

THE ECONOMIC COMPETITION BETWEEN UNITED STATES, EUROPEAN UNION AND CHINA

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Abstract

The economic and political developments at the end of the 20th century, but especially those at the beginning of the 21st century, have led to numerous debates, analyze and forecasts on international power structures. Various debated events, such as economic, social and political crises of multiple magnitudes, military-ideological conflicts in different areas of the world, migration flows and socio-cultural transformations, have announced new phenomena regarding power centers of the world economy. Under the impact of these international events, there is often discuss about the decline of American supremacy, European economic reformation and the rise of emerging economies, especially China. Related to these developments, different models of power structures are emerging, in which countries and groups (especially the United States, the European Union and China) rotate among themselves in the hope of designing a system of world power. Among all the nuances of power, the most important component remains economic power, being the decisive element of the development of other types. For this reason, in the world power relations, a clear picture of the existing power structures is needed. This study aims to analyze the economic competition and the power hierarchy between the United States, the European Union and China.

Keywords: *power centers, economic competiton, economic power, American supremacy, the rise of China.*

1. Introduction

The power manifestations in the world economy have multiple implications in states and international organizations` lives. Through its various instruments, from different fields as economics, military, sociology, politics, tehnology, culture, international actors exert their power, changing the configuration of world economy. From a historical point of view, there have been several phases of power manifestation in the world economy: ancient empires, colonial powers, bipolarity, unipolarity, multipolarity. Even if multipolarity has been met before; it has never manifested itself at such a high intensity as now, including so many states and actors. Despite the nowadays situation, the most powerful actors remains the United States, the European Union and China, which have developed a great economic competition between them. This competition is worthy to be analyzed since it includes many economic components and it manifests from a long time, causing permanent changes of hierarchy between states. This study aims to offer a clear picture of economic competition between these three great powers, resorting to comparing various economic, trade, investment and social indicators.

2. Literature review

Generally, power is associated with concepts such as influence, force, capability, domination, constraint and authority. An attempt to define power is the one through which power is compared with the imposing of your own will within social relations in

spite of the existing oppositions. (Pausenberger, 1983, p. 131)

On the other hand, power describes the ability of a nation or a political actor to influence the behavior of other actors using economic or military incentives. (Bucur, 2015, p. 9) Also, power can be seen as the taking decisions` capacity and the ability of putting it into effect. (Chirovici, 2009, p. 21) These processes are initiated by two instruments: the negative one, which involves coercion, the positive one, which appeals to open acceptance. (Bal *et al*, 1999, p. 37)

Despite all these attempts, the definition of power can be sum up as the capacity to influence the world economy, manifesting by an economic or political actor, a multinational company or an international organization. The influences of these actors are structured on five dimensions such as economic, military, physical, political and cultural, the economic component being the most important. (Kebabdjian, 1994, p. 297)

Over time, economic power has manifested itself in various forms of power, especially military one. The military and economic supremacy was held by different ancient, medieval and colonial empires, making them either regional or international power. But, that multipolarity was not as intense as it is today, because the economic power is more active (including commercial, investment, financial and monetary instruments) and the military component has turned into various soft power.

After various configurations since post-war period, in the direction of bipolarity-unipolarity-multipolarity, the world economy is looking for a stable power structure.

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A first option is a structure based on American supremacy and some regional powers such as Germany, China, France, Japan, Russia, Brazil, India, South Africa and Nigeria for solving international problems. (Huntington, 1999, pp. 35-36)

Another option is to restore at bipolarity system between the United States and Russia Federation (Achcar, 2002, p. 14), even if there are some differences between these two economies.

There is, also, the possibility of a trio formula, based on the trade triad between the United States, the European Union and Japan (Hirst *et al*, 2000) or adding India to these. (Mahbubani, 2008)

Considering all of this, we believe that the international structure of economic power is built from three pillars: the United States, the European Union and China. The other states and the entire world economy are influenced by the economic competition between these three great powers.

But, it is considered that even if their decisions can influence the international environment, their actions must be confirmed or blocked by a secondary group of powers, including Japan, Russia and India. (Khanna, 2008, pp. 17-21)

Even if, from different points of view (political, cultural, military, technological, social) there are various models of power structures, demonstrating the multipolar character of world, the economic evolutions after the financial crises of 2007-2008 reveal an economic competition between the United States, the European Union and China.

2. Methodology

In order to analyze the economic competition between the United States, the European Union and China and to compare these three major world power, we use 35 indicators of 2017 from World Bank's statistical database (Annex 1). These indicators reflect different elements of economic power such as Gross Domestic Product (GDP), trade, foreign direct investments (FDIs), Gross National Income (GNI), export costs, inflation, business environment and labor market.

