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Newsweek

March 26, 2007

Newsweek.com

SPECIAL REPORT

Europe at 50

From Design to Technology, Politics to War,
We Explore the Ways Europeans Lead the World



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Special F

The GOLDEN Moment

As the EU celebrates its 50th birthday, critics say it has one foot in the grave. But many countries now look there, not to America, as a model.

■ A Europe in decline?
Tell that to the young partyers at Paris Plage.

BY ANDREW MORAVCSIK

American Alone. While Europe Slept. Menace in Europe. As the European Union celebrates the 50th anniversary of its founding Treaty of Rome, the pundits agree: Europe is in terminal decline. It is a continental-size museum dropping into the dustbin of history.

That picture is especially popular in America. As U.S. skeptics tell it, the Old World (save for Britain, naturally) is finished. Economies are stagnant. Technological and entrepreneurial energy have passed to Silicon Valley and Bangalore. Politicians are powerless in the face of sclerotic social-welfare systems, coddled work forces and entrenched special interests.

Demographic decline is upon them. Immigration only exacerbates social problems. European foreign policy is anemic. "Europeans are from Venus, Americans from Mars," said Robert Kagan, referring to Europe's lack of military might. Europe, he went on to say, can muster neither the unity nor resolve to stand alongside America on the world's stage. The latest sign: spat over new U.S. missile defenses in Poland and the Czech Republic.

Europe cannot save itself, critics argue, because it has lost any idea what it stands for. The EU recently spent a half decade trying to draft a new constitution, only to see it rejected by discontented Dutch and French voters seemingly fed up with too much "Europe." An anti-Muslim, neonationalist backlash is almost inevitable as Europe fails to integrate its rapidly growing minority populations, warn American conservatives like columnist Mark Steyn, who predicts Europeans will soon wake up "to the call to prayer from a muezzin." The bottom line: Europe is lost.



■ Kids growing up in Europe will pay dearly for a lavish social-welfare system, but Europeans, with

To most who live in Europe—or have visited lately—all this seems wrong, even absurd. As the European Union turns 50 this week, let us consider all that has been achieved. Europe arose from the ashes of the Great Depression and World War II to become whole and free. Half a century ago, only a utopian would have predicted that, today, one can traverse Europe from Sweden to Sicily without encountering a border control and—most of the way—using a single European currency. Or that a tariff-free single market would exist, cemented by a common framework of economic regulation.

Europe is now a global superpower of world-historical importance, second to none in economic clout. It has constructed one of the most successful systems of government—the modern social-welfare state, which for all its flaws has brought unprecedented prosperity and security to Europe's people. It is the single most successful advance in voluntary international cooperation in modern history. The original Euro-

pean Economic Community of 1957 has grown from its founding six members to 27, knitting together just under 500 million people from the western Aran Islands of Ireland through the heart of Central Europe to the Black Sea. Its values are spreading across the globe—far more attractive, in many respects, than those of America. If anything, Europe's trajectory is up, not down. Here's what the critics get wrong.

ECONOMIC REALPOLITIK

BEGIN WITH THE BIGGEST—THAT Europe is bogged down in a cycle of slow growth and mounting, ultimately unsustainable, social costs.

It's true that the past half decade has been difficult for some of Europe's largest economies. The trillion-dollar cost of unification has kept Germany from playing locomotive to the rest of Europe. France and Italy have lagged as well. And yet, Britain is booming, as are the Nordic na-



ceptions, are loath to import the American model

tions. Among the new EU members of Eastern Europe, average growth of 5 percent exceeds that of the United States. Slovakia, Estonia and Latvia are all growing at 10 percent or more annually.

Critics routinely claim that high European wages and social-welfare benefits stall job creation, and that Europeans "resist reform." In fact, there's no evidence for this. If it were so, how then could Europe have enjoyed higher economic growth than America for the bulk of the postwar era? Despite nearly 50 percent tax rates and cradle-to-grave welfare benefits, Northern European social democracies like Denmark, Sweden and Finland grab half of the top slots in the World Economic Forum's ranking of the world's most competitive economies. "Nordic social democracy remains robust," says Anthony Giddens, former head of the London School of Economics—"not because it has resisted reform, but because it embraced it."

Insofar as per capita European growth

lags the United States, it is not because Europeans are uncompetitive. Take Germany, with a larger trade surplus than China's and a growing share of world trade. Output per hour worked is higher in France than in the United States. *Daily* U.S. productivity is higher than in Europe only because employed Europeans choose to work fewer hours than Americans, in exchange for less pay. Remember those six to eight weeks of vacation every European is assured? Most Americans say they would make the same trade-off—if only their employers would permit it.

