Original Paper

Europe Dwarfed by Media and Low Self-confidence

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Abstract

This article rejects the dominant assertion that the world will become bipolar, with the sole remaining superpower USA as the retreating pole and China as the upcoming power on the road to leading in the new world order. We counter that forecasters should not forget Europe. In its geographical borders, it is currently leading in several quantitative and qualitative dimensions such as exports, quality manufacturing, life quality, and life expectancy. If the EU joins forces with countries already affiliated or looking for closer ties, and acts in a more coordinated manner across its members, it can be a partner of the US and China on a level playing field. This fact is currently ignored by international media and analysts. The article ventures to carve out some policy changes, which could increase Europe’s leverage. The new world order will not arise in a linear way and new middle powers will exist alongside the strongest actors: China, Europe, and the US.

Keywords
new world order, polarization China vs USA, underestimating Europe, quality leader EU

1. Introduction and Outline

Assessing the current strength of large economic units is difficult, since well-known and standardized indicators yield different results according to which countries are aggregated, whether exchange rates or purchasing power parities are used, and whether countries pondering to enter or leave are included (see Brexit, Western Balkans, the demise of NAFTA and the regime change in Hong Kong).

In the next section, we offer quantitative evidence on the US, China and Europe, starting with shares of GNI, exports and manufacturing. Then we discuss other indicators often cited for economic importance such as foreign direct investment and development assistance.

A realistic assessment of size must include broader performance measures, including indicators on sustainability, openness, and absence of racial discrimination (section 3).
In the following sections, we discuss issues less open to quantitative evidence, like cooperation of leading powers with neighbors and partners (section 4), military power, or engagement in international organizations shaping the future world order, rule of law and democracy. We list some strategy elements Europe could use to increase its strength and visibility in section 5. In the final section, we conclude that Europe plays an important role in many aspects today and can continue to do this in future if it is more self-confident and media do not focus on individual European countries.

The wide range of topics and methods necessitates conclusions with a strong subjective view. We try to present quantitative evidence and enrich it by qualitative assessments from different perspectives. This seems all important, since the current assertion that there are only two dominant blocs today and that they will shape the future – with China taking the lead – is also based on assessments and facets of reality (see The Economist, 2020A) by the media, economists and citizens.

2. Empirical Indicators on Size

2.1 Share in Total Output

The most frequently used indicator on size is the share of a region in world GDP, or more recently that of the Gross National Income (GNI, where the difference is not important for large regions). We report the share of GNI first for geographical Europe, then for the EU28, the US, and China.

Today, the share of "geographical Europe" in world GDP is 25% (in constant US dollars), while that of the US is 22% and China’s output amounts to only 13%. When we consider current US dollars, Europe and the US draw even (and the lead changes from year to year). In this scenario, the US and Europe are on par at an average of 24% each, and China trails behind at 13%. But, admittedly, geographical Europe – that is, the EU before Brexit and including Switzerland, Norway, the Western Balkans and the European successor countries of the Soviet Union – is not a political union, even if most of these countries hold trade arrangements with the EU or seek closer cooperation in various policy fields (Note 1).

If we restrict the assessment of Europe to the EU28 – thus excluding many countries already having or planning to enter rather broad agreements - the share decreases by 5% and if we leave out the UK, it decreases by another 2% or 3%). Looking to the future, we think that it is however important to assess the role of a larger Europe, since integration in Europe tends to deepen and widen from decade to decade, even if it is taking place in a nonlinear way. The integration process will also be enforced if the US and China strengthen their economic muscle and their financial grip. The power of rule of law is less dominant and racial discrimination is more persistent than we believed.
Table 1. Shares in World Output