For every indicator used, the United States, the European Union and China are compared each other and every one gets a score between 3 and 1, of which a score of 3 means that an economy has the best position comparing with the other two and a greater disponibility to manifests his economic power. For example, China's GDP based on purchasing power parity is almost \$23.3 trillion, followed by the European Union with about \$21 trillion and the United States with around \$19.4 trillion. In this case, China will be scored with 3, the European Union with 2 and the United States with 1.

At the end, the scores of every indicator are gathered, suggesting the economic hierarchy between power centers. The maximum final score for an economy can be 105 points, if that state has only scores

of 3 at all 35 indicators. On the other side, if an economy has only scores of 1 at all indicators, the final score may not be less than 35 points.

3. Analysis and findings

According to Annex 2, the European Union is better positioned at 15 indicators, while the United States at 12 indicators and China at 8.

Starting with the European Union, Table 1 reflects the European economy's advantages, driven by trade, export costs, foreign direct investments and inflation. Thus, the European Union has the lowest cost to export and the fastest time to export based on documentary compliance.

Table 1

European advantages	China	US	EU
Cost to export, border compliance	1	2	3
Cost to export, documentary compliance	1	2	3
Current account balance	2	1	3
Exports of goods and services	2	1	3
External balance on goods and services	2	1	3
Foreign direct investment, net	1	2	3
Foreign direct investment, net inflows	1	2	3
Foreign direct investment, net outflows	1	2	3
Fuel exports	1	2	3
High-technology exports	2	1	3
ICT service exports	1	2	3
Inflation	2	1	3
Service exports	1	2	3
External balance on services	1	2	3
Time to export, documentary compliance	1	2	3

Practically, according to Annex 1, for European Union, the costs to export reach almost \$85 regarding border compliance and about \$17 by documentary compliance. European Union is followed by United States with \$175 for first type of cost and \$60 for second one. Also, the European Union's time to export regarding documentary compliance is almost 1.4 hours, followed by United States with 1.5 hours and China with 21.2 hours.

Beyond the costs and time to export, the European economy's benefits are related to exports volume, both goods and services, as well as fuels, information and communication technology (ICT) services and high-technology. Thereby, according to Annex 1, the European Union exports goods and services worth \$8 trillion, more than China and the United States combined. Also, the European Union's fuels exports

(\$278 billion) are higher than American (\$165 billion) and Chinese ones (\$35.5 billion). Moreover, the European's service exports reach almost \$2.3 trillion, while the American ones are about \$797.7 billion and the Chinese ones a little bit over \$200 billion.

From those \$2.3 trillion service exports, almost \$613 billion are represented by high-technology exports and nearly \$277 billion by ICT service exports. However, these exports are superior to those recorded by United States and China. The first exports category reaches almost \$504 billion in China and \$110 billion in the United States. The second one is higher in the United States than China with \$15 billion.

It is seems that the economic power of European Union is mainly driven by trade. Even in the case of external balance on goods and services, European Union has superiority due to its trade surplus of almost \$653.8 billion, while the Chinese one is about \$210 billion and the United States has trade deficit. But, if we are looking at external balance on services, China is the one which has trade deficit, while the American surplus is almost \$255 billion and the European one more than \$367 billion.

Despite its trade superiority, the European Union is the largest investor and attracts the most foreign direct investments, followed by United States and China. Practically, according to Annex 1, the European Union invests twice more than the United States and seven times more than China. Also, European economy attracts more foreign direct investments than United States and China together, having a net FDI over \$160 billion.

The last two indicators to which the European Union is better positioned than the United States and China are the current account balance and the annual inflation rate at consumer prices. In both cases, the European Union is followed by China. Regarding first indicator, the European current account balance reaches almost \$443 billion, while the Chinese one is about \$165 billion and the American one is negative. On the other side, the European inflation rate is almost the same as the Chinese one, while the United States records 2.13%.

As we mention before, after European Union, the United States has 12 indicators scored with 3, indicating the best position recorded by American economy. Related to Table 2, United States' benefits are multiple: a favorable arms trade, high levels of GDP and GNI per capita, a positive and high net migration, trade surpluses on arms, fuel and services, a low dependency on fuel imports, a small population ages 65 and above and the fastest time to start a business and to export. To almost all of these indicators, the United States is followed by European Union, excluding external balance on fuel, arms and fuel imports.

So, starting with trade, United States is the biggest arms exporter, with almost \$12.4 billion, more than European and Chinese export together, as it can be observed in Annex 1.

