Bonn-Berlin Process,” a series of expert seminars and workshops on arms embargoes and travel restrictions. The “Stockholm Process,” in 2002, was an initiative of the Swedish government concerning many different aspects of targeted sanctions. In 2009, the Targeted Sanctions Consortium was established at the Graduate Institute in Geneva. The UN, several national governments, scholars, the banking industry, and other affected commercial sectors all have continued to invest great effort in refining the design and use of targeted sanctions.

The view commonly held by these actors is that, while the Iraq sanctions regime was tragic, things have changed dramatically. In March 2016, US Treasury Secretary Jacob Lew stated:

Not long ago, conventional wisdom dismissed sanctions as blunt, ineffective instruments. The old model was a countrywide embargo, which provided little flexibility to mitigate disproportionate costs on innocent civilians—both in the targeted countries and here at home. At the same time, early efforts to ensure humanitarian relief sometimes fell short of the intended goal. The sanctions we employ today are different. They are informed by financial intelligence, strategically designed, and implemented with our public and private partners to focus pressure on bad actors and create clear incentives to end malign behavior, while limiting collateral impact.

Asset freezes sometimes have been described as the quintessential form of targeted sanctions. They involve formulating blacklists of specific persons, companies, and foundations, and imposing severe penalties on banks, insurers, manufacturers, and others that do business with these “specially designated nationals.” On the surface, these very specific lists seem to demonstrate what the political scientist Clara Portela has called a “trend toward the personalization and individualization of measures in the field of peace and security.”

The targeted sanctions that are employed these days, it is often said, bear no resemblance to the damaging, indiscriminate measures of the past. Today’s sanctions may be imperfect, since no policy of this complexity could ever be completely successful in every possible situation. Nonetheless, this narrative suggests, any damage to vulnerable populations is unintended, and any “collateral damage” is marginal.

In fact, this is not at all the case. At best such claims apply, in some sense, to the sanctions imposed by the UNSC. Since the early 1990s, very few of its sanctions regimes have—on their face—imposed broad restrictions on core sectors of a target state’s economy. But the same cannot be said of sanctions regimes imposed by national governments, in particular the United States, or regional bodies, especially the European Union. And on closer inspection, it seems that even UNSC sanctions are often designed to do broad damage to the target country’s economy, albeit by circuitous means.

SYSTEMIC PUNISHMENT

Recent years have seen increasing sophistication in the sanctions that do the greatest damage to critical networks or functions of a target country’s economy and infrastructure. While these have become increasingly common over the past decade, the template can be seen in the sanctions the United States imposed on Cuba in the early and mid-1990s on top of the long-running embargo.

Up until 1990, 85 percent of Cuba’s trade was with the Soviets and the Eastern Bloc. When the Soviet Union dissolved, Cuba’s economy went into free fall. The government scrambled to establish new trade partnerships in Europe and Latin America and sought foreign investors. The tourism industry was rebuilt rapidly, and Cuba took measures to increase its leading exports, sugar and nickel. The country also had a strong science infrastructure including over fifty biotechnology centers, a burgeoning industry that was seen as a promising source of revenue.

In 1992 and 1996, the United States enacted the Torricelli Act and the Helms-Burton Act, laws that directly targeted each of Cuba’s economic strengths and vulnerabilities. Any ships that docked in Cuba were prohibited from docking in a US port for six months, making all imports and exports more costly and difficult. Foreign manufacturers could not send products to the United States containing even trace amounts of Cuban

materials, including nickel and sugar. Foreign investors who built hotels or industrial plants on properties that had been owned prior to 1959 by Cubans who were now US citizens could be sued in US courts for “trafficking” in these properties. Washington prohibited foreign banks from engaging in transactions with Cuba involving US dollars, which meant additional costs and difficulties for Cuba in all its foreign trade. US companies were specifically prohibited from exporting to Cuba any equipment or materials that could be used in developing or marketing biotech products.

These restrictions in fact applied not only to US persons and businesses, but also to foreign companies that were subsidiaries of US corporations. This “extraterritorial” reach drew considerable indignation from the international community; Canada, Mexico, and the EU adopted retaliatory legislation. Even so, the bottom line was that foreign companies could not invest in Cuba without risking their access to the US market, as well as the costs of litigation and potential penalties imposed by the US Treasury Department.

This became the template for US sanctions regimes for the next two decades: measures designed to do maximum harm by neutralizing an economy’s greatest strengths and exploiting its vulnerabilities. They were imposed alongside measures that compromised the country’s access to the international banking system and to the infrastructure for all of its imports and exports.

The United States has imposed sanctions regimes more frequently, more harshly, and for longer periods than any other nation in the world. The use of sanctions, particularly extraterritorial and systemic sanctions, increased greatly under the Obama administration, and that practice has continued under President Donald Trump. To some extent, the United States has been joined by like-minded allies, particularly since around 2010. Concerned by Iran’s burgeoning nuclear program, the EU, which had opposed unilateral US measures in the 1990s, joined Washington in imposing damaging measures designed to cripple the Iranian economy.

Perhaps the most striking instance was the EU’s decision to exclude Iranian banks from the Brussels-based Society for Worldwide Interbank Financial Telecommunication (SWIFT), the messaging hub that facilitates most of the transfers among the world’s banks. While there are some other avenues for trade or financial transfers, such as barter arrangements or the informal *hawala* sys-

tem used in the Arab world, there is no substitute for access to SWIFT, the global standard for international banking transactions. To expel a nation’s banks from SWIFT does immediate and irreparable damage to that country’s ability to sell its exports or services; to purchase fuel, raw materials, and other imports; to transfer funds among businesses or family members; and to purchase even those humanitarian goods that are ostensibly allowed, such as pharmaceuticals. Attracting foreign investment under a SWIFT ban is exceedingly difficult, since fund transfers related to business operations become a logistical nightmare.

Iran’s major banks were excluded from access to SWIFT from 2012 to 2016. Whatever other damage was done by sanctions, or the Iranian government’s economic policies, or anything else, the expulsion from SWIFT in itself caused immeasurable disruption to Iran’s economy.

Sanctions regimes of this kind are indeed “targeted,” but not in the way that is usually meant. They do not single out wrongdoers, leaving the population as a whole unaffected. They are targeted at the core systems of the country’s economy and infrastructure. The design of these measures ensures that they will do extensive and indiscriminate damage to broad sectors of the population.

BANKRUPTING THE STATE

Claiming that a target state is corrupt or engaging in wrongful acts, a sanctioner may impose measures to interfere with the state’s assets and revenue sources. This can be done by seizing or freezing its financial accounts abroad, or prohibiting the purchase of its natural resources, such as timber or oil.

Bankrupting the state can have far-reaching consequences for the population as a whole. It may lead to job losses in state-run industries, or make it impossible to maintain the country’s infrastructure, or to continue providing social security, including pensions, or state subsidies for basic goods, such as food and gasoline. For an economy that is highly centralized, or a socialist state that provides health care, education, and extensive services, the damage done by disrupting the state’s sources of income will be magnified.

For example, in 2003 the United States adopted the Burmese Freedom and Democracy Act, responding to human rights concerns over the actions of Myanmar’s military junta. It targeted industries, such as textiles, that were important revenue sources for the regime. But US textile

sanctions affected the industry as whole, which may have resulted in the loss of some 60,000 jobs in 2003 and 2004.

In 1998, the EU imposed sanctions against Serbia, including state-owned companies, in response to the war crimes committed against Kosovo. The companies, in turn, were unable to pay salaries and pensions to their employees, or to do business with the private firms that relied on them.

Recent US sanctions against Venezuela specifically blocked its efforts to restructure its debt. Venezuela has some \$65 billion in outstanding bonds and is now in default on its debt payments. As the government sought to renegotiate the terms of its debt with its creditors, Trump issued an executive order in August 2017 prohibiting all “US persons”—which the US government considers to include many of Venezuela’s creditors in Europe and elsewhere, if they use the US financial system—from extending new credit for more than thirty days, effectively blocking Venezuela from restructuring its debt. In addition, the United States has blacklisted many of Venezuela’s top government officials, including all those appointed to negotiate with creditors. These measures have undermined Venezuela’s efforts to manage its debt crisis, which will surely worsen the humanitarian disaster that is already taking place.

DRAINING ENERGY

No modern economy can function without sufficient gasoline for cars, trucks, and buses, along with fuel for industry and for the electrical grid, which in turn is necessary to power water and sewage treatment plants, telecommunications, and domestic consumption. Accordingly, sanctioners have consistently sought to compromise target countries’ energy sectors.

In 2010, the European Council adopted measures specifically targeting “key sectors” in Iran’s oil and gas industry. Canada and Switzerland banned investment in Iran’s energy sector, as well as the sale of goods that could be used in oil and gas production.

US sanctions on Iran have been broader than those of any other government, restricting or prohibiting investment in the energy sector as well as the export and import of gas and petroleum products, and blacklisting hundreds of Iranian

individuals and companies. These measures were expanded dramatically in November 2018, following the US withdrawal from the 2015 Iran nuclear agreement. While the Trump administration has encountered some resistance, and has granted waivers in some cases to allow other countries to continue trading with Iran, the sanctions are designed to compromise Iran’s energy sector as much as possible.

CUTTING OFF BANKS

Enormous damage to a target state’s economy can be done with great efficiency by cutting off its access to the international banking system. While such measures may be successful in preventing illicit arms transfers or corrupt practices by government officials, they will also compromise a vast range of ordinary and essential financial transactions. Those may include everything from family members sending remittances to their relatives, to payments for food and medicine, or the purchase of raw materials and equipment for industry and the infrastructure a modern country needs to function.

The target country may try to implement some sort of workaround, such as barter arrangements. But any such measures will be costly and difficult. There is no adequate substitute for access to the international banking system.

Cutting off a country’s access can be accomplished by a variety of means, including expulsion from SWIFT. It is also done by blacklisting companies and government institutions, as the United States did to many of North Korea’s major banks in 2017, including those linked to commerce, agriculture, and industry.

The sanctioner may get the same result by targeting individuals who hold key institutional positions, such as the head of the central bank. In the case of US sanctions, blacklisting means not only that the target’s assets are frozen, but that companies, banks, and creditors in the United States, and possibly worldwide, are also prohibited from doing business with these individuals in their institutional capacities.

SQUEEZING SHIPPING

The sanctions regimes of the past two decades have sought to block imports and exports in several ways. These include blocking the export of

Complex arrangements obscure the sanctioner’s role, particularly in regard to the humanitarian damage done.

specific commodities, such as oil or timber, and interfering in the target country's access to shipping. The EU has prohibited oil imports from Syria and restricted North Korean vessels' access to European ports. The US sanctions on Cuba, by prohibiting any ship that docks in Cuba from docking in a US port for six months, require Cuba in many cases to pay for the transit of goods from, say, Europe, and then pay for the ship to return empty.

Since no trader or shipowner would transport goods without insurance coverage for the cargo, sanctioners have increasingly focused their efforts on the insurance industry as a way of indirectly compromising the target country's access to shipping. The UNSC sanctions on North Korea include prohibitions on providing insurance or other support for any shipping that could contribute to North Korea's nuclear or ballistic missile program. But the United States, the EU, and Britain prohibit the provision of insurance more broadly to include all shipping to or from North Korea, as well as restricting transactions with its national insurance company.

In some cases, sanctioners seek to undermine everything related to shipping. The US sanctions against Iran, for example, target its access not only to shipping, but also to port services, marine cargo insurance, and goods that can be used in its shipbuilding industry.

OBSCURING RESPONSIBILITY

Although it is often said that the tragic consequences of the sanctions on Iraq have led to reforms that ensure sanctions are no longer a "blunt instrument" that indiscriminately harms vulnerable populations, we have seen that is quite untrue. Sanctioners now make considerable efforts to find ways to deny such effects, to minimize their severity, or to disavow responsibility.

While it is true that the language of UNSC resolutions for many years has not explicitly imposed a comprehensive embargo against a target country, it may do so in practice by circuitous means. This sometimes occurs through the use of what Henry Kissinger famously called "constructive ambiguity." There would certainly be political opposition within the UNSC, most notably from Russia and China, to proposed sanctions openly designed to compromise the target country's core institutions, such as its central bank; or to blanket prohibitions

affecting shipping, manufacturing, or the energy sector. It is rare that the UNSC adopts such measures explicitly.

Instead, it may adopt resolutions that are sufficiently vague that member states may invoke them as authorization to impose harsh and indiscriminate measures, which then carry the imprimatur of global governance. Starting in 2006, the UNSC adopted a series of resolutions that required member states to freeze the assets of anyone with ties to Iran's nuclear weapons or ballistic missile programs; to prohibit the export of goods to Iran for use in those programs; and to block the transit of individuals associated with them. But the UNSC also urged member states to "exercise vigilance" regarding Iran's key financial institutions.

For example, the preamble to UNSC Resolution 1929, adopted in 2010, includes the following language: "recalling in particular the need to exercise vigilance over transactions involving Iranian banks, including the Central Bank of Iran."

If a member of the UNSC had proposed a measure that explicitly sanctioned the central bank, it likely would have met with opposition from Russia and China, as well as some of the UNSC's elected members. But including vague terms in the

preamble was acceptable.

A "like-minded" group—the United States, the EU, Canada, Australia, and South Korea—then invoked this language to justify national measures that were far more extreme than those contained in the UNSC resolution. The EU froze the central bank's assets, noting that "it is necessary to require enhanced vigilance in relation to the activities of Iran's credit and financial institutions." But the UNSC could not be accused of imposing measures that would damage Iran's overall economy by blacklisting its central bank. At the same time, the "like-minded" parties could say that it was not their choice to do so—they were only complying with the instructions of the UNSC.

Perhaps the most effective means by which sanctioners may disavow the results of their policies is through the creation of conditions that trigger risk assessments by private actors, who then withdraw from trade with the targeted country. This is particularly apparent in US sanctions policy. There are a few variations of this strategy, but all of them have three components: ambiguous regulations,

The United States has imposed sanctions regimes more frequently, more harshly, and for longer periods than any other nation in the world.

very high penalties, and then a predictable risk analysis by banks and other corporations.

In one variation, the US Treasury Department first issues regulations that prohibit US banks from engaging in financial transfers to government officials or military leaders in targeted countries. But while a bank can check transfers against a published list of individuals and companies, it has no means of knowing for certain who the end user will be, or what the end use of the funds may be. When the banks ask for clarification as to what constitutes sufficient due diligence on their part, they receive no clear guidance. Consequently, they may never be sure whether they have met their legal obligations under US regulations.