<table>
<thead>
<tr>
<th></th>
<th>GDP (current US$)</th>
<th>GDP (constant 2010 US$)</th>
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<tbody>
<tr>
<td></td>
<td>2000</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>2000</td>
<td>2018</td>
</tr>
<tr>
<td>Percentage shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Geographical Europe</td>
<td>24.7</td>
<td>23.1</td>
</tr>
<tr>
<td></td>
<td>30.4</td>
<td>25.1</td>
</tr>
<tr>
<td>EU 28</td>
<td>21.6</td>
<td>18.5</td>
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<tr>
<td></td>
<td>25.4</td>
<td>19.8</td>
</tr>
<tr>
<td>China</td>
<td>3.6</td>
<td>15.8</td>
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<td></td>
<td>4.5</td>
<td>13.1</td>
</tr>
<tr>
<td>USA</td>
<td>30.5</td>
<td>23.9</td>
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<tr>
<td></td>
<td>25.3</td>
<td>21.6</td>
</tr>
<tr>
<td>World</td>
<td>100.0</td>
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<td>100.0</td>
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</tbody>
</table>

Source: World Bank, World Development Indicators. Geographical Europe: EU 28, EFTA, Turkey, Western Balkans and CIS-Europe.

2.2 Manufacturing and Exports

Looking at manufacturing, China’s share in world production is larger than that of geographical Europe as well as that of the EU28 while that of the US is the lowest. In nominal terms, the share of China is 28% and that of the EU28 is marginally larger than that of the US (both around 17%). Since the quality of industrial products is highest in Europe, it is closer to China and ahead of the US in constant dollars. China has a large trade surplus and Europe a smaller but still significant one, while the US has a large and persistent deficit. Taking product sophistication into account, the EU has the largest share in high-end quality products (Aiginger & Rodrik, 2020).

Looking at the share of exports demonstrates the advantage for Europe. The EU28 is responsible for 16% of world exports (13% for the EU27), while the US reaches 9% and China 13%. For whichever definition of Europe and whichever exchange rate is used, Europe is set to remain the export powerhouse for some time to come and Europe is the largest potential market for each non-European country. If a firm seeks to be a player on the world market, it has to be strong in Europe.

Table 2. Shares in World Exports and Manufacturing

<table>
<thead>
<tr>
<th></th>
<th>World exports (current US$)</th>
<th>Manufacturing, value added (current US$)</th>
<th>Manufacturing, value added (constant 2010 US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage shares</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Geographical Europe  *</td>
<td>22.5</td>
<td>23.4</td>
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<tr>
<td>EU 28 *</td>
<td>16.3</td>
<td>15.6</td>
<td>20.6</td>
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<tr>
<td>China</td>
<td>3.8</td>
<td>13.3</td>
<td>7.1</td>
</tr>
<tr>
<td>USA</td>
<td>11.9</td>
<td>8.8</td>
<td>25.2</td>
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<tr>
<td>World</td>
<td>100.0</td>
<td>100.0</td>
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</tbody>
</table>
2.3 Other Quantitative Dimensions of Influence

2.3.1 Foreign Direct Investment

China is considered to be a large investor, not least due to the Belt and Road Initiative. The BRI is a large and important endeavor, formally “joined” by many other countries that expect more small benefits from formal support than from opposition. But the dominant goal of the BRI is to extend China’s export capacity and its ability to get hold of resources and raw materials. The demand effect of the large investments is important for countries short in finance (from Africa to Southern Europe), even if the construction is done by Chinese workers and the investment is planned according to the perspective of the investor rather than that of the receiving country. But China’s financial power and foreign investment push should also be seen in the perspective that the EU outward investment is still a multiple of China’s; and the largest investors in Africa are still Europe and the US.

The stronger position of the US and of Europe also holds for other activities, whether it be development assistance, to name a hopefully welfare increasing engagement, or weapons exports as well as subsidies for food surplus; the latter tend to aggravate conflicts and thereby hinder the domestic development of the agricultural sector, e.g., in Africa (Aiginger & Handler, 2018).