Table 2

American advantages	China	US	EU
Arms exports	1	3	2
Arms imports	2	3	1
External balance on arms	1	3	2
Fuel imports	2	3	1
External balance on fuel	2	3	1
GDP per capita, PPP	1	3	2
GNI per capita, PPP	1	3	2
Net migration	1	3	2
Population ages 65 and above	1	3	2
Time required to start a business	1	3	2
Time to export, border compliance	1	3	2
Unemployment	1	3	2

Also, the United States has the lowest volume of arms imports, about half of billion, which is translated to a trade surplus of almost \$12 billion, twice than the European Union and China together. But, from this trade surplus, it has to be reduced the deficit regarding fuel trade, counted at nearly \$40 billion. Even so, this deficit is lower than the Chinese one (\$231 billion) or the European one (\$309 billion), making the American economy to be in a better position. Moreover, the low level of fuel trade deficit is due to the American economy's independence on fuel imports. Comparing with the European Union and China, the United States imports fuel of only \$204 billion, two times less than European Union and with almost \$60 billion less than China. The last, but not least, the time to export, related to border compliance, is 1.5 hours in United States, comparing with almost 8 hours in European Union and about 26 hours in China.

Despite all these, the United States can not rise to the commercial power of European Union, which has more trade advantages than United States. But, American economy is more attractive than the European one. The net migration for United States is about 4.5 million people, compared to 4.32 million people recorded by European Union. As far as China is concerned, its net migration is negative, which means that almost 1.6 million people prefer to leave China than stay there.

The American attractiveness results, also, from its high levels of GDP and GNI per capita, based on purchasing power parity. According to Annex 1, in the United States' GDP and GNI per capita reach almost \$60,000, bigger than European Union and China values together. In fact, the American's GDP and GNI per capita are three times higher than the Chinese ones.

In addition, the United States' business environment is attractive for investors because the time required to start a business is faster than in the European Union and China. For such a process, it takes 5.6 days in United States, twice as fast as in the European Union and four times faster than in China.

However, the United States remains the world` second investor regarding FDIs and the second destination of FDI inflows after the European Union.

Nevertheless, the United States has superiority to the European Union in the social field. European Union has no score of 3 at any social indicator, its power being based on trade, investments and a low inflation rate. In social field, the United States has the smallest population ages 65 and above and the lowest unemployment compared with European Union and China. Therefore, the American population over the age of 65 counts 50 million people, while the European one is double and China has three times more old people than United States. Moreover, the American unemployment is just over 7 million people, while in the European Union there are about 19 million unemployed, almost half as much as in China. So, from a social point of view, the United States is more advantaged and attractive than European Union, while the European economic power is based, mainly, on trade and investments.

In the middle of these two, there is China, which has 8 indicators scored with 3, according to Annex 2, less than the European Union and the United States. But, China is in the middle of these two because here is a mix of power between trade, business, financial reserves and social facts, its advantages being represented in Table 3.

Table 3

Chinese advantages	China	US	EU
Imports of goods and services	3	2	1
GDP, PPP	3	1	2
GNI, PPP	3	1	2
Labor force	3	1	2
Population ages 0-14	3	1	2
Profit tax	3	1	2
Service imports	3	2	1
Total reserves (includes gold)	3	1	2

Practically, China has the highest values of GDP and GNI based on purchasing power parity, the biggest young population, a massive labor force, the largest financial reserves, the lowest profit tax and the most reduced volume of goods and service imports.

Starting with Chinese GDP and GNI based on purchasing power parity, their value exceeds \$23 trillion, while the European ones are close to \$21 trillion and the American ones over \$20 trillion, as it can be observed in Annex 1. Also, China has the lowest volume of imports of goods and services, about \$2.2 trillion, by which almost 472 billion are service imports. China is followed by the United States with \$2.9 trillion, by which nearly 542.2 billion are service imports, while the European total volume of imports reaches \$7.3 trillion and nearly \$1.9 trillion are related to services.

Regarding business environment, the profit tax in China is 11% of commercial profits, while the European average is 12.41% and in the United States this tax reaches almost 28%, according to Annex 1.

In social field, it is necessary to mention that China`s young population reaches 245 million people, three times higher than European one and about four times more than in the United States. The difference is almost the same for labor force, being about 787 million people in China.

Finally, the last indicator where China has an advantage compared with the European Union and the United States is the size of reserves, including gold. Practically, the Chinese reserves are estimated at \$3.24 trillion, more than double than the European ones. In the same time, the United States reserves are below \$500 billion.