And the stakes are very high. The United States has imposed penalties in the billions of dollars on banks that have facilitated improper transactions under US law. Most notably, BNP Paribas of France agreed to pay a total of \$9 billion in penalties in 2014. Perhaps of even greater concern, its access to the US Federal Reserve System was temporarily suspended. Since the US dollar is the global reserve currency, any international bank that cannot reconcile its dollar transactions through the Federal Reserve banks can no longer operate. Such an exclusion is known as the “death penalty” for banks in the international arena.

In response to these two conditions—ambiguous regulations and very high stakes—banks and corporations typically decide that whatever benefit may be derived from doing business with the targeted country is outweighed considerably by the risk. Because the requirements for compliance with US law are unclear, it is not possible to reduce their risk of committing an inadvertent violation. So they choose instead to sever all business ties or transactions with the targeted country, even those that may be legally permitted. This is known as “de-risking.”

Since major banks and large corporations often evaluate their risk using the same process, the target country will find it exceedingly difficult to find any bank that is willing, for example, to facilitate payment for pharmaceuticals, even if they are not prohibited by the sanctions. The same obstacles confront individuals who wish to send remittances to family members, humanitarian organizations seeking to ship vaccines to the targeted country, and charities trying to send funds or goods after an earthquake or other natural disaster.

The result is that a unilateral policy by a national government in effect functions as a denial of ac-

cess to the global banking and insurance sectors, compromising not only ordinary trade and commerce but even humanitarian transactions that are ostensibly permitted. Yet the sanctioner may disavow all of this. If banks don't want to do this sort of business with Iran, Cuba, or North Korea, it will say, that's not because the Treasury Department has prohibited medical sales or family remittances—these private actors simply choose not to do business with shady actors.

SMART AS HELL

It seems that Woodrow Wilson was quite right in his depiction of the “boycott” in contradictory terms, as somehow both “peaceful” and “deadly” at the same time. We might say that its successor—targeted sanctions—has followed a similar path. They were originally envisioned as powerfully effective, yet humane. Just as the language of “smart bombs” conjures up images of surgical strikes, the language of “smart sanctions” has us imagining a tyrant seething in fury when he finds he cannot get at his bank account in Zurich.

The reality is quite different. Bombs may indeed be precision-guided; but they may also, with precision, be aimed at neighborhoods and schools. Sanctions may be targeted as well; but the targets can include a country's financial system, its access to gasoline and electricity, and its ability to ship its goods for export and to find ships that will transport what it needs to operate its infrastructure, or to meet the needs of its population. However they may have been envisioned, and however they may currently be described, what we have seen in the past two decades is that “smart sanctions” are particularly smart at doing great damage, with great efficiency, to the fundamental systems needed for any nation to function.

Within the UN, from time to time there have been calls for reform, including review of sanctions regimes for compliance with international humanitarian law. For the most part, those proposals have not come to fruition. The EU courts have intervened in some cases, invalidating asset freezes where due process was found lacking. But US sanctions have even fewer safeguards. The president has enormous discretion to impose sanctions—Trump even threatened to punish Ecuador with trade sanctions last summer for introducing a resolution in favor of breast-feeding at a meeting of the World Health Organization.

Within the United States, its sanctions regimes draw little opposition since they are almost uni-

versally seen as an attractive alternative to measures that are riskier and costlier, such as military intervention. Even when US sanctions accelerate a humanitarian crisis, as in Venezuela, or compromise the availability of medicines, as in Iran, there is little accountability. Presented with a picture of a child killed in a bombing, most people will feel a sense of tragedy and see the injustice clearly. With sanctions, severe damage may be done when a country's exports and imports are paralyzed because shipping lines cannot obtain insurance coverage to carry their goods. Few people would have much interest in the intricacies or moral implica-

tions of marine cargo insurance. Yet as we saw in Iraq, the human damage from compromising a nation's exports and imports may be far greater than that caused by an airstrike.

Sanctions will continue to be used frequently, mostly by powerful nations. It will be hard to articulate what is morally wrong with them, in part because the human costs are so diffuse and gradual. Proponents will keep describing sanctions as "smart," humane, and precise, even while they are precisely targeted to do the greatest harm possible to the systems on which whole populations rely. ■

“This new way of thinking about health and disease has tangible implications for when and how health-care interventions are set in motion—and for how people are expected to manage their lives.”

Precision Medicine Needs a Cure for Inequality

BARBARA PRAINSACK

The twentieth century, according to the historian and philosopher of biology Evelyn Fox Keller, was the era of the gene. One of its culminations came in the 1990s, when scientists in the United States, the United Kingdom, China, Japan, Germany, and France set out to map the DNA sequence of a full human genome for the first time. The Human Genome Project was “big science” in every respect: in its ambition, its scale, and the hopes that it embodied. The project, which cost nearly \$3 billion, was expected to yield a breakthrough in the ability to prevent and treat disease. Believing that each symptom has a genetic switch, scientists hoped that reading someone’s genome would tell them what switch to flip to keep the person healthy. Once someone was sick, genomic knowledge would help match the right drug treatment and dose to his or her genetic “blueprint.”

As it turned out, the Human Genome Project did not yield such definitive answers. Those who had referred to the human DNA sequence as the Book of Life learned not only that they were unable to understand the language but also that what they were trying to read was nothing like a book. Instead, the human DNA sequence bears a closer resemblance to an abstract painting that requires careful interpretation.

When trying to understand the meaning of a genetic variant in one person, it is necessary to see what the same variant does in other people. Sometimes the result of such comparisons is instructive: when someone has a specific mutation in a breast

cancer gene, for example, and we know that this variant has been pathogenic in many other people, we conclude that it is likely to cause disease in this patient. At other times, comparisons do not yield conclusive results; the significance of many genetic variants remains unknown. To stick with the metaphor of abstract art, we might say that by looking at just one painting, it is not possible to know if the swirl in the right hand corner has any meaning. Its significance emerges, if at all, only in relation to other examples.

In this sense, the Human Genome Project has helped change the way we think about health and disease, albeit differently than expected. It has taught us that someone’s DNA sequence alone does not tell us very much about that person. The meaning of a DNA sequence must be interpreted in relation to datasets from other people and the wider environment.

We have also learned that the DNA sequence is not a blueprint for health and illness. Apart from a small number of characteristics and conditions that are caused by (known) genetic factors alone, it is the complex interplay of genetic and other factors that shapes who we are, how we unlock our potential, and what we suffer from. These other factors are the larger human and nonhuman environment that we inhabit, and how we interact with it. This is studied in the expanding field of epigenetics, which looks at the ways in which environments change how genes are regulated or expressed. Such factors have been largely invisible in genomic medicine, but some of them have recently started to come into view.

DIGITAL DOPPELGÄNGERS

Through wearable sensors and smartphones, many aspects of our lives that were invisible and

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private in the past are now captured digitally in the form of data and information from fitness trackers, apps for moods or menstruation, even our social media postings. Proponents of “precision medicine”—the data-driven variant of personalization—believe that such information can be very valuable. It can add recognizable figures and forms to the abstract paintings that represent our genetic selves, and help with their interpretation.

Some researchers argue that every patient should have a digital doppelgänger—a multilayered dataset—that includes her health and disease history, other clinical data, and genetic test results, as well as information about her behavior. Some visionaries want to go so far as monitoring shopping patterns, social media activity, and physical exercise, along with data on food intake and the length and quality of sleep, for example. Such detailed information, they believe, would make it possible to test interventions on virtual, instead of actual, patients.

Digital doppelgängers would also provide rich datasets for comparative analysis. This would include comparisons among large numbers of patients to obtain new insights about patterns and correlations at the population level (such as linkages between behaviors and disease or other health-relevant outcomes), but also comparisons of data from the same person at different points of her lifetime.

The latter method would facilitate an understanding of how each individual patient's body works. Deviations from someone's “baseline” functioning could alert physicians to potential problems so that they would be able to intervene before the patient experiences any serious symptoms. This, at least, is the vision.

The Norwegian physician and historian Henrik Vogt and colleagues have called this vision a form of “techno-scientific holism.” Indeed, precision medicine goes beyond the prevailing biomedical approach that separates bodies into organs, and patients into disease groups, and collects data only when people have problems. Instead, proponents of precision medicine call for a systemic approach that “sees” as many aspects of people as possible, including their behavior, over long periods of time.

But there are some things precision medicine fails to see. It privileges information that can be digitized, quantified, and computed. This runs the risk of crowding out knowledge that is harder to pin down, yet equally important for health out-

comes. Loneliness, for example, is associated with a number of diseases and correlates with higher mortality. The same is true for poverty and stigma, or other specific circumstances in the lives of patients. None of the digital doppelgängers that are currently being developed take such things into account in a systematic manner.

This gap in what precision medicine can see relates to a deep split in Western medicine that is as old as the discipline itself. On one side are the contextualists, who consider human beings as part of a larger environment. This is the type of thinking that has led to public health measures such as sanitation and social housing. On the other side are the technologists, for whom disease is the basic unit of analysis and who have designed ever more sophisticated methods and technologies to analyze and tackle it.

The different trends and developments that come together in visions for precision medicine—including digitization and the advancement of molecular, computational, and other technologies, as well as the larger societal trend toward personalizing virtually everything—work themselves into this split. But they do so in intricate and partly contradictory variations that do not easily map onto traditional categories and distinctions.

Precision medicine challenges us to think and act in new ways. First, it erodes the category of health and implies that proactive patients need to monitor themselves throughout their lifetime. Second, the central role of data in precision medicine brings new inequalities to health care. And third, precision medicine—perhaps in counterintuitive ways—can change how we understand and measure value.

NEW RESPONSIBILITIES

Advocates of precision medicine use concepts such as “continuous medicine” or “disease interception” to call for a shift away from “snapshot” medicine that captures data only when people are already sick. They want to move toward a pre-symptomatic and proactive approach to medicine. The technological tools to do so are available. It is now possible to observe internal “early compensatory mechanisms”—the ways in which the body tries to prevent disease.

In combination with the idea that every person is unique in how health and disease are expressed in her body, and has her own standard of normal functioning, the notion of continuous medicine changes the normative baseline of health. The con-

cept of disease interception is even more extreme, in that it no longer recognizes a healthy state: it assumes that in each person, disease has already started to unfold and must be intercepted before it can strike, much as a counterterrorist unit intercepts a bomb.

This new way of thinking about health and disease has tangible implications for when and how health-care interventions are set in motion—and for how people are expected to manage their lives. When the expectation is that people should help detect the early signs of disease in themselves before more serious symptoms occur, does this mean that those who do not monitor themselves are insufficiently proactive and irresponsible?

The marriage of disease interception and precision medicine runs the risk of increasing inequalities between those who have the means and resources to be proactive about their health and those who cannot. Moreover, the assumption that more monitoring is better expands what the medical sociologist David Armstrong has called “surveillance medicine” into ever wider domains of people’s bodies and lives. And instead of reducing waste, it is likely to increase existing problems relating to overdiagnosis and overtreatment.

DATA GIVERS AND TAKERS

Precision medicine adds new divisions to existing ones that have marked the era of genomic medicine. One of these older inequalities that we have done surprisingly little about as a global society concerns the creation of genomic knowledge. In 2011, a study led by Carlos Bustamante at Stanford showed that over 96 percent of participants in studies that screened people’s genomes for disease research were of European descent. Five years later, the proportion was somewhat lower but still 80 percent.

This means that the knowledge underpinning personalized and precision medicine today was created on the basis of a small sliver of people from mostly rich countries. It may not be applicable to the majority of the world’s population. In this sense, the notion of precision medicine is not only a misnomer; it sends a deeply troubling message about who counts and who does not.

Precision medicine’s focus on multiple data types, as well as its reliance on digital and computational technologies, also creates new divisions in

health care—and not just over who has Internet access. Smartphone penetration is growing rapidly in many low-income countries, and some have adopted digital health technologies to such an extent that practitioners and policy makers in high-income countries are learning from them. The tendency to discuss this phenomenon in terms of “reverse innovation” illustrates the tenacity of old assumptions about the direction in which technological innovation should flow (from the rich to the poor), but it cannot hide the reality that things have changed on the ground. We need to go far beyond the question of access to understand what the spread of digital and online technologies does to health-related inequality within and across societies.

A key aspect of inequalities in digital health is the new divide between data givers and data takers—and between those who have control over how their data are used and those who do not. Personal data are often called a new currency: something that can be exchanged for access to goods and services. What typically remains unsaid is that this does not apply to everyone to the same extent. Some of us can continue to pay with money, while others are prompted to trade privacy for access to necessities, including medicine.

In 2015, the biopharmaceutical company Amgen started offering discounts on a cholesterol-reducing drug to people who agreed to let it use their health data. Similarly, so-called “emerging-market customers” in developing countries who have mobile phones but no money to pay for wireless service can trade the data stored on their phones for airtime. In this way, poor people become the digital guinea pigs who provide the data and test the services that will be sold to the rich, whose privacy is protected behind expensive calling plans, devices, and privacy safeguards.

Another source of inequality stems from the political economy of digital data. Technology companies and other corporate players with no previous interest in health are now reinventing themselves as health-care companies and developing tools for health data collection and analysis. Take Amazon, for example: it already knows what large numbers of people read, watch, and buy. In other words, it already has our lifestyle data. Once it has our medical data as well, it will be in a dominant position

Health and disease can only be fully understood in a contextual and relational manner.

for the commercial exploitation of our digital dopelgangers—and this is what the company seems to be planning to do with its investments in new health services and enterprises.

This phenomenon—the “googlization of health,” as philosopher of technology Tamar Sharon calls it—has encountered little resistance from regulators. Part of the reason, as health law expert Frank Pasquale has observed, is that large corporations in the health domain are so powerful that they are no longer merely market participants: they have become de facto regulators, setting new rules for what data are collected and how they are used, which patients and institutions often have no choice but to comply with. If this problem remains unaddressed, we will face a massive crisis of trust—and the risk that the use of our data will be governed according to what is valuable to shareholders instead of what is valuable to patients.

REVALUING HEALTH

Precision medicine is developing against the backdrop of calls by policy makers and practitioners for a shift from volume-based to value-based health care. A value-based approach would pay for outcomes rather than for interventions, seeking to lower costs by reducing wasteful treatments. Precision medicine is well equipped to contribute to this goal.