Table 3. Shares in Foreign Direct Investment

<table>
<thead>
<tr>
<th></th>
<th>FDI outward flow (current US$)</th>
<th>FDI outward stock (current US$)</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2018</td>
</tr>
<tr>
<td>Geographical</td>
<td>Percentage shares</td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>44.5</td>
<td>44.9</td>
</tr>
<tr>
<td>EU 28</td>
<td>33.6</td>
<td>38.5</td>
</tr>
<tr>
<td>China</td>
<td>5.0</td>
<td>12.8</td>
</tr>
<tr>
<td>USA</td>
<td>20.2</td>
<td>-6.3</td>
</tr>
<tr>
<td>World</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: World Bank, World Development Indicators. Geographical Europe: EU28, EFTA, Turkey, Western Balkans and CIS-Europe. Remark: the European figures include investment in other European countries and should be discounted to some degree.
2.3.2 Official Development Assistance
The OECD reports development assistance for DAC countries (Note 2) netting receipts and spending in relation to GNI. This yields ten European countries in the lead, with an average for the EU of 0.47% of GNI. This is well above China’s rate of 0.36% and that of the USA at 0.17%. Of course, there are massive problems in comparing data, but the European lead is indisputable.

2.3.4 Military Spending
The US spends 3.1% of GNI on military expenditures, China 0.9%, and the EU 1.7%; the latter includes spending called “military expenditures”, but which is now targeted as assistance during domestic catastrophes, rather than international conflicts. Weapons exports amount to 10% of GNI for the US, 2.2% for China and 8.6% in Europe (here, including intra-EU sales). The lowest investment in weapons exports for China is unquestionable.

3. Broader Performance Ratings and Compacts

3.1 Measurement of Success
Well-being and economic results are increasingly measured by alternatives to GDP or GNI. The OECD developed “Beyond GDP” indicators, putting consumption more in the center relative to production and adding poverty erosion, equality and sustainability. This approach was then extended to the UN-Sustainability indicators (SDG goals). In most of them, European countries are among the top performers, even if the EU or Geographical Europe is not reported as an entity (The Economist, 2020A; Tichy, 2020).

The Nordic European countries Denmark, Sweden and Finland are top performers, while the eastern European countries are at the lower end, signaling the importance of cohesion policy. There is no index reported for the EU, but the median performer (Ireland) has 79.3 points, which amounts to position 13 within all rated countries. The US is ranked 31st with 76.4 points and China 48th with 73.9 points. Thus, Europe clearly leads in performance measured by SDG goals. But the ranking would again have higher information value, if Europe were reported as a unity, whether it be geographical Europe or the current EU.

In searching for single indicators of welfare, education increases both individual and societal quality of life. The adult literacy rate is by far the highest in Europe, while it is also above average in China and it is lowest in the US (even if these data are not reported by the World Bank). School enrollment is higher in Europe than in the US, and both regions have rates above the world average.

Another all-inclusive indicator is life expectancy. This is available at birth and can be total or health life expectancy. In most countries it is increasing at surprisingly high rates (3 months per each year of later birth). Life expectancy at birth is definitely higher in Europe than in the US and in China. It is decreasing in the US due to large and increasing differences across income classes and between whites and blacks, as well as in particular due to opioids and increasing obesity. Europe’s advantage seems to be rising.

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The economic freedom index indicates the openness of a country for its own citizens and others. Most EU members rank in the first quartile, with former eastern European countries partly ranked in the second quartile. The US is ranked number 11, which may hint at an underestimation of the racial problems or the low voter turnout among Afro-Americans. The upward mobility of migrants was high for a long time (much higher than in Europe), but is now decreasing. China is ranked 112 near the lower end of the third quartile.

3.2 Responsible Globalization

Globalization has for a long time been shaped by the US due to its dominance in international organizations, as well as the strategies, power and threats of US-dominated multinational firms. International investment pacts are now slowly evolving to better respect the interests of countries in which FDI investment take place. The WTO, IMF and World Bank support this change, as their leadership is no longer dominated by the US. The courts, which should help to solve trade and investment conflicts, are still highly contentious, as they often primarily help large firms pass social and environmental standards in countries of investment.

There is change around the corner in the form of “responsible globalization”. It is supported by many though not all US economists, and definitely not by the current US administration. European NGOs, other organizations and many European governments including the EU support this change. This perspective is reflected in some new bilateral investment pacts (e.g., the EU-Mercosur pact). China is standing on the sidelines; it agrees to WTO-compatible, rule-based contracts, but also defends its own interests, including limiting international property rights and restricting firms’ investment in China without sharing patents. Given this and the unpredictability of US administrations, Europe will be the region that supports social and ecological goals with the greatest emphasis, along with the fair monitoring of compacts. But at the moment Europe is not speaking with one voice, and seats in international organizations are held by individual countries, so that the impact of European ideas on globalization is far smaller than that of its economic size.