Europeans indeed pay dearly for their social-welfare systems, but they believe it's worth it. Even in poorer, pro-American Hungary and Poland, polls show that only a small minority (less than 25 percent) wants to import the American economic model. A big reason is its increasingly apparent deficiencies.

Consider health care, the benchmark of any nation's overall well-being. "Americans have the best medical care in the world," President George W. Bush declared in his second Inaugural Address. Yet the facts show otherwise. The United States is the only developed democracy without a universal guarantee of health care, leaving about 45 million Americans uninsured (and as many again undertreated). Worse, whether measured by questioning public-health experts, polling citizen satisfaction or measuring survival rates, the health care

offered by other countries increasingly ranks above America's. U.S. infant-mortality rates are among the highest for developed democracies. The average Frenchman, like most Europeans, lives nearly four years longer than the average American. Small wonder that the World Health Organization rates the U.S. health-care system only 37th best in the world, behind Colombia (22nd) and Saudi Arabia (26th).

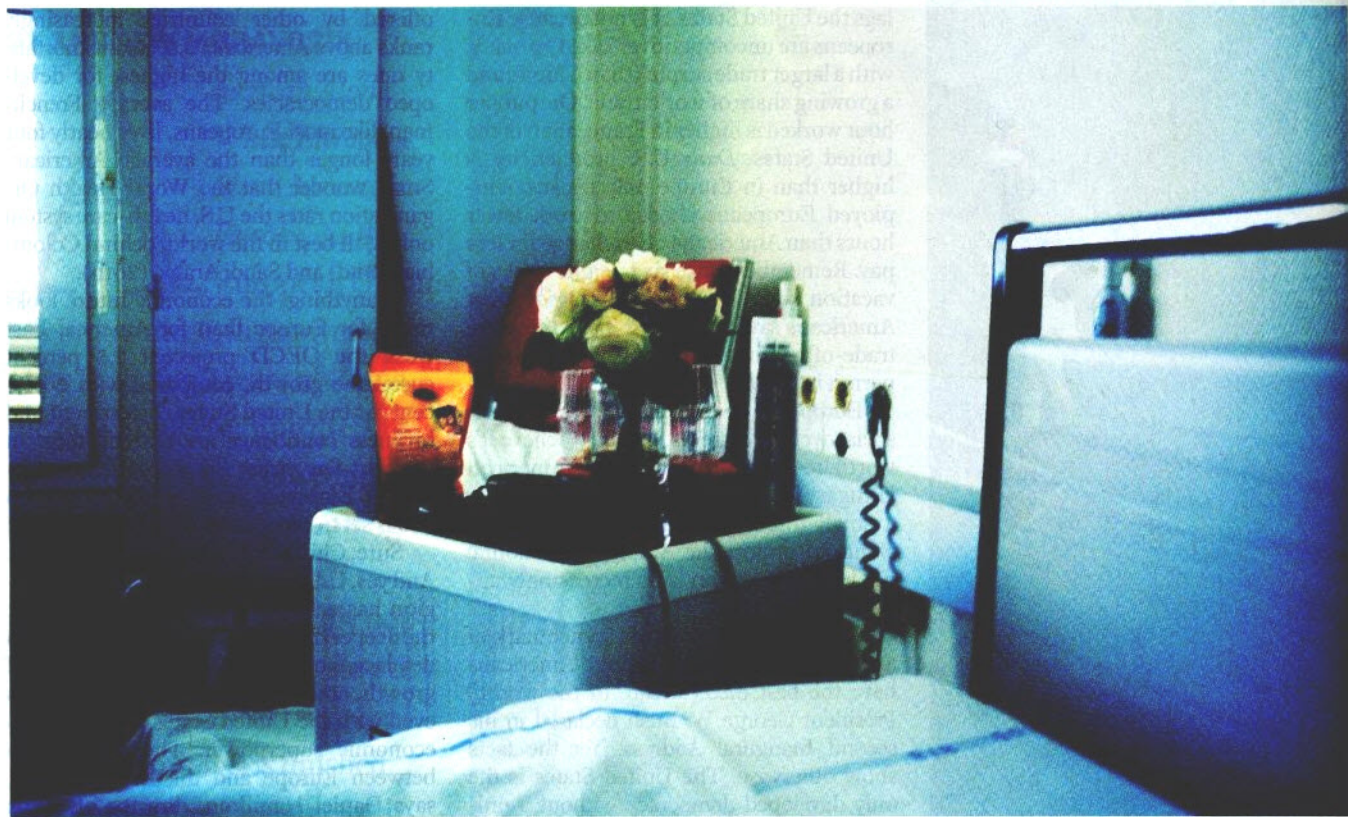
If anything, the economic future looks rosier for Europe than for America. Last week the OECD projected 2.5 percent euro-zone growth, compared with 2 percent for the United States. Investment and business confidence are skyrocketing. In the next few years, the market capitalization of European firms in the global top 500 is set to exceed that of U.S. firms.