The systemic, “holistic” aspect of precision medicine sits much more comfortably with assessing the integrated effects of health care than with measuring the effects of interventions individually or even cumulatively. It resonates with models of integrated care that call for diagnosing health problems in an interdisciplinary manner and addressing them in ways that have proved to be the most efficient—even if these measures are social rather than medical. Especially if outcomes are measured in patient-centric ways—for instance, by asking patients whether an intervention has changed their daily functioning or their well-being beyond strictly clinical parameters—precision medicine could go a long way to help reduce waste and increase value for patients.

A shift to value-based health care, however, is a massive undertaking. It requires a fundamental change in how health-care systems are built and managed, how their performance is assessed, and how services are reimbursed. If we take on this

challenge, we will need to have much broader discussions about which indicators and outcomes are important and how to measure them—and who should benefit.

Especially where resources are scarce, moving away from a focus on the supply side of health-care provision and instead trying to improve patient-centered outcomes seems more effective. But we must ensure that this does not become a justification for failing to invest in sustainable infrastructures. In developing countries, the value-based health-care agenda is vulnerable to being hijacked by those who primarily seek to create new markets. In high-income countries, there is a risk that a shift to a value-based model will increase the advantages of those who already have access to high-quality health care while neglecting those who fall through the cracks in the system.

RISKS OF EXCLUSION

I noted earlier that medicine is split between contextualists and technologists. At first glance, it may seem that precision medicine leans to the side of the latter. But some developments could be read differently. Precision medicine’s focus on individual difference and variation has challenged established disease categories. If everyone is different, both health and disease manifest themselves in unique ways in each person. This makes it impossible to determine a combination of symptoms that constitute a disease and should be treated according to a standard protocol.

Instead, precision medicine, in this broader understanding, would require what anthropologists call a “thick description” of each patient in her environment, including what she “subjectively” feels, values, and needs. This would be the basis for bringing information about this patient together with data from other people and learning from comparisons among them. In this way, precision medicine could combine a focus on individual specificity—the insight that no two people are alike in terms of how their bodies function, their environments and behaviors—with the recognition that health and disease can only be fully understood in a contextual and relational manner.

The notion of “precision public health,” which is currently promoted by the US Centers for Disease Control and Prevention, among others, claims to build such a bridge by using multilevel digital and

Someone’s DNA sequence alone does not tell us very much about that person.

molecular datasets to make population-level interventions more precise. This approach, however, requires cutting up populations into ever-smaller groups that are defined in behavioral or molecular terms. Doing so detracts from the focus on structural social, economic, and political factors that contextualists deem so important.

Instead of adding the word “precision” to more and more fields of practice and policy, we need to have critical discussions about emerging patterns of inclusion and exclusion. As more data is collected about individuals, and more is known about all the ways in which people are different from each other, it becomes more likely that some will be excluded from health services, insurance, or support systems because they chose the wrong lifestyle, or because they have the wrong risks—risks that we may not even have known about before we started collecting and mining so much data.

Of course, excluding patients is not a novelty in health care. In the form of triage and other practices to allocate scarce resources, it is one of the central dilemmas in medicine. But the more data is collected, the more patients can be excluded on the basis of presumably “objective” evidence. And the lines drawn around groups today are much more dynamic than in the past: researchers can run one analysis for a subgroup with specific characteristics and another analysis within a different subgroup, and can do both in a split second. In such a context, the practices and effects of exclusion are becoming difficult to track. They require more, not less, societal and political scrutiny than in the past.

BIG INTERPRETATION

Instead of focusing just on big data, we should consider the need for big interpretation. Our devices, tools, and bodies generate large amounts of data, but it is often unclear what they mean. The challenge of interpreting data cannot be solved merely by investing in better artificial intelligence. It is necessary to do better in training and rewarding health-care professionals who can make sense of this data, and to change financial incentives accordingly.

We also need to think about the value of data in a different way than we have done so far, with

a new emphasis on its social and personal value. What is the value of running this additional test on the patient? Is it valuable to enroll this patient in a telemedicine program when the root cause of the problem may be that she is lonely? How do we capture the aspects of people’s lives that are valuable to them but which precision medicine does not see?

We must also stop thinking about health care as a system independent of other fields of policy and practice. While much talk about prevention nowadays focuses on changing individuals’ behavior, channeling funds and energy into structural measures would have a bigger effect on health outcomes. This means providing better access to health care for marginalized populations, wherever they are located across the globe, but also decent and affordable housing and education.

Recognizing this reality, the World Health Organization has promoted a “health in all policies” approach. The idea is that housing, welfare, education, and environmental policy should all be understood as health policy. If we spend more money to help people lead dignified and fulfilled lives, our societies will spend less on treating diseases. This inverse relationship is well known, but it has had surprisingly little political effect. Entrenched institutional arrangements and structures such as domain-specific budgeting pose serious obstacles, but they can be overcome. (Ideological resistance to the funding of public services and infrastructures may be more difficult to circumvent.)

Such a strategy would not free people entirely from the responsibility to be proactive patients, doing their share in preventing and treating disease—but it would distribute this responsibility between people and institutions. It would also mitigate the effects of digital divides in the domain of health care. If precision medicine could focus on what is valuable to people, that would expand its parameters from biophysical and other clinical information to the social, political, economic, and environmental factors that determine whether people can lead healthy lives in the first place, wherever they are in the world. This is what precision medicine should mean. If you don’t believe me, ask a patient. ■

“Political conflicts can flare up when new, increasingly vocal lower-middle-income groups enter the political arena and when this threatens the advantaged positions of established middle classes.”

New Middle Classes Reshape the Developing World

FRANK-BORGE WIETZKE

Six years ago, Anirudh Krishna noted in this journal that “progress in poverty reduction has been spectacular, unprecedented, and widespread over the past quarter-century.” While Krishna’s essay was primarily concerned with the remaining challenges in the fight against global poverty, his observation also points to a momentous shift: there is now a large (and growing) number of people in the developing world who

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no longer have to live from one day to the next, struggling for immediate survival. Although it would be premature to call the majority of these people “middle class” by most conceivable standards, there is often an expectation that the presence of large upwardly mobile populations will lead to fundamental changes in the politics and social relations of developing countries.

Rapid growth in the numbers of the moderately better off indeed significantly improves prospects for social and political reform in the long term. However, it also creates the potential for new distributional divides and conflicts that need to be carefully managed to avoid economic and political upheaval in the short and medium term. But before developing this argument, it is necessary to briefly outline what researchers typically mean when they talk about the developing world’s “new middle classes.”

ELUSIVE DEFINITIONS

The problem of defining the middle class is not new; it has long posed a riddle for researchers in

developed as well as developing regions. Political scientists and sociologists interested in the role of class and socioeconomic status groups in the politics of developed countries have often relied on traditional indicators of class, such as an individual’s access to capital and other means of production (the Marxist approach), or their education, employment status, or “life chances” (the sociological approach). However, the class concept has remained notoriously elusive and there are almost as many definitions as there are studies of middle class-based politics.

In the developing world, these definitional problems are typically exacerbated by the relatively low living standards of people living “in the middle” as well as other structural characteristics of local labor and product markets. Although lower-middle-income growth over the past few decades was usually accompanied by broad-based shifts into self-employment or service-related jobs, this often did not lead to the emergence of large entrepreneurial classes or manufacturing sectors in developing countries. Most political observers would agree that this hampers or even precludes the emergence of large movements of organized labor or middle-class professionals, which have played an influential role in historical accounts of the development of today’s advanced welfare-state democracies. Similarly, other indicators of middle-class status, such as a university education or ownership of costlier assets, like a car, often have not improved much for large parts of the population—and certainly not at the lower end of the income distribution, where most of the recent progress in poverty reduction was concentrated.

The most common approach that has emerged in the recent literature is to focus only on people’s incomes, where quite significant improvements

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can be documented even at relatively modest levels of development. For instance, estimates by the economist Branko Milanovic suggest that the population living on incomes equivalent to between \$2 and \$16 a day more than doubled from 1988 to the start of the 2008 financial crisis (from 1.16 billion to almost 2.7 billion). While this was largely driven by China's well-documented growth miracle, significant improvements were also registered in other regions—including in sub-Saharan Africa, where economic performance was more mixed. This trend continued even after the 2008 crisis, though with some estimated slowing in the pace of global poverty reduction.

When we try to define middle classes in this way, another important distinction arises in regard to the population that we use as a reference to identify who is in the middle and who is not. Earlier research about the new middle classes typically borrowed from analytical traditions in the developed world and focused primarily on the relative position occupied by an individual in the income distribution of his or her country. This approach would typically define as “middle class” those who fall in the middle-income deciles of their respective societies: say, those between the 20th or 80th percentiles of the national income distribution. While this framework has the advantage of capturing social-status comparisons that people make between themselves and others in their vicinity, it too often struggles to account for the low living standards in many developing regions. Many people in low- and lower-middle-income countries who are technically in the middle of their national income distributions often are still very close to extreme poverty.

The currently dominant approach focuses only on people's absolute incomes or expenditures and compares them at the global level. (Incomes typically are adjusted for exchange rates and local cost-of-living differences to facilitate comparisons between countries.) A prominent example is Milanovic's “elephant chart,” which shows recent income growth for different groups organized over a global distribution. By directly comparing people's incomes, regardless of where they live, Milanovic was able to document the widely debated shift in economic well-being from the “old” middle classes of the developed world to the “new” middle

classes of developing countries. The “hump” that constitutes the back of the elephant shape in Milanovic's chart is made up of large upwardly mobile groups in populous countries like China, while the base of the trunk is made up of lower and middle classes in developed countries who have experienced income stagnation. By contrast, the raised end of the trunk at the highest percentiles represents the gains of smaller affluent groups and elites, especially in the global North.

To better understand what life is actually like for people in the developing world's bulging middle, it is helpful to consider further information about living conditions in different segments of the global income distribution. A widely employed approach in the recent literature on the new middle classes is to use the international \$1.90 poverty line (raised from \$1.25 by the World Bank in 2015 to reflect updated conversion rates) as a lower threshold to distinguish the growing populations who are beginning to be able to meet their basic needs from the

extremely poor. This is typically followed by a second threshold at the local equivalent of around \$10 per day, above which people begin to enjoy more meaningful levels of economic security.

The resulting income segment from \$1.90 to \$10 includes many of the people who have recently moved out of extreme poverty but are still so close to the poverty line that they can easily be pushed back under it by economic shocks such as a financial crisis or an illness in the family. This group now dominates in regions like Asia, the Middle East, North Africa, Latin America, and even in some sub-Saharan African countries. Despite the still precarious circumstances of people in this segment, they have benefited from some of the most widely noted improvements in living standards that have occurred in developing countries. Among these are the dramatic increases in ownership of basic consumer goods like cell phones, television sets, and even motorized scooters, as well as associated changes in housing quality (brick instead of mud walls, tin instead of straw roofs, and so on).

Genuine middle-class status is typically ascribed only to economically secure populations above the \$10-a-day threshold. However, recent income growth within this group was concentrated at the lower range of the segment (such as \$10 to \$20 a day) and mostly in more affluent

*Upwardly mobile but
economically vulnerable
groups often feel woefully
underrepresented.*

regions like Eastern Europe, Latin America, and parts of East Asia including China. Affluent populations with incomes that begin to resemble those of middle classes in advanced economies (around \$110 a day) still account for very small population shares in most developing regions. Nonetheless, in countries like China and India their absolute population numbers can be quite significant. By some estimates, these groups even exceed the size of middle classes in developed countries.

NEW DISTRIBUTIONAL DIVIDES?

It is realistic to assume that economic transformations of the magnitude observed in developing regions over the past few decades should have significant impacts on social and political order at the global and local levels. Even at the relatively low living standards that still prevail in many developing countries, widespread mobility out of poverty can upset existing status relations if the newly non-poor join or even replace more established income groups.

In developed countries, this possibility has received a good deal of attention given concerns that trade with developing countries and technological change are leading to the relative decline of the world's "old" middle classes. Whether accurate or not, these fears have been cited widely to explain recent political upheavals in advanced economies, such as the rise of populist politicians like Donald Trump and isolationist turns like Britain's plan to exit the European Union. However, since lower-middle-income growth has occurred mostly in developing regions, it is just as legitimate to ask how it has affected social and political relations in these parts of the world as well.

Two scenarios can be envisaged. In the first, widespread movements out of poverty result in changes in status relations within developing countries in ways that resemble those linked to transformations in the global income distribution—for instance, established local middle classes are more frequently exposed to downward mobility, or their previously advantaged position gets watered down as more people join their class. Since the chances of becoming part of the middle class would be more evenly distributed across individuals regardless of their initial position, poverty reduction would be accompanied by high levels of

equality of opportunity. Nonetheless, the threat of downward mobility for established middle classes in developing countries could increase the risk of political conflict if they organize around their fear of status decline.

A second, potentially less conflictual scenario would involve income growth that is spread across different segments of society without accompanying systematic changes in relative status positions—a "rising tide lifts all boats" scenario. Improved living standards for large parts of society would considerably reduce the risk of protest from established middle classes. Nonetheless, conflicts may still arise over the longer term—for instance, if slower growth reduces prospects of continued upward mobility, or if a perception arises among lower-income groups that economic development has done little to change existing inequalities and status differences.

Unfortunately, the data available from developing countries typically does not indicate which of these two scenarios better captures local realities.

Most developing countries either do not run longer-term household panel surveys that follow individuals as they move up or down the income ladder, or the time periods covered are too short to provide insight

into longer-term mobility trends. In most cases, what we know about the recent growth of middle-income groups in developing regions is based on relatively crude snapshots derived from irregular household surveys that do not allow for tracing who moves in and out of the middle class and how this affects existing status relations.

Nonetheless, we can make informed guesses. A first relevant indication is provided by the fact that family background and other circumstances at birth typically have a stronger influence on people's life chances in developing countries than in the developed world. This is particularly so for regions with historically high levels of socioeconomic inequality, like Latin America. However, high levels of opportunity inequality have also been documented in other parts of the world where inequality has traditionally been less of a concern, such as sub-Saharan Africa. It is unlikely in these contexts that movements out of poverty have resulted in significant changes in status relations.

Second, we can make inferences from the joint evolution of local poverty and inequality rates.

The patience and political loyalties of groups still in relatively precarious circumstances are not unlimited.

For instance, an expected outcome of a situation where the poor are able to catch up to established middle classes because of faster rates of growth in lower incomes would be a simultaneous decrease in poverty and inequality. In practice, however, the correlation between poverty and inequality across developing regions has been far from perfect, and inequalities within countries actually have often increased during the recent period of rapid poverty reduction. (It is worth noting, though, that most global inequality still reflects differences in average living standards between developed and developing countries.)