3.3 Climate Compacts

The Paris Climate Pact is the result of the joint efforts of many nations, and the signatures of 190 countries mark a great success, which was only possible due to the participation of many countries in addition to the superpowers. The goal of limiting global warming at a maximum of two degrees or less is ambitious. The implementation started at a low pace, but at least worldwide greenhouse gases have not increased in each of the last years. Europe entered with the lowest per capita emissions but has not been the sole proponent of a more ambitious climate strategy. It instead favors green reforms (with some countries continually claiming that this should not endanger a – wrongly defined – competitiveness, see Aiginger et al., 2013). The new upgraded EU-policy is defined by a “Green Deal” (Von der Leyen, 2019) calling for climate neutrality, i.e., zero net emissions, in Europe by 2050. The US is on its way out of the Pact, even if many cities, states and big businesses are sticking to the Paris goals. China is greening in several areas, leading in small electric cars and the production of electric...
batteries, but at the same time increases the capacities of coal power plants. Thus, decarbonization is too slow worldwide, but if anything, Europe is leading, the US is opposing, and China is facing the tradeoff between reducing emissions relative to growth while increasing emissions in absolute quantities (relative but not absolute decoupling).

3.4 Openness and Rule of Law

The US had been an example of a country open to immigration, and in some states half of the children are born into families with a migration background and are predominately “non-Caucasians” (non-whites). But now President Trump plans (and has started to erect) a wall to prevent further migration from Mexico.

Rule of law and democratic regimes are very important but also very different. This holds even within Europe, given the inroads of populist and nationalist parties. Europe tries to solve local conflicts before allowing accession and membership, and it was awarded the Nobel Peace Prize for its efforts to prevent wars in a former conflict-ridden continent. The US is incapable of reducing the remnants of racial prejudices, e.g., in the military and police. No extension of the territory by annexation or artificial islands is intended in Europe or the US.

3.5 Racial Discrimination

Racial differences remain high in the US and addressing them is not a priority of the current administration. Policy treatment of minor offenders are still very different between Blacks and Whites. Death rates have been very different between blacks and whites during the COVID Crisis. The health system in the US is expensive and of high quality, but access for low-income citizens, minorities and the unemployed is limited. China is not improving its relations with the Uighurs (The Economist, 2020B); in Europe prejudices exist towards migrants from distant countries and religious background, but at least most governments and the European institutions try to counter prejudices and discrimination (Aiginger & Handler, 2018; Aiginger, 2019), and most young Europeans feel themselves as European citizens- in the majority additional to national affiliation (European Commission, 2019).

4. International Cooperation, Crisis Mitigation and the Rule of Law

4.1 Military and Political Power

Looking at global influence instead of economic strength, we have to admit (or admire) that Europe is no hard-military power, trained to police the world. Instead, EU members take the lead in international organization, negotiations on climate compacts and the definition of SDG-goals, even if the potential role of Europe is limited as individual European countries pursue a national agenda and Europe often has no common voice. The EU offers excellence in its definition of international standards (the “Brussels effect”), and its peace-keeping efforts have been awarded the Nobel Prize.

Thus, one reason the international media tend to downplay Europe is that it is not perceived as a homogenous area – a trend enforced by the EU’s own reluctance to speak with one voice and set aside nationalist or even xenophobic tendencies. The French consider themselves “different” (with French
exceptionalism not restricted to the use of language). Germany has been cautious about whether history will allow it to become strong again. Southern Europe suffered deep scars during the Financial Crisis and is currently neither engaging in reforms nor cooperation with countries on the other side of “mare nostrum” (Note 3). While Northern Europe enjoys excellent, inclusive education and top innovation rates, each Scandinavian country is now struggling with immigration from distant cultures, endangering its “homogenous” model.

