“America’s Wrong Conclusions”

Amidst America’s much vaunted “pivot to Asia” and the Eurozone’s ongoing financial crisis, it is rather unfashionable to stand up for Europe. Still, for those who believe in actual facts rather than dreams and projections, it bears pointing out once again that the EU is the world’s largest economy.

The IMF and the CIA World Factbook both list the EU as the largest economy, $2 trillion ahead of the US and $10 trillion ahead of China; the World Bank’s figures put the US ahead, but still grant the EU a very respectable $12 trillion GDP for 2010.

The impact of the Eurozone’s travails on global markets should be all the evidence needed to demonstrate just how important the EU is as a global economic player. It is national governments that will make the key decisions regarding the fate of both Greece and ultimately the euro itself, but their political determination to find a way through demonstrates just how important it is to Germany and France to be able to wield the power of the EU rather than return to their respective national positions in the world economy.

Equally important, the EU is the second largest military power in the world. France and the UK alone outspend China in absolute terms on military expenditures. Add in Germany, Italy, Spain, Greece and Poland and the EU spends roughly $240 trillion on its armed forces, twice as much as China and one third the amount of the United States.

Diplomatically, Europe holds two out of five seats on the UN Security Council. The EU has the third largest population in the world after India and China, with over half a billion people. And all of those people live under democratic rule; virtually all are allied with the United States and Canada to create a zone of peace, democracy, and wealth that remains a magnet for tens of millions of immigrants every year.

These facts should go without saying, except that somehow they still need to be repeated. Two additional factors make this recitation of Europe’s virtues particularly timely.

First, as the US pivots to Asia it will need Europe more than ever. Who exactly is going to pick up the slack in the Mediterranean, the Middle East, the Persian Gulf, the Western Indian Ocean, and Africa? Who will be helping to build a Libyan economy and society, rebuild Iraq, and create a Mediterranean economic community that can give North African and some Middle East countries real reason to reform; to fight pirates off the coast of Somalia; to send troops quickly in crises like those that have erupted in recent years in Sierra Leone and the Ivory Coast, to help patrol the drug routes along the coast of Western Africa, or even to exercise the rights of all countries to navigate freely in the Strait of Hormuz? Europe (and Canada) has America’s back; the more the US looks to the Pacific, the more it will need back-up in the Atlantic and the Indian oceans.
Second, and ironically, as the US looks to Asia, Asia (or at least China) looks to Europe. China and the EU are each other’s biggest trade partners; China imports more from the EU than from anywhere else in the world. A 2010 report by the China Council for International Trade shows the largest share of China’s foreign direct investment going to Asia (49 percent), followed by 33 percent to Europe and 28 percent to the US. China announced its plans to build a high speed passenger rail line to Europe with great fanfare in 2010; that project now seems to be on hold but China is still actively building Eurasian infrastructure that will create a far more integrated market from Shanghai to London.

Just last month China’s sovereign wealth fund bought a stake in the United Kingdom’s largest water utility, following a trip to China by the British Finance Minister George Osborne in which he urged China to invest in British infrastructure. Denmark has recently decided to prioritize its strategic relationship with China, particularly with regard to the tremendous mineral wealth under the ice in Greenland. China has refused to help float the EU’s bailout fund thus far, but it is hard to believe that the Chinese would like to see the demise of an alternative currency to the dollar, at least until the renminbi is convertible. More likely that Beijing knows how to drive a hard bargain.

The rise of Asia is a world-historical phenomenon and a great boon for billions of people and for the world as a whole. But old friends are far too often taken for granted until we need them. Old silver, properly polished, can last forever. Tin and nickel, shiny and bright, often break under pressure.