A prominent example is China, where progress in poverty reduction was driven by widespread improvements in real wages for lower-income groups, but accompanied by much faster growth in higher incomes, which resulted in greater inequality. Rising inequalities also are often fueled by other structural features of the economic transformation that has led to recently decreasing poverty levels in many developing countries—particularly job growth in the service sector.

There are indications that these trends increase the risk of conflict over distributional outcomes. For instance, the growing frequency of demonstrations against economic inequality in countries like Chile and Brazil over the past few years indicates that tolerance for inequality weakened as the regional economic outlook deteriorated, and that many feel economic change did little to remove more structural causes of status inequality. It is also noteworthy that these protests often occurred when political parties that ran on explicitly leftist platforms were still in power and had implemented social policy and welfare reforms to benefit lower-middle-income groups (such as the Workers' Party in Brazil and Michelle Bachelet's center-left government in Chile). This suggests that the patience and political loyalties of groups still in relatively precarious circumstances are not unlimited.

Even in nondemocratic regimes where political outlets for the frustrations of lower-income groups are more restricted, decreasing tolerance for inequality can drive political change. This is illustrated by more proactive stances against corruption and excessive displays of wealth in countries like China.

CHANGING ATTITUDES

The risk of distributional conflicts in developing countries is often exacerbated by the relatively

precarious circumstances of many people in the middle of local income distributions. This can result in individual behaviors that may contradict important assumptions about the political consequences of lower-middle-income growth.

Modernization theory and models of electoral preferences derived from developed countries typically predict that widespread movements out of poverty will result in a moderation of individual preferences, away from radical demands for redistribution. But my own work and that of other authors suggests that people in countries with large lower-middle-income groups that are still vulnerable to poverty often demand higher social spending to protect them from the uncertainties of rapid economic and social change. This finding is also indirectly supported by a large number of earlier studies that found inconsistent associations among inequality, personal incomes, and self-reported preferences for redistribution in lower-income regions.

More worryingly, there are signs that upwardly mobile but economically vulnerable groups often feel woefully underrepresented by governments and political elites in their countries. In Latin America, where the attitudes of lower-middle-income households are relatively well-studied, surveys suggest that people in the large segment below the \$10-a-day “vulnerability threshold” often feel disenfranchised, and that these groups are more likely to support radical short-term solutions proposed by anti-establishment candidates instead of more moderate long-term political and economic reforms.

Other behaviors that would be described as middle class tend to emerge only at average income levels that are well above those attained by countries where the majority of the population earns around \$10 a day. For instance, “post-traditional” belief systems based on preferences for individual rights, gender equality, and religious tolerance, which have been documented as important correlates in the shift toward stable democracy, are typically only observed in high-income or upper-middle-income countries that already have much larger affluent middle classes.

It is important to note, however, that these findings are again subject to the same data limitations that hamper the analysis of socioeconomic mobility trajectories in developing countries. With few exceptions, the perception surveys that produced these data are based on cross-sectional snapshots that do not tell us whether people's attitudes and

behaviors are causally affected by movements up the income ladder.

A potentially more optimistic perspective emerges if one focuses more directly on the impact of increased incomes and opportunities for consumption on economic aspirations. I have argued elsewhere (in an article in the March 2018 issue of the journal *Perspectives on Politics* coauthored with the economist Andy Sumner of King's College London) that even moderately well-off households often become more vocal about the protection of their modest wealth and economic interests as they begin to accumulate assets. This can result in new pressures for political reform if the same groups also demand more accountable and inclusive styles of government.

Possible manifestations of these dynamics include the recent spike in anticorruption protests in countries in very different regional contexts, such as Brazil, China, and India, where governments have been moved by public pressure to take more assertive action to curb bad behavior among government officials. Likewise, Mohamed Bouazizi, the Tunisian street vendor whose self-immolation in December 2010 triggered the uprisings in the Arab world, has been described by some commentators as a member of the global vulnerable class who protested against what he claimed was routine obstruction of his modest business interests by local government authorities. His action inspired protests across the region by lower- and middle-income groups frustrated over the lack of economic opportunities in their countries.

However, these examples also illustrate the many obstacles that often prevent lower- and middle-class mobilizations from leading to successful regime transitions. In most of the Arab world, institutional frameworks were clearly too fragile to channel mass protest into stable forms of democratic governance, while anticorruption protests in China have often stopped short of demands for deeper democratic reforms. In India and Brazil, public exasperation with corruption has been successfully exploited by anti-establishment and right-wing populist parties and candidates, such as the Hindu nationalist Bharatiya Janata Party (BJP) in the 2014 Indian national election and more recently Jair Bolsonaro in the 2018 Brazilian presidential election.

In these contexts, affluent middle classes often display behaviors that have little to do with the ideal type of the politically moderate and liberal citizen who populates the traditional accounts of middle class–driven development. The electoral successes of anti-establishment parties in Brazil and India were also driven by support from higher-income groups. In Thailand, affluent middle classes actively endorsed the unwinding of democratic institutions by the country's military, leading to a 2014 coup, when they felt that policies enacted by the populist governments associated with former Prime Minister Thaksin Shinawatra undermined their economic interests.

IDENTITY POLITICS

Another important dimension to consider is the interaction between upward socioeconomic mobility and other social identities that shape political affiliations in developing countries. A well-known feature of politics in developing regions like sub-Saharan Africa, Asia, and the Arab world is that political loyalties and party affiliation are often organized around social and cultural identities that are not necessarily grounded in economic categories like class. Key examples include the long tradition of ethnic voting and patronage in parts of Africa or the rise of parties with explicitly religious platforms, such as the BJP in India and various Islamist parties in the Middle East and the wider Muslim world. While the underlying cultural identities that facilitate these forms of political mobilization may shift during times of rapid economic change, it is clear that they will not disappear overnight.

In Africa, for example, media reports and data from perception surveys suggest that emerging class identities often begin to compete with existing cultural affiliations along the lines of ethnicity or religion. However, case studies and the same surveys also indicate that this can vary quite significantly with political contexts, such as the proximity of an election. Recent presidential elections in Kenya are a case in point: politicians easily activated ethnic and tribal identities in their efforts to build competitive political movements.

Another contributing factor is recent income growth—especially in the vulnerable \$2 to \$10 per day segment—in many countries in Asia, Africa, and Latin America that has benefited sizable

Emerging class identities often begin to compete with existing cultural affiliations along the lines of ethnicity or religion.

populations in rural areas, where cultural or religious identities are often stronger than in cities. A fairly well-documented example is the rise of the anti-secular Justice and Development Party in Turkey, which has often been attributed to support from upwardly mobile but culturally conservative voters from rural Anatolia. In India, the Hindu nationalist BJP similarly drew support from the country's rapidly expanding rural lower-middle classes, albeit on a campaign platform that prioritized economic and anticorruption messages over questions of religious and cultural identity.

Overall, what these examples illustrate is that class-based differences in political and economic behaviors are often best described as latent factors that are reinforced, suppressed, or otherwise shaped by preexisting social affiliations and institutional contexts. But new forms of political mobilization and conflict will rarely play out along the lines of economic class alone.

ASPIRATION AND INSTABILITY

Widespread growth in lower-middle incomes in developing regions has offered prospects of improved living standards to billions of people. However, it also often puts new pressure on political and social institutions that are already fragile. Political conflicts can flare up when new, increasingly vocal lower-middle-income groups enter the political arena and when this threatens the advantaged positions of established elites and middle classes.

Emerging political coalitions and affiliations in developing regions are unlikely to remain stable over time. With large groups of people harboring increasingly ambitious aspirations, support for incumbent governments often will be only as strong as the prospects for continued economic improvements. When leaders fail to show credible evidence that their citizens' aspirations will be met, support may crumble quickly—as some traditionally pro-poor and center-left parties have painfully experienced in recent years (such as the Congress party in India and the Workers' Party in Brazil).

Do these findings portend difficult times ahead? There are at least indications that unguarded optimism is not warranted. While lower-middle-income growth over the past few decades often rode on the back of a fairly sustained economic

boom (based on rising commodity prices, cheap credit, and rising trade with China), the economic outlook has now darkened considerably for a range of developing countries. Even short of full-fledged financial or economic crisis, governments' capabilities to promote a sustained expansion of the lower-middle classes looks less promising.

There are also reasons to be skeptical about the ability of developing nations to provide the type of inclusive safety nets that many of their lower-middle-income citizens appear to crave. In developing countries, welfare systems tend to be fragmented between social assistance programs for the poor and contributory insurance schemes for relatively well-off employees in formal sectors of the economy, with large gaps of coverage in the middle. This is often accompanied by regressive tax systems (based mostly on value-added and consumption taxes) that impose comparatively heavy burdens on lower-middle-income groups. It is less likely under these conditions that a stable social contract will emerge with the support of expanding majorities in the middle of the income distribution.

These trends are exacerbated by a lack of international mechanisms to help developing countries with large lower-middle-income groups during times of economic difficulty. Although poverty reduction is recognized as a high priority in the United Nations' Sustainable Development Goals, financial pledges from international donors to support social protection systems outside of the least developed countries have remained fairly modest. Combined with growing questions about the ability of organizations like the International Monetary Fund and the World Bank to bail out larger middle-income countries in economic distress, this raises serious concerns about global preparedness for a systemic crisis that could threaten the living standards of hundreds of millions of people in the world's bulging new middle classes.

We should be optimistic that the continued ascent of more people into the world's lower-middle classes can lead to fundamental transformations in social and political relations in developing regions in the long run. But it looks less likely that these outcomes will be achieved without considerable risk of economic and political upheaval in the short term. ■

“New policy designs will need to have an explicit dual purpose, combining the objectives of labor migration and humanitarian protection.”

Can Labor Immigration Work for Refugees?

MARTIN RUHS

Most high-income countries make a strict distinction in their immigration policies between refugees and those deemed to be labor migrants. While refugees are typically admitted on humanitarian grounds—albeit with debates in many countries about who qualifies and what degree of protection they are entitled to receive—labor migrants are usually admitted with the explicit aim of benefiting the economy and society. The Global Compact on Refugees, a new nonbinding United Nations framework for improved global governance and more equitable sharing of responsibility, recommends that high-income countries take in some refugees as labor migrants. Is this a good idea? Could it work?

How to help the rapidly growing number of refugees in the world is among the greatest moral and political challenges of our time. According to the UN High Commissioner for Refugees (UNHCR), there are now over 25 million recognized refugees, the highest number on record. The vast majority, about 85 percent, have taken refuge in relatively low-income countries. The top 10 hosts in 2017 included four of the world's least developed countries—Uganda, Sudan, Ethiopia, and Bangladesh—and five middle-income countries: Pakistan, Lebanon, Iran, Jordan, and Turkey (the world's leading host, with 3.5 million refugees).

Only one high-income country—Germany, hosting one million refugees—made the top 10. When refugees are considered as a share of the domestic population, Sweden is the only high-income country among the top 10 hosting nations, with 24 refugees per 1,000 people, compared with 43 per 1,000 in Turkey, 71 per 1,000 in Jordan, and 164 per 1,000 in Lebanon.

Why is the global distribution of refugees so heavily skewed toward lower-income countries? The first reason is straightforward: the great majority of the world's refugees came from low-income countries and fled to neighboring or other nearby low- or middle-income countries. As of 2017, over two-thirds of refugees originated from just five low-income countries—Syria, Afghanistan, South Sudan, Myanmar, and Somalia—and most have found “safe havens” in nearby countries.

The second reason has to do with the politics of immigration in rich countries: most do not offer opportunities for people to travel legally to their territories in order to apply for asylum. Forced migrants who wish to apply for asylum in high-income countries must do so by engaging in irregular migration—defined here as the unauthorized crossing of national borders—which often involves long and dangerous journeys across land and sea. Many rich countries have stepped up their efforts to reduce illegal border crossings over the past few decades, especially since the large increases in the numbers of Syrian and other migrants arriving in Europe and claiming asylum in 2015 and 2016. With few exceptions, most rich countries also have long been reluctant to offer resettlement for large numbers of recognized refugees who have found protection in “first countries of asylum” in or near conflict regions.

The United States has traditionally been the country that accepts by far the largest number of resettled refugees—those whose status has been determined by UNHCR and are transferred from a country of first asylum to another country that has agreed to admit them and ultimately grant them permission to stay permanently. However, the US intake has dropped significantly of late. The Trump administration announced in late 2017 that it would reduce the annual cap on resettlement to 45,000 per year, less than half the 110,000 cap set during the final year of the Obama admin-

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istration. (In September 2018, the Trump administration announced a further reduction in the cap, to 30,000—the lowest since the program began in 1980.)

Several other high-income countries have also reduced their resettlement numbers in recent years; some, such as Austria and Denmark, have suspended resettlement altogether. In 2017, only 102,800 refugees were resettled worldwide, a reduction of nearly 50 percent from 2016, and equivalent to only about 0.5 percent of the global refugee population.

NARROW PATHS

The highly unequal distribution of refugees across the world and the shrinking of the already limited legal pathways to protection in rich countries have led to calls for alternatives. One idea that has been around for a while, and has gained prominence in recent years, is to encourage high-income countries to use labor immigration policies to admit refugees.

The Global Compact on Refugees recommends “complementary pathways” to resettlement such as “labor mobility” opportunities for refugees. This is meant to contribute to the compact’s overall aims, which include enhancing refugees’ self-reliance, easing the pressures on host countries in low-income regions, and promoting conditions in countries of origin that will allow for the safe return of refugees.

Most labor migrants in high-income countries enter through programs that grant temporary residence status on arrival, though some allow an eventual transition to permanent status. Most of the programs target migrants with particular skills, and treat higher- and lower-skilled workers differently. Programs for higher-skilled migrant workers generally place fewer restrictions on admission and grant migrants more rights, especially for welfare, residency, and family reunion, than programs targeting lower-skilled migrants.

The most common policy tools employed to regulate the admission of labor migrants in high-income countries include quotas and the requirement of a job offer before admission. Temporary labor migration programs typically limit work-permit holders’ employment to specific occupations or sectors, and require migrants to prove that they will not rely on public assistance to support

themselves or their families. They also usually require employers to advertise vacancies in the domestic labor market for a minimum period before they can apply for a work permit to use to recruit a migrant worker.