Europe has succeeded in establishing a common currency for the majority of the current EU members, with many other countries seeking to join the Euro or at least peg their own currency to it, thus eliminating the danger of inflation for a long time. This would make a more active common policy feasible. Nevertheless, some members disparage a so-called “transfer union”, even if this means higher interest rates for lower debt on average and lower dynamics compared to the US. The share of the Euro in international transactions and as a reserve currency is increasing, but this is seldom highlighted by the media. Europe lacks a safe asset attracting non-European investors seeking alternatives to the dollar. It further diminishes itself when it accepts contracts for oil and raw material in dollars, even when no US partner is involved in the transaction. No European country actively favors switching international transactions to the Euro, whereas the current oil market would offer great opportunities. But there exists no initiative to “dethronize” the dollar on the part of the EU-Commissioner or a large member country (Von der Leyen, 2019; Gugerell-Tumpel, 2018).

4.2 Regional Integration

The integration of North America into a free trade zone has made progress over decades; now parts of the US administration are stressing the disadvantages of NAFTA for the US. The US was an example of a country open to immigration, and in some states half of the children are born into families with a migration background and are predominately non-whites. But now President Trump plans (and has started to erect) a wall to prevent further migration from Mexico.

In Europe, rule of law and democratic regimes are very important, but also highly varied, even within Europe, given the inroads of populist and nationalist parties which try to end the division of power. Europe tries to solve local conflicts before allowing accession and membership to countries applying. Europe was awarded the Nobel Peace Prize for its efforts to prevent wars in a former conflict-ridden continent. The US is incapable of reducing the remnants of racial prejudices, e.g., in the military and police.

Integration in Europe is not linear and easy, but the number of countries applying to be associated or gain membership is still high. The accession talks with the Western Balkan countries are based on preconditions; after a temporary veto from France, negotiations have been taken up with Albania and North Macedonia (where the EU has stopped a conflict with Greece over the name of the independent state). Serbia, which has historically aligned itself with Russia, is applying for EU membership, which creates an opportunity to solve the conflict with Kosovo (about provinces in Kosovo inhabited by Serbs). The transformation of the former Socialist countries into market economies happened more
quickly than all other catching-up processes of countries with fundamentally different systems (the World Bank therefore called the EU an “integration machine”), but since the Financial Crisis the new EU members have been disappointed by the speed and suffer from emigration, especially of the young male working force (up to 50% of the cohort of the 20-to-30-year-old citizens are forecast to leave their country, and though they send a lot of money back, the regions left behind feel “forgotten” and vote for nationalist and populist leaders (Aiginger, 2019).

China does not plan to extend its territory, but it has an implicit strategy to stabilize or realign borders. The guaranteed self-determination of Hong Kong is practically cancelled, in Kashmir conflicts have yielded the first lethal casualties since decades, the Uighurs are being “reeducated” in prison-like camps, in the sea southeast of China, artificial islands are being built to extend the ownership of resources, and any country acknowledging the independence of Taiwan is cut from trade contracts.

4.3 Handling the COVID Crisis

The COVID Crisis has been a test of the capability of countries and blocs to cope with a health crisis, though it has been considered exogenous and uniquely unexpected, this has by far not been the first pandemic.

China handled the crisis – after first negating that it existed to the world – in a rather efficient way, implementing rather authoritarian restrictions, but doing so effectively, and this will hopefully also be case for the second, up to now smaller wave. But we have also to keep in mind, that COVID is not the first virus which had its origin in China in the last twenty years.

The US is by far the worst performer concerning the number of indicted persons or fatalities if we leave Brasilia aside, and account for lower quality of health system in most emerging economies. It has the highest causalities and no real strategy but to accuse other regions for its problems (see Rodrik, 2020).

Europe was also unprepared. It provided huge hospital capacities, but without the coordination of emergency units between members and regions and without reserves of masks, appliances, and protective equipment. Yet the individual countries developed strategies, some of which proved rather successful (Greece, Austria). In the second stage, the EU successfully coordinated supplies and the start of developing a vaccine.