Sure, China and India get the headlines. And yes, U.S. trade with the Asia/Pacific region has eclipsed trade with Europe. But the deeper truth is that investment long ago displaced trade as the leading driver of growth, and in this respect Europe stands even with the United States as the world's economic superpower. The relationship between Europe and the United States, says Daniel Hamilton, director of Johns Hopkins's Center for Transatlantic Studies, "is by a wide margin the deepest and broadest between any two continents in history."

Nearly 60 percent of U.S. foreign investment goes to Europe. U.S. business invests considerably more every year even in

■ A European is likely to live longer than an American; sunbathing in Sweden (below)





■ Hospital rooms, like this one in Paris, will in the years to come get an influx of older Europeans; a smaller pool of workers will pick up the tab

small European nations like Belgium, Ireland or Switzerland than in the whole of China or India. U.S. corporate profits in tiny Switzerland alone last year totaled four times earnings in China and 23 times earnings in India. And the reciprocal holds as well. European investment in the United States accounts for two thirds of all foreign direct investment. Every year, inward European investment in a few U.S. states—recently Georgia, Indiana and Texas—is greater than all U.S. investment in China and Japan. Bottom line: few Americans realize how much their own prosperity depends on Europe, and how inseparably the two economies are linked.

DEMOGRAPHIC SCARE

SOcial democracy is unsustainable without the workers to pay for it. Therein lies a deeper source of Euro-pessimism. Declining birthrates mean that the ratio of the workers to retirees (those over 60) will worsen from 5:1 today to less than 2:1 by 2050. “The nightmare scenario,” says Mark Leonard of the Open Society Initiative for Europe, “is of a European economy increasingly hollowed out as a bloated population of pensioners living off the backs of an ever smaller pool of workers.”

Yet Leonard himself does not believe

this will happen. Neither does the European Commission, which estimates that even modest reforms—say an increase in retirement age of five years—would be enough to restore Europe’s pension and welfare systems to firm financial footing. More robust economic growth would help, too. Europe is also likely to turn to immigration to help replenish its shrinking work force. Says Joschka Fischer, a former German foreign minister: “Europe will have no choice but to open the doors.”

This, critics claim, raises the most harrowing scenario of all for Europe—cultural extinction. European societies face seemingly insuperable difficulties integrating Arab Muslim immigrants. Today Muslims comprise only 5 percent of Europe’s population; within 20 years, however, their numbers may double, in part as a result of generous family-reunification policies. This incites all sorts of lurid warnings about a future “Eurabia” and the erosion of a purely European civilization. High-profile race riots, terrorist acts and controversies over everything from headscarves to ethnic profiling have not helped. Absent adequate socioeconomic opportunities, neither traditional Islamic authorities acting within relatively permissive multicultural enclaves, as in the Netherlands and Britain, or a combination of assimilation and stiff law enforcement, as in

France, appears to be able to stop the spread of extremist ideology and violence.

Yet it is easy to exaggerate these trends. For all the problems, statistics show that levels of immigrant and religious violence in Europe are not substantially higher than in America. In the years to come, jobs vacated by retiring baby boomers will open to the young immigrant unemployed, easing fears among natives that the newcomers will steal jobs and erode social-welfare benefits. Across Europe, immigration laws have lately become more selective—with greater encouragement of immigration from non-Arab countries. Nowadays, one half of immigrants in Spain (30 percent of Europe’s current flow) come from Latin America. Anywhere between 300,000 and 600,000 Poles are currently reported to be working in Britain, and a half million more in Germany. In the end, the specter of restive immigrant populations unsettling Europe, let alone undermining its culture, is overblown to the point of unreality.

THE QUIET SUPERPOWER

AMERICAN REALPOLITISTS LIKE to talk about a “unipolar” world, bestrode by a sole superpower. The success of the European Union proves just the opposite: the world