Debates on labor immigration among the public and policy makers vary across countries but proposals for dealing with the issue are typically framed in highly consequentialist terms. In other words, they are based on the perceived or real costs and benefits of particular admission policies for the existing residents of the host country, without significant consideration of the interests of new migrants or their countries of origin. Humanitarian considerations typically play no role in the labor immigration policies of high-income countries.

Realistically, that means an alternative labor migration pathway for refugees cannot be designed purely on humanitarian grounds. This would essentially amount to expanding humanitarian resettlement, which many high-income countries are reluctant to do. The key question then is whether an alternative pathway for refugees should be based on labor immigration policy objectives alone, which would subject refugees to the same criteria used for regulating the admission of migrant workers, or whether a new approach should have a humanitarian element.

In my view, policies that explicitly include a mix of both labor immigration and humanitarian objectives will have the best chance of winning approval and benefiting the largest number of refugees. For one thing, if refugees are admitted under the umbrella of a labor immigration program and there is an explicit recognition that the policy includes a humanitarian component, it should be easier to justify exemptions from some admission requirements that apply to other labor migrants.

Treating refugees purely as labor migrants without any recognition of their special status will not benefit many for the simple reason that refugees would need to compete for admission with other migrants from all around the world. So a more effective approach would be to design a program that is based, as much as possible, on the key features of labor immigration policies but also includes special measures for refugees.

Such a mixed policy would be similar, in terms of combining different objectives, to seasonal mi-

*To what country should
refugee-workers
be returned?*

grant worker programs introduced in New Zealand in 2007 and in Australia the next year for migrants from islands in the South Pacific. These policies have an explicit dual objective: to help fill labor shortages in the host countries while promoting development in the migrants' countries of origin. Of course, any mixed-objectives policy would still require a determination of exactly how much preference to give to refugees over other migrants, an especially thorny question if the overall number to be admitted is limited.

In principle, there are three broad policy approaches for using labor immigration pathways to admit refugees to high-income countries. One aims to help refugees gain access to existing labor immigration programs without making any policy adjustments for "refugee-workers." Another aims to create incentives for employers to recruit refugee-workers within the broad parameters of existing labor immigration policies. A third approach seeks to establish new labor immigration programs exclusively for refugee-workers.

CLEARING HURDLES

Although bilateral migration deals are increasingly common, most labor immigration programs enacted by high-income countries apply to migrants from any country. Employers are already able to recruit refugee-workers through these existing programs. In practice, they will only do so if refugees are the most skilled and suitable candidates for the job. Factors that weigh on this judgment, along with candidates' skills and work experience, include the costs associated with recruitment and any training that may be necessary. Under almost all such programs it is the employer rather than the migrant worker who applies for the work permit, so considering employers' needs is of central importance.

Refugee-workers will be competing with migrant workers from around the world. In this competition, refugees who have escaped conflicts will be at a distinct disadvantage. They will lack information about the labor immigration programs of high-income countries, and employers and recruitment agencies are unlikely to be informed about potential refugee-workers. Various types of information portals accessible to both refugees and employers that could help match employer demands with refugee skills would help bridge that knowledge gap.

Requirements for papers such as travel documents, proof of identity, and skills certifications

present a second set of hurdles for refugees. Forced migrants who have escaped from conflict zones are much less likely to have the necessary paperwork. Specific policies would be needed to lower these barriers. Relevant international organizations could be asked to help. For example, UNHCR could assist with documenting the identity of refugees; another suitable organization could be asked to find ways to certify their skills and experience.

The costs of migration, including visa fees, present yet another challenge for refugees. For many (but not all) displaced people, the costs of legal migration may be prohibitive, yet they are still lower than the costs and risks associated with paying smugglers to guide them through illegal border crossings. There may be a number of ways to lower the costs of legal entry. High-income countries could waive or reduce visa fees; nongovernmental organizations could help migrants defray travel costs.

Even if some of these hurdles could be eliminated, employers may still prefer to recruit migrant workers rather than refugees. The small numbers of refugees who would benefit are likely to be the most highly skilled and those with the most financial resources, since the current labor immigration policies of high-income countries are much more open to admitting higher-skilled migrants.

EMPLOYER INCENTIVES

A second policy option is to go beyond the provision of better information and links between employers and refugees by taking measures that are explicitly aimed at generating employer demand for refugee-workers, within the broad parameters of existing labor immigration policies. Such policies could be modified to encourage the recruitment of refugee-workers in addition to migrant workers, which could increase the total intake of migrants. Or more refugee-workers could be admitted in lieu of some migrant workers, keeping overall numbers flat. If annual quotas are used to regulate labor immigration, a limited number of places could be reserved for refugee-workers within an existing quota—an option that might find favor with politicians wary of any plan that would increase overall migrant numbers.

Where an increase in the quota would be considered undesirable or where quotas are not used, other relatively small adjustments could give employers incentives to recruit refugee-workers within the broad framework of existing policies. But some rules would be hard to change, particu-

larly those, like job-offer requirements and occupational restrictions, at the core of a demand-led immigration policy intended to admit migrants for specific jobs or occupations. In European Union countries, many vacancies for low-skilled jobs, which otherwise might be available for refugee-workers, are instead filled by migrants from other EU member countries who have the right to unrestricted labor mobility within the union.

The labor-market test requirement, whereby employers must advertise a job locally before recruiting a migrant to fill it, is an example of a demand-side restriction that could be relaxed to encourage employer demand for refugee-workers. It has not been particularly effective at protecting domestic workers' employment prospects anyway; it merely delays recruitment of migrants. One option would be to waive the requirement for refugees. A second would be to reduce the mandatory advertising period. Either change would give employers faster access to refugee-workers.

Another measure that might have a similar effect would be to lower the administrative fees employers must pay when applying for a work permit for a migrant worker. In many countries these fees are considerable, making them one of the factors that discourage employers from recruiting migrants.

Some economists have suggested that allowing employers to pay refugees who are already in high-income countries less than the minimum wage would help facilitate the integration of refugees into the local economy. An equivalent policy applied to a labor immigration program would allow employers to hire refugee-workers on employment contracts offering less than the minimum wage, or less than the "prevailing wage" mandated by many existing programs. Alternatively, the social insurance contributions required of employers could be lowered for those hiring refugee-workers.

Reducing employment costs for refugee-workers would undoubtedly increase employer demand for such workers, but it could also undercut domestic workers who might be replaced with cheaper refugees. That would pose the danger of undermining political support for the policy in the host country. So I oppose using lower employment costs as a way of encouraging employers to hire refugee-workers. Instead, refugee-workers could be given the same (or at least similar) labor and welfare rights as

those given to other migrant workers admitted under existing labor immigration policies, with the possible exception of claiming asylum.

Overall, this second policy option would likely result in larger numbers of refugees being admitted as workers to high-income countries. Its feasibility would depend on public acceptance of the humanitarian dimensions of the policy, to justify and maintain support for the relaxation of some restrictions specifically for refugee-workers. Policy makers would need to highlight the positive economic contribution that refugees can make to the host country, while emphasizing the special regulatory requirements of this type of "mixed motives migration." Realistically, under any of the policies outlined above, the number of refugee-workers would need to be capped in order to address likely concerns about uncontrolled immigration of refugees allowed to enter under laxer regulations than those applied to other migrant workers.

TEMPORARY SOLUTIONS

The third and most ambitious option for creating a legal work-based pathway to high-income countries for refugees would be to establish new temporary labor migration programs (TMPs) specifically for displaced people who are currently

in first countries of asylum in conflict regions. While the specific design of such programs might vary, the fundamental questions and challenges that they would raise are common to all countries.

To be politically and economically acceptable, the numbers admitted through a new TMP for refugees would almost certainly need to be capped or at least tightly regulated. The program might start with a relatively small pilot that could be scaled up based on early results. The eventual size of the program would largely depend on an assessment of the host country's demand for migrant labor.

From the host country's perspective, one of the most important selection criteria would be the skill level of migrants. The specific levels and types of skills targeted would be determined mainly by demand. But identifying and assessing the magnitude of labor and skills shortages in particular sectors and occupations, and deciding whether more migration is the best policy response, are typically highly contested issues.

Humanitarian considerations typically play no role in the labor immigration policies of high-income countries.

All TMPs, especially those designed to help fill low-skilled jobs, tend to result in segmentation of the labor market, which can have adverse consequences for domestic workers. Temporary migration programs frequently aim to help fill what are expected to be temporary shortages. However, they often lead to the permanent entrenchment of shortages, partly through discouraging hiring of domestic workers, and result in a structural demand for migrant labor.

While this may not always be undesirable from the host country's point of view, it can lead to the crowding out of at least some domestic workers and to the development of employer preferences for particular types of migrant workers. With this in mind, it may be most realistic to reserve the introduction of new TMPs for refugee-workers for sectors and occupations with relatively few competing domestic workers, and where migrants already constitute a relatively large share of the workforce.

For this reason, the Persian Gulf states would arguably find it easier to admit large numbers of refugee-workers than most other high-income countries. They are already large-scale importers of migrant workers, with segments of the labor market staffed mainly by migrants. This means that there are many occupations where citizens are not competing for jobs. Given their highly segmented labor markets, the Gulf states could admit considerable numbers of refugee-workers without having to make fundamental changes to their existing labor immigration policies. The migration researcher Katy Long observed in the late 2000s that many refugees from countries like Afghanistan and Somalia had found de facto protection through becoming temporary workers in the Middle East.

To avoid undercutting prevailing employment conditions, refugee-workers should be given the same employment rights as domestic workers, or at least very similar ones. An important exception is the right to free choice of employment. This would need to be restricted to enable host countries to use migrants to address shortages in specific occupations or sectors.

To accommodate concerns about the net fiscal impacts of immigration, many high-income countries are likely to admit refugee-workers only if some of their social rights (such as access to cer-

tain means-tested benefits) could be restricted, at least temporarily. In most such countries, restrictions on some welfare rights of new labor migrants are standard practice. Since refugee-workers are a particularly vulnerable group, however, such restrictions should be kept to a minimum to ensure that have good access to all the health, education, and other public services that they and their families need, especially for children.

Most temporary labor migration programs, especially those for lower-skilled workers, restrict migrants' rights to family reunion in one way or another. But it is difficult to see how admitting refugee-workers without granting them the right to bring at least some family members would provide the minimum degree of effective protection that most refugee families seek (though it would obviously be less of a concern for single refugees without families). In my view, at least some right to reunion (if only for core family members) would have to be an integral part of the policy. If this right does not already exist under an existing

labor immigration program, a policy adjustment could be made for refugee-workers.

Depending on their economic models and circumstances, high-income countries may wish to impose slightly different selection

criteria with regard to skills, occupations, and nationality, which could be facilitated by bilateral agreements. This raises the question of who will negotiate agreements and implement policies on behalf of refugee-workers. For obvious reasons, refugees' countries of origin cannot play this role. First countries of asylum in the region arguably are also unlikely to be effective advocates for refugees who wish to participate in labor immigration programs in high-income countries. Many will be under considerable pressure to negotiate such opportunities for their own citizens.

It may be possible for high-income countries to establish recruitment offices in countries of first asylum (as many European countries did when recruiting guest workers during the 1960s and 1970s). But it would likely be more effective and efficient to leave this job to international agencies such as the International Organization for Migration, UNHCR, and the International Labor Organization. In any case, to make temporary work programs for refugees viable, there is a need for a stable and reliable organization in refugees' cur-

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competing with migrant workers
from around the world.*

rent country of residence to negotiate and administer the program in the sending region.

RETURN AND ASYLUM

One of the most difficult challenges raised by admitting migrant workers on a temporary basis is how to ensure that those whose temporary work permits have expired and who have not been able to attain permanent residence status return to their home countries. While some TMPs have achieved high return rates, many others have been characterized by considerable degrees of illegal overstaying—one of the points frequently used by critics to argue against such programs. The question of whether and how to organize returns is even more difficult for TMPs that are specifically designed for refugee-workers.

Most importantly, to what country should refugee-workers be returned? The most realistic option would be to negotiate a return and readmission agreement with the country of residence—the first country of asylum—before refugees join the temporary labor migration program. Successfully negotiating such an agreement is likely to be a major but perhaps not insurmountable challenge. Most first countries of asylum are low- and lower-middle-income countries themselves. It is likely that they will accept readmission agreements that involve the return of refugees only in exchange for greater opportunities for their own nationals to gain admission to higher-income countries as workers, students, or family migrants.

There are a number of other questions related to the modalities and enforcement of return. What if refugees whose temporary permits have expired refuse to return? Who will cover the costs? What status will refugees have after they return to the country of first asylum? What kind of employment, if any, would they find upon their return and what support would they need to find a job?

Another key question is whether refugees who have entered and reside in high-income countries under a labor immigration program should be allowed to change their status, for example to claim asylum. Most advocates of alternative pathways for refugees emphasize the importance of retaining their right to protection. But it is clear that the prospect of refugees using these alternative pathways to claim asylum would, in all likelihood, be a major disincentive for high-income countries to offer such pathways in the first place. They would surely want to avoid a situation in which refugees use a temporary labor immigration route to enter

legally and then immediately (or after a brief interval) invoke their right to asylum to stay.

In theory, there are different ways in which refugees could be required to forfeit their right to claim asylum after admission to a high-income country under an alternative program. One option would be to deny that right to anyone who has entered via a labor immigration pathway. But this immediately raises the question of the right to be readmitted to the country of first asylum. Alternatively, high-income countries could stipulate that refugees entering under labor immigration programs cannot claim asylum (or otherwise switch categories) until their work permit or other permission to stay expires.

Both of these policies would likely violate existing international asylum laws and norms. But the latter policy of allowing migrants to claim asylum only at the end of their stay under a work program is arguably more realistic because it would come closer to complying with the principle of non-refoulement (not returning refugees to a country where they may face serious danger and harm) and other international norms on protection.

SHARING RESPONSIBILITY

Any serious effort to help refugees around the world must include new policies that ease the pressures on the leading host countries, most of which are in low-income regions. High-income countries will need to support these policies with large increases in financial and other types of assistance as well as a range of measures to promote the welfare and labor market integration of refugees in countries of first asylum—especially those who have no realistic near-term prospect of returning safely to their home countries.

There are different ways of sharing responsibility among nation-states when it comes to the protection of refugees. The type and form of the contribution each country makes—whether hosting refugees, providing financial assistance, or adjusting economic and foreign policies to enable safe return—need not be the same for all countries.