The response to the ensuing economic crisis was rapid and expansive in the EU as well as in the US, as far as monetary and fiscal policy is concerned. The long-run response, in setting up a European Recovery Fund, is going in the direction of future investment and economic reforms, and much better in Europe than in the US, which returned to old policies like restricting imports and support for heavy industries and oil. China is continuing along the Made in China 2025 strategy and its longer-run 2050 vision, despite of the health crisis and its economic effects. In the long run China tries to become the dominant player in Asia via Development Banks and regional agreements and uses the BRI to enlarge its resource base and export markets.
5. Policy Changes Needed to Improve Europe’s International Leverage

Europe’s size and performance is not mentioned in the international media, but also not realized by European citizens. There exists no strategy among the European Institutions to highlight the advantages of the EU or geographical Europe or the size of investment of EU-countries in neighbor countries in the East and the South, relative to Foreign Direct Investment of China or the US. The advantages of the European socio-economic system become visible only indirectly when socio-political problems in other parts of the world become evident, such as dictatorships, attempts to increase territory, racial discrimination and the handling of the health crisis in the US, China, Russia and Brasilia. Europe has to communicate its advantages actively to the international media and its own citizens. We venture a few projects which could support the visibility of Europe.

A: Europe must more often speak with one voice. This is not easy since diversity is a strength of Europe and the EU is still a community of independent states. But at least the majority of young Europeans consider themselves to be European or at least citizens of both their countries and Europe (European Commission, 2019; De Vries & Hoffmann, 2018). Coordinating voting in international organizations would limit egotistical national interests like past rebates in contributions to the EU-budget or subsidies for national champions. A seat in international organizations from the UN to the WTO or the World Bank would force Europe to coordinate its strategy ex ante and discourage egotistical interests.

B: Europe has to reduce internal inequality between persons and increasingly now again across regions. This would limit nationalism and populism and help Europe benefit from the migration flows needed to limit ageing and labor shortages.

C: Europe should create a Euro debt market with continuous issuance and high liquidity similar to the US Treasury bills and provide a safe asset for international investors looking for alternatives to the dollar, a process started with the ESM. A safe asset is an anchor instrument of the capital market and liquidity would be better insured if it has a broader base, e.g., compared to a German bond. European guaranties as well as controls are necessary; maturities should ideally be distributed over the whole yield curve, but short-term papers may have to make the start. The Banking Reform is a milestone in this direction it has to be complemented by a Capital Union (Gugerell-Tumpel, 2018; European Central Bank, 2020). The planned European recovery fund will offer offers pro rata guaranties for new investment vehicles, where members are liable according to country size. Currently only 23% of international debt as well as international loans are in Euro (compared to 62% and 55 % in Dollar) (Note 4).

D: Europe can try to raise the share of contracts in oil and raw materials contracted in euros. It makes no sense if European firms and governments trade with third countries in dollars, if the US is not involved. Dethronizing the dollar as a reserve currency, enabling Euro-members to increase debt without rising interest rates, could be a European goal. Pressing European banks to cover the losses of US firms after the Financial Crisis (despite the bulk of the problems originating in the US) by
threatening to end their licenses in the US should no longer be an option. Forcing Europe to stop trade with countries which the US wants to sanction would be limited if the US can no longer monitor all transactions by the Swift system.

E: Europe would increase its leverage and cohesion if a European quality newspaper and weekly magazine existed. Financial Time as well as The Economist offer excellent reports, but do not support a common European view, as player in the upcoming new world order. Data on the share of Europe as compared to that of the US are very rare, country differences are highlighted (and then Germany, France look small as compared to the US). A European communication agency would be important too.

F: Europe has to build strong partnerships with neighbors in the East and the South (Aiginger, 2017, 2018). Even if we argue that the share of Europe in GNI, exports and manufacturing is larger than perceived, it will shrink for a given geographical size, due to lower dynamics (which is understandable since other countries have to catch up and European population is ageing). Europe can offer partnership to its neighbors since it is no military power and its lead in fighting climate change offers technologies important to use and adapt in the potentially buoyant neighborhood.

