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# Europe: a global power with global reach?



By [Johnathan Story](#)

**All EU assessments appear to indicate that ‘business as usual’ points to a downward track of growth at home and reduced influence abroad. But if we wish for something better, then perhaps we should start by thinking differently about Europe, and then matching our thoughts with our actions, writes INSEAD emeritus professor Jonathan Story.**

A good foreign policy, it has always been recognised, starts at home. Judged by this measure, Europe’s foreign policy must be in deep trouble. The picture looks even bleaker when we observe an ageing Germany locked into a structural surplus within the EU. Added to this, the Lisbon Treaty has got off to a problematic start. By contrast, successive signals from Washington indicated that the US now looks to China, not the EU, as its main rival and partner on the world scene.

There can be little surprise about the gloom surrounding the EU. All assessments appear to indicate that ‘business as usual’ points to a downward track of growth at home and reduced influence abroad. Demography shrinking. Leisure rather than work. Bankrupt governments.

Frustrated publics and growth of radical movements. If we accept this diagnosis, the argument runs, we may as well enjoy decadence before it starts getting nasty. But if we wish for something better, then perhaps we should start by thinking differently about Europe, and then matching our thoughts with our actions.

Europe has to be confident that it is *sui generis*. It is not like others, and because of that it appreciates that they are different. The puritans of EU integration, the Thatchers of “ever deeper union”, aspire for our member states and peoples to be exclusively married to Brussels. We should do what others do, they say, like the sovereign powers of the United States and China. There is No Alternative, they cry. Well, there is. Our member states, and their peoples, think and act polygamously. They like to pick and choose who they live with. They get claustrophobia about the idea of monogamy.

Polygamy is the European way of life, and has been for centuries. That is why Europe has so many links into the rest of the world, unparalleled by any other continent. There is no part of the world with which one or other member state or citizen is not in touch with through formal bilateral ties, through membership in a plethora of international organisations or through corporate ties. Europe is the world’s number one economy, and trader. Its labour force is 225 million strong, and yields a per capita income of \$32,000, less than the high productivity labour force of the US at \$46,000, but six times that of China. The EU is China’s prime trade partner, as it is for Africa, Russia, the Middle East and Gulf, the Mediterranean countries, while counting among the top trade partners of Latin American countries and India.

More importantly, the European footprint on the world economy is giant size. It is overwhelmingly the world’s prime recipient of inward investment, and by far the largest source of foreign direct investment in the world – with a stock of historic cost based foreign assets about twice that of the US. Even more to the point, given the central role in the global economy of multinational corporations, the EU and the US both chose to place the great part of their stock in each other, while over the past two decades EU corporations have accounted for more than 70 per cent of the total inward investment to the US. The total stock of US investment in Spain alone is greater than the combined position of the US in China and India together, and the EU investment stock in China is barely five per cent that in the US.

If all this is so, how come that the rest of the world either does not understand or does not take the EU as a serious player? The answer is that until the Europeans say who they are, and affirm their arrangements as *sui generis*, not comparable to anywhere else in the world, they cannot expect others to appreciate their identity. This can be seen in three areas: armed forces, investment and sport.

Take military matters first. It has been obvious for some time that Iran is aiming to achieve nuclear warfare capabilities. Iran's leadership has declared its preference to liquidate Israel, a close European ally. Given the weight of the Holocaust in Israeli memories and in those of Europe, this is many steps too far. All the more so, because an Iranian delivery capability will have the potential to target EU territories. As the Iraq war showed, it is very problematic for the EU to "talk with one voice" in matters military-diplomatic. That would have been the best tactic: not cavilling on the sidelines, but sending a powerful confederal EU contingent to the Gulf. It did not happen. But for the EU to be effective, the lesson could be learnt: better a choice between "one voice" and a flexible confederal arrangement, than a choice between "one voice" and none.

Then comes investment. The EU's combined footprint in China is huge. China's foreign direct investment in Europe is tiny. True enough, that means that the Chinese party-state can hold EU investors to ransom by skewing procurement and standards to the benefit of Chinese state corporations. But it also means that the EU has at its disposal a galaxy of information about the detailed workings of China's market-state system that is waiting to be deployed for the preferential benefit of EU companies. A proposal to this effect has been submitted to the Commission by the Friends of Europe's China Advisory Council, entitled 'Winning China's Markets.' It proposes a network arrangement whereby member state information centres and support units in China become 'multi-hatted' to represent the EU as a whole, to make the EU a brand name in China, and above all to serve the direct interest of EU businesses on the ground. This could serve as a model for the EU presence in the world.

Then there is sport. The opening ceremony of the Beijing Olympics in September 2008 was exploited by the Chinese leadership to declare its espousal of universal norms of friendship between the peoples of the world, combined with a display representing China's millennial cultures. There was barely a mention of the regime's founder, other than the President wearing a Mao suit. At the Games, China's athletes competed with impressive results:

China came first with a tally of 51 golds, 21 silver and 28 bronze medals for a grand total of 100 medals; the US came second with 36 gold, 38 silver and 36 bronze for a grand total of 110 medals; Russia came third, with 23 gold, 21 silver and 28 bronze for a total of 72 medals. But the overall winner, far ahead of any other part of the world in terms of medal tally, was the combined EU member states with 280 – nearly three times China’s impressive score. If the results of the Ukraine, Norway, Turkey, Switzerland, Croatia and Serbia are added, the tally rises to 340.

What does war, investment, and sport have in common, one may ask, and what has this to do with the EU’s position in the world? My answer is: everything. Military policy is made, corporate investors are rooted, and sport issues are promoted at member state level. Judged on a world scale, the EU is a global power with global reach, while the aggregate of standards among EU member states is very high, and capable, to boot, of indefinite improvement. All we have to do to ensure success is to reproduce more.

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