Nevertheless, creating and maintaining legal pathways to protection in high-income countries is of fundamental importance to building a more equitable, effective, and sustainable system of global refugee protection. Rich countries should not be able to simply buy their way out of refugee protection at home. This sounds like a fairly basic and uncontroversial point, but in recent years it has been increasingly and openly challenged by

more and more political parties and other influential voices in high-income countries.

Given the limited and currently declining number of resettlement options available to refugees in first countries of asylum, it is time to consider the desirability and feasibility of providing refugees with labor migration pathways and other alternative legal routes to high-income countries. But any new policy ideas and proposals for refugee-workers should reflect the current realities of labor immigration policies in such countries. In light of the constraints and obstacles I have discussed, it is also important to recognize that labor migration is unlikely to become a major alternative pathway for large numbers of refugees.

However, there are opportunities for designing innovative policies that could be attractive both to refugees in low-income countries of first asylum and to employers and governments in some high-

income countries. New policy designs will need to have an explicit dual purpose, combining the objectives of labor migration and humanitarian protection. This will inevitably involve at least some trade-offs between admission for refugee-workers and compliance with some of the protection principles enshrined in international asylum and refugee norms.

There are also considerable dangers of instrumentalizing refugees, in the sense of creating new policies that make the admission of refugees to high-income countries dependent, at least partially, on their perceived economic usefulness. For most refugees in first countries of asylum, the main legal pathway to protection in high-income countries should be resettlement. The key political challenge remains how to convince rich countries to radically increase the resettlement of refugees from overburdened lower-income countries. ■

“[D]o the EU and Japan have the capabilities and resolve to save the global multilateral order—and save themselves?”

Europe and Japan Try to Stave Off Global Disorder

EDWARD A. FOGARTY AND GENE PARK

We live in an age of status anxiety. As global market forces, self-oriented elites, and encroaching newcomers disrupt established institutions, many people fear the erosion of old certainties. Such anxiety also afflicts allies of the United States. The European Union and Japan face economic competition from younger, more dynamic countries. They remain dependent on their superpower patron, which now seems more antagonist than partner. And geopolitical disrupters such as China and Russia are challenging basic international norms. There is once again a Rome-Berlin-Tokyo axis—this time, an axis of angst.

Washington is the primary cause of the anxiety. President Donald Trump’s withdrawal from the Trans-Pacific Partnership (TPP) undercut Japan’s goal of reasserting its economic position in East Asia, just as his withdrawal from the multilateral agreement to curb Iran’s nuclear ambitions, the Joint Comprehensive Plan of Action (JCPOA), thwarted European firms’ new investments in Iran’s oil and gas sector. Both Europe and Japan are vexed by the United States’ planned exit from the Paris Agreement on climate change and the steps it has taken to sideline the World Trade Organization (WTO).

While these actions negatively affect European and Japanese interests, the US assault on multilateralism—partially abetted by China—is threatening at a deeper level. After 1945, Western Europe and Japan underwent profound transformations from imperial powers to “postmodern” actors that voluntarily constrain their actions by conforming

to rules and institutions and pursuing interests through trade and other forms of collaboration. This has allowed them to enjoy unprecedented political stability and economic prosperity, spawning imitators in their own regions and beyond. But current US and Chinese foreign policies threaten this postmodern model that made postwar Europe and Japan what they are today.

In 2018, the EU and Japan concluded economic and strategic partnership agreements to collaborate on trade and other issues of geopolitical common interest such as energy, climate change, and nuclear proliferation. But do the EU and Japan have the capabilities and resolve to save the global multilateral order—and save themselves?

THE POSTMODERN TURN

During the 1930s, the world order was bilateralist, organized around hub-and-spoke relationships connecting great powers to subordinate states. Europe and Japan were at the center of this order: Britain and France controlled large overseas empires; Nazi Germany consolidated its New Order in Central Europe; and Japan built its Greater East Asia Co-Prosperty Sphere. Institutional arrangements reinforced hierarchy and coercion rather than equality and consent—and generated war and misery instead of stability and prosperity.

After World War II, the United States led the way in constructing a multilateral order emphasizing voluntary, rules-based cooperation among sovereign states. This new order promised broad equality in rights and set expectations that states would pursue collective security, international trade openness, and the like. These principles served US interests by opening new markets to American firms, ameliorating conditions ripe for communist insurgencies, and requiring allies to contribute to their own security.

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With US support, Western Europe and Japan were fully reconstituted within this order, importing multilateralist principles into their own institutions. In Europe, six countries—including long-standing rivals France and (West) Germany—established the European Economic Community (EEC). This bloc widened and deepened over subsequent decades through hard-won compromises, ingraining multilateralism in their single market and across a range of policy areas, eventually becoming the European Union. In international trade or climate-change negotiations, or in managing relations with Russia or Iran, a single European position is possible because political elites have internalized the multilateral principles of voluntary cooperation through mutual adjustment and contribution.

In East Asia, no US-led collective defense institution equivalent to NATO emerged. Japan came to embrace its US-imposed “peace constitution” requiring it to renounce the use of force to settle disputes, and resisted subsequent US pressure to rearm. Instead, the extended deterrence provided by the United States gave Japan the luxury of focusing on economic growth and mitigated regional fears of renewed Japanese militarism. With self-imposed limits on its military capabilities, the Japanese government relied on multilateral institutions, foreign aid, trade, and investment as its core instruments of foreign policy. Whether negotiating market access through the WTO or complying with UN Security Council mandates regarding situations nearby (North Korea) or far away (Iran and Iraq), multilateralism has defined its foreign policy orientation.

The EU and Japan’s internalization of multilateral principles puts them in their own separate postmodern status, as the British diplomat Robert Cooper argued in his 2003 book *The Breaking of Nations*. Whereas the United States, China, Russia, and India are modern, sovereignty-oriented states, the Europeans and Japanese have embraced interdependence and the international institutions needed to manage it. They accept that they must comply with these institutions’ rules, contribute to their effectiveness, and accede to their demands for transparency. They accept that conflicts of interest will be resolved through negotiation rather than domination. And they accept that sovereignty must be pooled rather than hoarded.

*Greater Euro-Japanese
collaboration is necessary to
make their leadership credible.*

This postmodern status does not guarantee harmony—the Japanese and Europeans often free ride on others’ contributions and insist on national autonomy in sensitive areas like immigration, intelligence, and taxation. But it has produced a basic expectation of cooperation and reciprocity, as well as historically unparalleled political stability and economic prosperity.

The EU and Japan’s postmodern status is dependent on the global multilateral order. NATO, the UN Security Council, and the nuclear nonproliferation regime grant them sufficient security that they do not engage in arms races with their neighbors. The WTO solidifies their economies’ orientation toward trade, providing reliable access to foreign markets and authoritative dispute settlement. The Paris Agreement, committing countries to establish targets for reducing carbon emissions and report on their progress, offers the possibility of avoiding catastrophic climate change. These and other multilateral institutions have fostered a predictable environment in which Europeans and

Japanese can embrace interdependence—and constrain and refract US and, more recently, Chinese power.

But now the international conditions supporting their status are eroding. Under the Trump administration, the

United States has become an unreliable, quasi-revisionist bully. China presents a subtler challenge, selectively embracing elements of the multilateral order that serve its medium-term interests, even as it defies others.

THE BILATERALIST GIANTS

Common to these US and Chinese challenges is their bilateralist quality. The Trump administration favors bilateral negotiations in which it can maximize its leverage. Its renegotiated free trade pact with South Korea and current trade negotiations with Japan leverage these countries’ security dependence to extract deals more heavily favoring American interests.

China is attempting to settle disputes over competing territorial claims to the South China Sea bilaterally rather than through the Association of Southeast Asian Nations, and is ignoring an International Court of Justice arbitration ruling in favor of the Philippines. Beijing also has used state-directed investment and predatory loans to coerce smaller states. Sri Lanka in late 2017 granted

China a 99-year lease on the port of Hambantota strategically located on the Indian Ocean when it was unable to repay Chinese loans that financed its construction.

In their own ways, Washington and Beijing are bringing back the bilateralist order of the 1930s—in an act of historical restoration for China and one of self-renunciation for the United States. Should US and Chinese bilateralism destabilize key pillars of the multilateral order, Japan and the EU would struggle to sustain the internationalist, rules-oriented policies that have defined their foreign and even domestic policies since 1945. They would no longer be able to achieve their interests in the same way, and might have to revise their own institutions to adapt to a more hostile world.

Like most sufferers of status anxiety, Japan and Europe have options to shore up their positions. Passivity is not an option: giving in to American and/or Chinese bilateralism would consign them to decline and irrelevance. Thus they must exert global leadership—and greater Euro-Japanese collaboration is necessary to make their leadership credible.

There is still strong demand for the rules-based multilateral order, which for all its flaws has delivered peace among the great powers and, in more recent decades, notable advances in human development. It has always been awkward to have the United States as the leader of this order: a hegemonic power ambivalent about its creation, sometimes remaining outside the rules (for example, refusing to sign up to the Kyoto Protocol and the International Criminal Court) and at other times brazenly flouting them (the 2003 invasion of Iraq). China, meanwhile, is economically powerful but squarely focused on its sovereignty and national interests, and lacks credibility as a provider of global collective goods. Surely countries that have internalized and act in accordance with multilateral values are appropriate leaders of a global multilateral order?

COMBINED CLOUT

While neither the EU nor Japan has the requisite capabilities to individually assume global leadership, together they have a great deal of economic heft, military potential, and institutional status. They account for 31 percent of global GDP, 19 percent of international trade, 17 percent of military spending, and 32 percent of spending on research and development. (Comparable figures for the United States are 26 percent, 13 percent, 34 percent, and 31 percent, respectively.) They also

have privileged positions in key international institutions: two of the five permanent seats on the UN Security Council, 36 percent of voting shares in the International Monetary Fund, 33 percent of voting shares in the World Bank, and five seats in both the Group of 7 and the Group of 20.

A 2015 EU-Japan joint statement indicates that they aim to translate these capabilities into action: “Given our combined global economic weight and international standing, we have a common interest and responsibility to show joint leadership” and to promote “common values of democracy, the rule of law, human rights, and shared principles such as open markets and [a] rules-based international system.”

Two recent Japan-EU pacts, the Economic Partnership Agreement (EPA) and the Strategic Partnership Agreement (SPA), formalize coordinated action. The EPA is the largest trade deal since the Uruguay Round concluded in 1994. It covers about 30 percent of the global economy and embodies a commitment to open trade and high standards. The agreement’s preamble proclaims fealty to the WTO, the UN Charter, and the Universal Declaration of Human Rights. Its provisions remove or reduce tariffs on most industrial goods and agricultural products. It also sets labor and environmental standards, and creates a mechanism to settle trade-related disputes in those areas. The SPA is a general framework affirming shared values and a commitment to collaborate toward shared goals in matters such as energy, climate change, and cyber security.

Negotiations for both agreements began in early 2013, and advanced with greater urgency after the 2016 US election that brought Trump to power. They both affirm the EU and Japan’s orientations toward institution building and collaboration. The greater specificity of the EPA also indicates where Europe and Japan’s strongest capacities lie: in the economic and institutional arenas.

As two of the largest economies in the world, they have market power—their control over others’ access to their large internal markets gives them real influence. Their civil servants possess world-class expertise and privileged positions in international negotiations, whether on trade, finance, climate change, or a variety of security issues. Both also have considerable soft power, as successful models to be copied and as comparatively trustworthy political and economic partners.

But their market power and institutional capacities have likely peaked, at least in relative terms.

And these capacities are not matched by military power, especially in Japan and Germany. A lack of strategic flexibility limits their influence on non-economic issues.

Recent developments in the trade, climate change, and nuclear nonproliferation arenas show how EU-Japan market power and institutional capacities give them some leadership credibility. But strategic constraints—Japan's in particular—make them less viable leaders on climate change and especially nonproliferation than on trade.

TRADE TENSIONS

The Trump administration's assault on the multilateral trading regime, and to a lesser extent Beijing's state capitalist challenge, strike at the heart of the EU and Japan's status as postmodern trading states. Japan's postwar economy substituted trade for direct control over resources, and became a model for other East Asian countries. Europe's internal integration demonstrated the pacifying power of trade, and its governments chose an outward orientation rather than a "Fortress Europe" approach when launching the single market in the 1990s. For both, trade bred interdependence, which in turn created a need for rules. A hobbled global trading system threatens not only their exports and economic growth but also their postmodern models centered on rules-governed interdependence.

One priority has been to reinforce the WTO by continuing to settle grievances through it. The EU is challenging Trump's tariffs on steel and aluminum at the WTO. Both the EU and Japan, like the United States, have refused to grant China market-economy status in the WTO, permitting them to continue to apply anti-dumping duties—and hindering the primary tools of Beijing's bilateralist strategy, its state-owned enterprises (SOEs). As part of a group of 13 like-minded countries—including Canada, Mexico, South Korea, Brazil, and Kenya—they held WTO reform talks in late October 2018 that explicitly excluded Washington and Beijing. They have been the WTO's guardians, refusing to accept US attempts to sideline it and China's attempts to avoid its full obligations.

They have also moved ahead on new trade agreements with high standards. Japan and the EU are each other's second-largest export markets, so the EPA makes sense on purely economic terms. But it is also a clear statement about their commitment to rules-based cooperation beyond commerce. While the negotiations were not entirely

smooth—they have principled differences over issues such as investor-state dispute resolution—their common purpose ensured that these differences did not scuttle a landmark agreement.

The EPA is at the center of an emerging network of trade agreements in which experienced European and Japanese negotiators are defining the terms. The EU has completed free trade agreements with Canada and Mexico, and is negotiating a deal with the South American bloc Mercosur. In each case the EU sought provisions covering product, labor, and environmental standards, as well as clauses on democracy and human rights. Japan's revival of the post-American version of the TPP, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), due to come into force at the end of 2018, promises a high-standards alternative to China's Belt and Road Initiative and a fallback framework for the world's most dynamic region should the WTO founder.

Market power is the primary reason Europe and Japan are plausible global leaders on trade. All countries and multinational companies want access to their large and wealthy markets for trade and investment. This was demonstrated by the haste with which many companies moved to comply with the EU's General Data Protection Regulation, which took effect in May 2018.

Threats to retaliate against US tariffs and to limit access to China's SOEs are both credible and (mostly) WTO-compliant, meaning the EU and Japan need not choose between power and principle. The prospect of access to their wealthy consumers limits the qualms potential partners might have about negotiating labor, environmental, and other provisions in trade agreements. Global leadership on trade has fallen to them by default, and they have demonstrated resolve to exercise it.