6. Do not Forget Europe and the New Middle Powers

We conclude that it is wrong to speak of a bipolar world today and probably also in the upcoming decades. Europe is the largest market; it enjoys high-quality output and leads in several indicators for well-being and future technologies. We offer quantitative data to prove the current underestimated strengths of Europe more than other papers, if we draw conclusions on the political influence, we have to rely on more subjective assessments, but try to limit this by reporting a multitude of qualitative approaches and assessments.

When it comes to the most widely used quantitative economic indicators, the lead keeps shifting between Europe, the US and China. The EU leads in exports and import market size and is on par with the US in manufacturing (where China leads in quantity supplied, but still often underperforms in quality). The lead also changes from year to year with respect to GNI. This will not extend to all future scenarios since the dynamics are lower in Europe and its share of the world population is declining. However, the speed of Chinese inroads differs significantly according to indicators, and the rate of loss of shares for Europe depends on how Europe is defined. Geographical Europe could become a more important concept if EU enlargement to the Western Balkans succeeds and Europe engages in active partnerships with the East and the South. Thus, there is a future for a tripolar world, with excellent chances for Europe due to its openness and the quality of its socioeconomic model.

European influence is less than could be expected from its economic output and performance. The individual countries, including the EU members, tend to push national agendas and countries with problems recall a past glory which never existed. Representation in international bodies is dominated by some big member countries. Europe has military forces trained for internal conflicts which no longer exist and is incapable of mitigating conflicts in the neighborhood of Europe, for controlling
illegal migration or distributing humanitarian migration within members according to demand or capabilities. It is exporting weapons and subsidizing its agricultural surplus, which then prevents the rise of an agricultural sector, e.g., in Africa.

Europe is leading in fighting climate change according the Paris goals, but not yet with sufficient investment and changes in the price system. That may change due to the European Green Deal. The EU supports investment pacts with social and ecological standards. Europe is leading in longevity; its health system is better able to serve poor people and deal with new catastrophes like COVID-19 than is that of the US. Europe is leading in many aspects of the Sustainable Development Goals, but again doing this with low cooperation. Peace efforts, but also conflicts solution and support in case of humanitarian or ecological catastrophes are supported, as for example the recent one at the port of Beirut.

Despite all shortcomings, we conclude that Europe is, in its geographical dimension, economically as strong as the US and China, the EU is the largest market and will probably extend to countries on the Western Balkan in the next ten years. The Euro is now stable and its share in international payments is increasing. The Euro could approach the position of a world reserve currency, e.g., if Europe offered more safe assets, develop its capital market and the bond market with maturities along the whole yield curve. Increasing the share pf transaction in euros instead of dollars would be important too and limit the inroads of the renminbi.

It is wrong if media describe a bipolar world with the outgoing champion US and the upcoming champion China. Europe, if it acts with higher self-confidence can be a third partner on a level playing field with China and the US. This could improve well-being for Europe, its neighbors, and the new middle powers, and maybe also for citizens in the US and China.

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The Economist. (2020A, January 4). *Poles apart, China, America and the planet’s biggest brake up.*


**Notes**

Note 1. A specific try to compare the size of the economies is the so-called Big Mac Index, an attempt to correct income data by the cost of a Big Mac. For a recent comparison see The Economist (2020C), an article in which the size of China and the US is compared, data for Europe or the EU are missing, some European countries are included, by definition they look small as compared with two blocs of regions or states.

Note 2. DAC countries are those with development assistance statistics made comparable by the OECD. Non-DAC countries with high net spending are Qatar (1.24% of GNI), the UAE (1.09 %) and Turkey (0.54 %). For China, the OECD reports 0.35%.

Note 3. For a European partnership policy with Africa see Aiginger (2017), education in contrast to physical investment or military assistance should be Europe’s advantage.

Note 4. Foreign exchange turnover in Euro is 16%, foreign exchange reserves 20%. The largest inroads of the Euro are as global payment currency with about 40 %, but this is still 5 percentage point less than the share of the dollar, though Europe trade share is nearly double as high as that of the US (European Commission 2018, European Central Bank 2020).