The Chinese government has also made a bid for leadership in shoring up rules-based trade, and with its enormous, fast-growing economy it has formidable strengths. The EU and Japan have incentives to continue to work with China to preserve the multilateral system even as they demand its fuller compliance with WTO rules, particularly on trade-related investment measures and intellectual-property protection. An incipient EU-Chinese joint challenge to US tariffs at the WTO suggests such tactical cooperation may become more common.

Dealing with Washington will require a delicate balance between countering US pressure and promoting reconciliation. While they have the moral

high ground in using WTO mechanisms to assert their rights, the Europeans and Japanese must remain aware of their own vulnerabilities. The EU is vulnerable to divide-and-conquer strategies on the part of both Beijing, through strategic infrastructure investments, and Washington, which has encouraged nationalist resentments against Brussels. Japan, more strategically dependent on the United States, succumbed to US pressure in September 2018 and agreed to bilateral trade talks.

Yet on trade the vulnerabilities are balanced. The EPA and the CPATPP will put a number of US exports, including wine, beef, and pork, at a competitive disadvantage. Washington's bilateralism is constraining its influence on setting the rules for services, intellectual property, and many other issues. The Trump administration may come to a fuller appreciation of the costs of targeting its allies on trade, and should that happen there must be space to reintegrate the United States.

CLIMATE DEFENDERS

The EU and Japan, like the rest of humanity, have an existential interest in preventing catastrophic climate change. They have been key players in the global regime centered on the UN Framework Convention on Climate Change and its subsidiary Kyoto and Paris agreements. This regime has struggled more because of free riding than great-power bilateralism. The United States, India, and Brazil have long sought to evade the costs of emissions reductions. China, the largest producer of greenhouse gases, has committed to meaningful action only on its own terms and rejects independent monitoring of its emissions. Among large emitters, the EU and Japan are alone in embracing robust multilateral cooperation.

Persistent US shirking has allowed Japan and especially the EU to lead. They have championed multilateral principles, including universal contributions—especially emissions reductions by large countries—and transparency in national emissions reporting. EU officials drew on their internal experience of persuading member states to accept emissions reductions as they lobbied other countries to sign and ratify the Kyoto Protocol. They were the primary diplomatic force behind Russia's ratification of the treaty in 2004. By linking ratification to Russia's accession to the WTO, they achieved a double victory, drawing Russia more

fully into multilateral institutions.

Yet the hollowness of this “win” demonstrates the limitations of a soft-power approach. Russia was not being pulled into a postmodern “Euro-sphere” so much as engaging in tactical cooperation to create new market opportunities for its state-backed companies. That highlights the challenge facing postmodern states that attempt to assume global leadership: persuasion and attraction can induce reliable cooperation by modern states such as Russia, China, and the United States only if complemented by more muscular diplomacy.

What muscle do Japan and the EU possess in this context? Linking cooperation on climate change with trade agreements would permit the use of market power not just as a carrot but, if necessary, as a stick. Under President Nicolas Sarkozy, France proposed an EU climate tariff on goods from countries that refused to adopt appropriate greenhouse gas emissions reductions. In 2009, Washington embraced WTO-based climate

tariffs, but the proposal was rebuffed by developing countries, notably China. Now the alignments have shifted: the US withdrawal from the Paris Agreement gives the EU and Japan incentives to work with China to revisit climate tariffs. While the United States

(and many developing countries) would surely block adoption of climate tariffs in the WTO, a side agreement among actors representing more than half of global GDP would have a great deal of force behind it.

Japan, however, faces obstacles that limit the potential for co-leadership. After the Fukushima nuclear disaster caused by an earthquake and tsunami in 2011, Japan idled all of its nuclear reactors, compensating for much of the decline in power production with natural gas and coal. And even as Tokyo indicated regret at the US withdrawal from the Paris Agreement, it refrained from overt criticism. This reflects Japan's weak strategic position: a climate change realignment involving partnership with China and punishment of the United States would be a risky venture for the EU, but almost certainly impossible for Japan.

Meaningful Euro-Japanese joint action on climate change is thus unlikely for the foreseeable future. Any move to force Washington back into the multilateral fold in the near term would require tactical coordination between the EU and China.

*The Europeans and Japanese
have embraced interdependence
and the international institutions
needed to manage it.*

PRESERVING NONPROLIFERATION

Security has made the postmodern status of Europe and Japan possible, and the global nonproliferation regime, centered on the Treaty on the Nonproliferation of Nuclear Weapons (NPT), is an essential pillar. This regime demands transparency: the International Atomic Energy Agency (IAEA) has intrusive powers to inspect nuclear energy facilities to verify that they are not used to produce weapons-grade materials.

Similar verification mechanisms are the centerpiece of the JCPOA, the 2015 agreement between Iran and major powers—the United States, Russia, China, Britain, France, Germany, and the EU—to ensure Iran's compliance with its NPT commitments. The US withdrawal from the JCPOA in 2018 posed a serious challenge to EU and Japanese interests in promoting stability in the Middle East and exploiting commercial opportunities in Iran's oil and gas sector. The US decision also created a leadership vacuum, raising the question of whether and how the EU and Japan might step to the forefront.

EU-Japan collaboration on this issue predates their Strategic Partnership Agreement. After Washington sidestepped the UN Security Council to lead the 2003 invasion of Iraq—ostensibly to enforce nuclear nonproliferation—the EU and Japan began seeking alternative approaches. At a 2004 summit they affirmed their support for various multilateral arms control treaties and for the IAEA as chief verifier. They also urged other countries and regions to emulate their “best practices” regarding nuclear safety and verification. At a 2015 summit they reiterated these goals and proclaimed their strategic partnership to promote them. They have taken similar positions in NPT review conferences, and asserted their intention to find ways to preserve the Iran nuclear agreement despite the US withdrawal.

One of the first acts of European integration involved nuclear power: member states created the European Atomic Energy Community (Euratom) at the same time as the EEC in 1957. Euratom is a source of nuclear safety and materials-sharing practices that outsiders can emulate, and its transparency and sovereignty-pooling allow other European states to regard the British and French nuclear arsenals as unthreatening. For its part, Japan, as the only country to suffer a nuclear attack, retains deep anti-nuclear norms that account for its strong sup-

port for the NPT and its refraining from pursuing a nuclear weapons program despite having the technological capability to do so.

The EU and Japan's capacity to fill the leadership vacuum left by the US withdrawal from the Iran deal will again depend on their ability to balance hard and soft power and the availability of tactical alliances. It is difficult to measure the extent to which their nuclear best practices have been emulated by other nations, but their influence may well be extensive given the leading role their personnel play in the IAEA, which has had a Japanese national as director general since 2009. Both have foregone commercial gains by enforcing sanctions on North Korea and Iran—and, given their importance as export markets and sources of energy investment, they can ensure that any sanctions imposed on NPT violators have real bite.

Yet EU-Japan asymmetry is once again a stumbling block to joint leadership. The EU could plausibly rely on France for nuclear deterrence, and threaten economic countermeasures if Washington punishes European firms that invest in Iran under the terms of the JCPOA. In August 2018, German Foreign Minister Heiko Maas called for an EU-centered alternative to the SWIFT global payment system. Notwithstanding Russia's recent incursions in Ukraine, the EU does not face regional security challenges comparable to what Japan faces with North Korea and China.

Japan has no obvious alternative to the US nuclear umbrella, and Trump's suggestion that this protection might be subject to conditions has raised alarms in Tokyo. Collaboration against Washington with any of the parties to the Iran deal would be a very risky proposition for Japan. A nuclear arsenal would change this equation, but it is doubtful whether a nuclear-armed Japan could retain its postmodern qualities.

THE SPECTER OF NATIONALISM

It will not be easy for the EU and Japan to respond effectively to an eroding multilateral order. Their market power gives them a great deal of influence on trade and, should they choose to exploit it, on climate change as well. However, military dependence limits their influence in the nonproliferation regime. Japan's dependence on the United States for security defines the limits of its strategic collaboration with Europe.

*Global leadership on
trade has fallen to
them by default.*

Yet Japan has a more conducive internal political environment for strategic realignment than Europe. A changing security landscape in East Asia has made the public more receptive to an assertive foreign policy and cognizant of the hazards of reliance on the United States. But growing Japanese nationalism could trigger regional anxieties.

In Europe, public opinion is strongly supportive of greater EU authority over foreign and security policies. In the fall 2017 Eurobarometer survey, 66 percent of respondents voiced overall support for a common EU foreign policy.

However, the rise of nationalism and Euro-skepticism is pushing hard in the other direction. Brexit will deprive the EU of one of its most capable military powers and a UN Security Council seat. The emergence of populist parties in governing majorities (for example, in Italy, Poland, and Hungary) and as leaders of the opposition (as in Germany, France, and the Netherlands) ensures that rejectionist voices will be heard both on the streets and in intergovernmental negotiations on external policy. The populist Italian government, for instance, has endorsed Russia's return to the Group of 7.

The rise of populism is an existential threat to Western Europe's postmodern status. It could undercut the single currency and even the single market—the basis of the EU's market power. It could also weaken the underlying principles of nondiscrimination, transparency, and sovereignty-pooling. The "Europe of nations" promoted by nationalist parties is a call not for something new, but rather for a return of pre-World War II security competition and the balance of power.

HOLDING ON

The Trump administration may seem the perfect foil to Europe and Japan's postmodern status. Its actions serve as a model for committed nationalists but repel those who wish to preserve the peace and prosperity that have been the fruits of postmodernity. Yet the only way for Europe and Japan to stay where they are, and what they are, is to move. Self-satisfaction is not enough.

Their options are greatest on trade, due largely to their market power. Strategic constraints limit their capacity to exercise leadership on climate change and nonproliferation. In all cases, unless both are willing to complement their soft power with more punitive measures—a particularly dif-

ficult proposition for Japan—they will be limited to small and temporary achievements. And unless they can contain and refract nationalism, internal conditions may do more to erode their postmodern status than external pressures.

The best overall strategy is a holding pattern: reaffirming their commitment to existing institutions, looking skeptically on US and Chinese bilateralist schemes, and punishing rule-breaking, even as they pave the way for an American course correction. This means continuing to comply with the Paris Agreement and, if possible, the Iran nuclear deal, and challenging noncompliant trade policies in the WTO. Just as the EU needs Britain to bear significant costs for its decision to leave, to deter other would-be exiters, multilateral institutions need the United States to bear some costs for its defections.

But the EU and Japan must also demonstrate a greater willingness to bear costs themselves. This means not only sustaining open markets and reducing carbon emissions but adopting policies that could preempt American complaints of free riding—namely, doing more to stimulate their domestic economies (to pull in more imports) and spending more on defense. For Japan, it also means taking meaningful actions to overcome historical grievances and facilitate greater cooperation with South Korea, which a nationalist leader like Prime Minister Shinzo Abe has the credibility to undertake. While there would be both domestic and international opposition to such moves, they could position the EU and Japan to have greater influence alongside a more amenable future US administration.

Can the Europeans and Japanese do anything to hurry along a multilateralist restoration in Washington? Attempts at direct intervention into US politics would likely backfire. A better course would be to take advantage of broad and deep ties with Americans who want to sustain the rules-based multilateral order, among both the political and economic elite and like-minded states and regions (the Northeast, the West Coast, and many large cities). This should not be a divide and conquer strategy: the EU and Japan need a unified and confident United States back in their corner, supporting the multilateral order. But the axis of anxiety itself must find the confidence to confront a world in which such a restoration may not happen, at least not soon. ■

As the Stakes Rise, Climate Action Loses Momentum

JOSHUA BUSBY

Three years ago, I wrote an optimistic essay in these pages on how the 2015 Paris Agreement broke new ground and paved the way for progress on climate change after two wasted decades. My premise was that this bottom-up agreement of commitments by each country, so-called Nationally Determined Contributions (NDCs), offered the best chance of success.

The Paris Agreement was based on countries deciding for themselves what reductions of greenhouse gas emissions they were capable of, and then reporting on their emissions and their actions. If this approach showed that emissions reductions could be achieved at relatively low cost, it would build trust and create momentum for more ambitious goals over time.

The negotiators of this process of pledges and periodic reviews recognized that punishment for noncompliance in the international system was almost inevitably going to be weak. Instead, reporting and peer review—the diplomatic equivalent of sunlight—would allow countries' actions to be evaluated, and those falling short could be named and possibly shamed into increasing their efforts.

Unfortunately, even if the architecture of self-declared country commitments was appropriately pragmatic, subsequent events have undermined the momentum created in Paris and set the international community on a dangerous path toward runaway climate change.

The world is not on track to keep global temperatures from increasing 2 degrees Celsius (3.6 degrees Fahrenheit) above pre-industrial levels, a key goal of the Paris Agreement. Far from it. A recent report by the United Nations Environment Programme (UNEP) concluded:

Pathways reflecting current NDCs imply global warming of about 3°C by 2100, with warming

continuing afterwards. If the emissions gap is not closed by 2030, it is very plausible that the goal of a well-below 2°C temperature increase is also out of reach.

The UNEP 2018 “emissions gap” report follows the recent publication of a report by the Intergovernmental Panel on Climate Change (IPCC) on the narrowing pathways to limiting temperature increases to 1.5°C and the potentially extreme consequences of unconstrained emissions.

Many countries are not even meeting their Paris commitments, which were always understood to be inadequate. Emissions went up by 1.6 percent in 2017 and are projected to increase by 2.7 percent in 2018. About half of that is attributable to resurgent emissions in China, which had flatlined between 2014 and 2016 and raised hopes that its coal use and emissions had peaked. They have not. According to the Global Carbon Project, China's emissions are projected to have risen 4.7 percent in 2018 from the previous year.

THE TRUMP EFFECT

Those sobering observations do not take into account the fact that the world's second-largest emitter, the United States, elected Donald Trump as president in 2016. Trump is as hostile to climate action as they come. In June 2017, he pledged to leave the Paris Agreement, though that is not formally possible until November 2020. His antagonism to climate science and the Paris Agreement have cast a pall over global ambition for collective action. In the first year after his announcement, subnational actors like the state of California and nonstate actors including major corporations such as Apple and Google stepped forward and put on a brave face to declare their support for Paris through the We Are Still In coalition.

The Trump administration has been trying to roll back Obama-era regulations on fuel economy standards, methane leakage, and regulation of emissions from power plants. All of these deregulatory measures have been contested in court, and

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the 2018 midterm elections brought to power a number of Democratic governors who will likely pursue a variety of climate mitigation initiatives that may blunt the impact of federal policies.

The Trump administration's agenda is also at odds with the US government's own recently released National Climate Assessment, which found wide-ranging climate risks to the US economy, public health, critical infrastructure, and other areas.

Even though US emissions have trended downward, the signal from the Trump administration gave the green light for other leaders to go wobbly on climate action. The Australian government drifted further away from its Paris commitments, with tussles over climate legislation leading to the prime minister being forced out by his own party and the government ultimately abandoning the measures. The recent election of the far-right provocateur Jair Bolsonaro as Brazil's new president also bodes ill for the agreement and the fate of the Amazon. Bolsonaro retracted his country's offer to host the 2019 global climate negotiations, prompting speculation he might also withdraw from the Paris Agreement. Recent protests in Paris itself over a proposed fuel tax underscore the political challenges of trying to curb emissions.

*The Trump administration
gave the green light for
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THE STAKES IN POLAND

By the time this essay is published, the 24th Conference of Parties (COP) will have concluded in Katowice, Poland. (The COP is the annual meeting held under the 1992 United Nations Framework Agreement on Climate Change). This is the most important climate negotiation since Paris, because the rules for reporting national commitments, emissions reduction actions, and other matters are to be finalized at Katowice.

The key issue under discussion is whether all countries—or at least all the major emitting countries—will have to abide by the same set of rules when it comes to reporting, or if there will be “bifurcated” standards for developed and developing nations. The United States has long wanted unified standards to ensure that countries like China and India have to adhere to standards as rigorous and exhaustive as those for advanced industrialized nations. Although the Trump administration is sending a small negotiating team to Poland, its leverage is undercut by the president's stated in-

tent to withdraw from the agreement. Meanwhile, European countries are also trying to persuade China, India, and other major developing nations to agree to robust reporting standards.

Aside from the inadequacy of emissions reduction efforts and debates over transparency, perhaps the biggest other source of friction heading into Katowice was finance. Developed countries had promised in Copenhagen in 2009 and reaffirmed in 2015 in Paris that they would mobilize \$100 billion per year by 2020 for developing countries, from both public and private sources.

Most estimates suggest that the amount of funding delivered so far remains far short of that goal. A recent assessment of climate finance by the Organization for Economic Cooperation and Development estimated that transfers of public funds from developed to developing countries reached \$56.7 billion in 2017. This sounds promising, but critics were quick to question the methodology, noting that two-thirds of that amount was still dedicated to mitigation (that is, to reduce emissions) instead

of adaptation (to prepare for the consequences of climate change). Adaptation is seen as an urgent need for many developing countries that will bear a disproportionate burden of the consequences of climate change despite their relatively small emissions of greenhouse gases. Moreover, a large share of the funds—more than 70 percent—took the form of loans rather than grants and included export credits, which are designed to promote rich countries' exports rather than serve as a source of concessional finance for poor countries.

In the early days of the Katowice conference, advocates from India and other countries pressed for efforts to unlock private-sector finance to support a transition to clean energy. At the same time, developing countries appealed for generous public finance and compensation for so-called loss and damage from climate change.

WHAT NOW?

Recent years have seen increasing recognition that climate change is actually a very big problem consisting of multiple smaller problems. It is an electricity problem, a transportation problem, a forest and land-use problem, and a problem for industry. Because so many different economic activities contribute to climate change, solutions are likely to be specific to different sources and sectors.

While ambitious efforts to decarbonize (that is, wean ourselves off of fossil fuels) by the middle of this century are necessary, it is also useful to think about where piecemeal progress can be made. For example, hydrofluorocarbons (HFCs) are chemicals used in refrigerants. They were originally designed to replace chlorofluorocarbons (CFCs), which were destroying the ozone layer in the 1980s. But HFCs proved to be potent greenhouse chemicals in their own right. Efforts to phase them down have been incorporated into the 1987 Montreal Protocol, the agreement to phase out damaging ozone-depleting chemicals, through the 2016 Kigali Amendment. Similar deals have been reached through the International Maritime Organization and the International Civil Aviation Organization to reduce emissions in shipping and aviation, respectively.

Focused efforts like these have the advantage of bringing together a smaller number of actors, which can make agreements easier to achieve. Sectoral efforts can also bring together coalitions of the relevant—the actors most important for addressing the problem. For sectors where substitutes for climate pollutants and cleaner processes are feasible, such approaches show that it is possible to tailor policies to be sufficiently compatible with the interests of the main players, including private companies.

All of these efforts are relatively new, so it will take some time to assess their effectiveness. They are not immune to changes in the global mood and shifts in momentum. If governments retreat from vigorous action at home, the pressure on business interests to make sector-specific efforts will dissipate. If we can return to a global moment when expectations for action are high, these sectoral processes will be buoyed. It is a hopeful sign that

asset managers overseeing some \$32 trillion in investment funds have called for more robust action by governments to address climate change.

DON'T GIVE UP

The global outlook is certainly darker than it was in 2015. Climate change is not going away and will get worse. Average global temperatures have already increased about 1°C (1.8°F) above what they were at the beginning of the Industrial Revolution. In some places, they have increased by even more. According to the Global Carbon Project, by 2034 global temperatures already may have risen 1.5°C above pre-industrial levels. While the goal of limiting the increase to 1.5° or 2°C above pre-industrial levels looks further out of reach as time passes, humanity cannot afford to give up on reducing emissions.

A strategy based entirely on adaptation to the consequences of climate change would be dangerous and foolhardy. The damage from unconstrained climate change would be too costly and deadly for coastal populations, infrastructure, and agriculture. Parts of the world will become uninhabitable if little is done to reduce greenhouse gas emissions.

The costs and consequences of a 3°C increase would still be very high, but might be manageable. And that surely would be better than a 4°C increase by century's end—which, though unlikely, is conceivable in a world of unconstrained emissions. Further delay will make the decarbonization challenge starker. Given the increasing signs of the effects of climate change, from melting glaciers to record hot temperatures to more frequent extreme weather events, the question is not whether but when humanity will finally realize that it has to address this challenge. ■

November 2018

INTERNATIONAL

Migration

Nov. 25—Hundreds of migrants from Central America break away from a larger crowd of peaceful protesters in Tijuana, Mexico, and rush toward a US border crossing into California. US Customs and Border Protection agents fire tear gas to push them back. They are among several thousand, mostly from Honduras, who made their way on foot to Mexico and are now camped out in Tijuana, hoping for a chance to claim asylum in the US. President Donald Trump sought to make their “caravan” an issue in US congressional elections earlier in the month, portraying it as a security threat and ordering a military deployment of some 5,000 troops to the border.

Trade

Nov. 21—The annual Asia-Pacific Economic Cooperation summit, held in Port Moresby, Papua New Guinea, is overshadowed by a US-China trade war and ends without the usual joint statement for the 1st time in its history. Heading the US delegation, Vice President Mike Pence accuses China of drowning its partners in “a sea of debt” and compromising their independence. Chinese President Xi Jinping, in his address, criticizes US protectionism and unilateralism in setting \$250 billion in tariffs on Chinese goods, and defends China’s Belt and Road Initiative against charges that it sets debt traps for developing nations.

Nov. 30—In Buenos Aires for the G20 summit of leading economies, Trump and his counterparts from Mexico and Canada, Enrique Peña Nieto and Justin Trudeau, sign the new trilateral pact that is replacing the North American Free Trade Agreement, after months of contentious negotiations and threats from Trump. However, it still requires ratification by Congress.

FRANCE

Nov. 24—A protest movement that began in smaller towns over a planned hike in fuel taxes spreads to Paris. Around 8,000 marchers wearing the fluorescent yellow hazard vests that French drivers are required to carry erect barricades and light fires on the Champs-Élysées near the presidential palace. Police respond with tear gas and water cannons. The “*gilets jaunes*” (yellow vests)—a largely rural grass-roots movement—vow to continue their protests and air a wider array of grievances, including high unemployment and the labor-market reforms and other pro-business policies of President Emmanuel Macron.

ISRAEL

Nov. 14—Defense Minister Avigdor Lieberman resigns in protest after Prime Minister Benjamin Netanyahu agrees to a cease-fire with the militant group Hamas in the Gaza Strip. In 2 days of clashes, Palestinian militants fire 100s of rockets into southern Israel in retaliation for a botched mission into Gaza by Israeli commandos that left 7 Palestinian fighters dead. Israel responds with dozens of airstrikes on suspected Hamas and Islamic Jihad sites in Gaza. Lieberman says the cease-fire ended Israeli military operations too soon and calls for early elections. The withdrawal of his small party Yisrael Beiteinu from Netanyahu’s government leaves the ruling coalition with a bare majority of 61 of 120 parliamentary seats.

ITALY

Nov. 21—The European Commission for a 2nd time rejects the budget proposed by Italy’s populist government, which seeks to boost spending to stimulate the economy, though its national

debt is already double the Eurozone limit. The commission’s action is the 1st step toward the possible imposition of fines on Italy for violating EU fiscal rules.

SAUDI ARABIA

Nov. 20—Trump rejects the findings of US intelligence agencies and signals that he will continue to support Saudi Crown Prince Mohammed bin Salman, who has faced international condemnation for allegedly ordering the Oct. 2 murder of journalist Jamal Khashoggi at the Saudi consulate in Istanbul. While the CIA has reportedly concluded that the Saudi heir apparent authorized the killing, Trump issues a statement equivocating, “maybe he did and maybe he didn’t!” He praises Saudi Arabia as a large purchaser of US arms, while blaming Iran for the war in Yemen, where a Saudi-led coalition has been criticized for causing heavy civilian casualties with indiscriminate airstrikes. On Nov. 15, the US imposed sanctions on 17 Saudis allegedly involved in Khashoggi’s death; officials said no further actions were expected.

SRI LANKA

Nov. 13—The Supreme Court suspends a Nov. 10 order by President Maithripala Sirisena to dissolve Parliament. He issued the order after lawmakers rejected his Sept. 26 edict dismissing Prime Minister Ranil Wickremesinghe and replacing him with former President Mahinda Rajapaksa.

TAIWAN

Nov. 24—President Tsai Ing-wen resigns as chairwoman of the Democratic Progressive Party (DPP) after heavy losses in local elections leave the party in control of just 6 of the nation’s 22 cities and counties, down from 13 before the election. The Kuomintang, the China-friendly opposition party, wins control of Taichung and Kaohsiung, the nation’s 2nd and 3rd largest cities. The DPP’s losses reflect widespread dissatisfaction with the pro-independence ruling party over the sluggish economy and worsening relations with China since Tsai was elected president in 2016.

UKRAINE

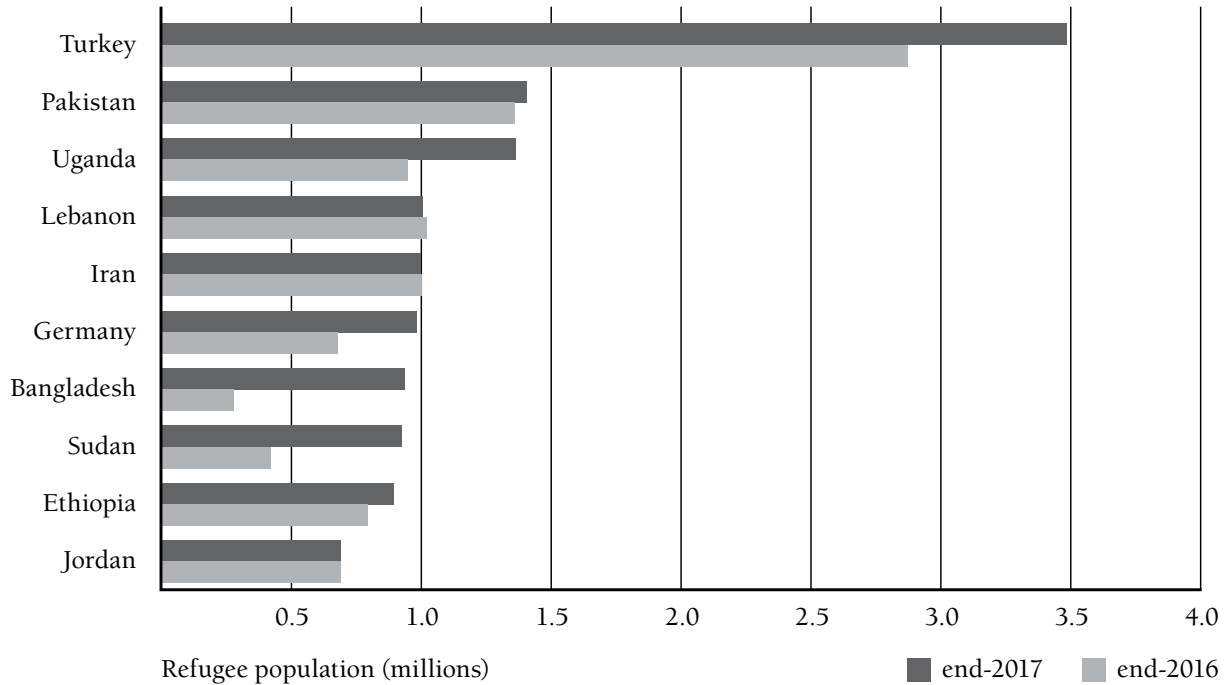
Nov. 25—Russian coast guard vessels fire shots at 3 Ukrainian naval ships and seize them in disputed waters near Crimea, the former Ukrainian territory that Russia invaded and annexed in 2014. The Ukrainian parliament Nov. 28 votes to approve President Petro Poroshenko’s plan to declare martial law in response to the incident, despite concerns that it could result in the postponement of a presidential election scheduled for March. Polls show Poroshenko trailing 2 challengers.

UNITED KINGDOM

Nov. 25—The European Union reaches an agreement with British Prime Minister Theresa May in Brussels that paves the way for the UK to leave the EU in March 2019. Under the agreement, the UK would still be required to follow EU rules and regulations at least until December 2020, while negotiators work out the details of a longer-term relationship. EU leaders warn that there can be no renegotiation of any of the fundamental terms even if the British Parliament rejects the deal. The 585-page agreement, which would be legally binding, includes a key provision that would ensure that the border between the British province of Northern Ireland and EU member nation Ireland remains open, if necessary by keeping the entire UK in a customs union with the EU. ■

Global Refugee Numbers at an All-Time High

Major Host Countries of Refugees



Major Source Countries of Refugees