Nevertheless, China cannot reach the commercial power of European Union or its investmental potential. Also, the United States remains the greatest military power and the most attractive destination for people because of its high living conditions. In these circumstances, China needs more time to develop itself and to minimize the differences which separate it by the European Union and the United States.

4. Conclusions

Power is highly met in all society components, but manifests itself stronger in international relations. It can be defined by an economic, social or political actor (person, state, international organization, multinational company) which influences the other actors` activities through various methods and instruments (economic, political, moral, cultural, military, technological), the economic ones being the most important and decisive. The economic manifestation of power was the most commonly used, even though it was expressed in other forms of power, especially military, over time.

Historic states` evolutions and mutations of economic and social conditions have caused changes in power structures. Over time, many states have had the chance to lead and to hold the power, changing the world hierarchy. Today`s multipolarity has reached a level that has not been reached before, in which economic competition is disputed between the European Union, the United States and China.

Table 4

Frequency of scores	China	US	EU
Score of 3	8	12	15
Score of 2	8	12	15
Score of 1	19	11	5
Final score	59	71	80

In Table 4 there is the scoring summary obtained by the European Union, the United States and China. The first one sums up most of the 3 and 2 scores, followed by the United States. Practically, after

comparing these three great powers, the European Union has 15 indicators scored with 3 and the same number of indicators scored with 2. Also, the United States has 12 indicators for each these two score categories, while China has 8 indicators for both. In the same time, the most indicators scored with 1 are met in China's case, having more than the United States and the European Union together.

However, according to our calculations, the European Union has 80 points, the highest final score. This means that the European economy is better positioned than the American or Chinese one and exerts greater influence in the world economy. The European Union's economic power is mainly driven by trade, but also by low inflation and an investment environment, making it the largest investor and the most attractive destination of foreign direct investment.

The second position is taken by the United States with 71 points. Even if the United States cannot reach the commercial and investment power of European

Union, the American economy is more attractive than the European one due to higher living conditions and the short time to start a business. Also, the United States' advantages include great military capabilities, high net migration, low dependency on fuel imports and a low population over 65 years.

China is weaker positioned than the European Union and the United States. Its final score is 59 points, but Chinese power is driven by a mix of facts related to trade, business, social issues and financial reserves. With its massive labor force, the youngest population and its large financial reserves, China has the power to recover the gaps which make it inferior to the European Union and United States.

Nevertheless, the economic competition between the European Union, the United States and China remains open. It may be the subject of future research, which could include several indicators or more power's dimensions.

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Annex 1

Indicators	China	United States	European Union
Arms exports (billion US\$)	1.13	12.39	8.08
Arms imports (billion US\$)	1.12	0.55	2.70
External balance on arms (billion US\$)	0.01	11.85	5.38
Cost to export, border compliance (US\$)	484.10	175.00	85.21
Cost to export, documentary compliance (US\$)	84.60	60.00	16.96
Current account balance (BoP, billion US\$)	164.89	-449.14	442.81
Exports of goods and services (BoP, trillion US\$)	2.42	2.35	7.95
Imports of goods and services (BoP, trillion US\$)	2.21	2.90	7.30
External balance on goods and services (billion US\$)	210.73	-552.27	653.79
Foreign direct investment, net (BoP, billion US\$)	-66.31	24.39	164.19
Foreign direct investment, net inflows (BoP, billion US\$)	168.22	354.83	604.92
Foreign direct investment, net outflows (BoP, billion US\$)	101.91	379.22	769.11

Fuel exports (billion US\$)	35.46	164.88	278.07
Fuel imports (billion US\$)	266.51	204.80	587.10
External balance on fuel (billion US\$)	-231.04	-39.91	-309.03
GDP per capita, PPP (current international \$)	16,807	59,532	41,192
GDP, PPP (trillion international \$)	23.30	19.39	21.11
GNI per capita, PPP (current international \$)	16,760	60,200	41,074
GNI, PPP (trillion international \$)	23.24	19.61	21.05
High-technology exports (billion US\$)	504.38	110.12	613.30
ICT service exports (BoP, billion US\$)	26.98	42.22	277.45
Inflation, consumer prices (annual %)	1.59	2.13	1.58
Labor force, total (million people)	786.74	163.46	248.38
Net migration (million people)	-1.62	4.50	4.32
Population ages 0-14, total (million people)	245.07	61.60	78.96
Population ages 65 and above (million people)	147.53	50.20	101.31
Profit tax (% of commercial profits)	11.00	27.90	12.41
Service exports (BoP, billion US\$)	206.45	797.69	2,299.74
Service imports (BoP, billion US\$)	471.87	542.47	1,932.11
External balance on services (billion US\$)	-265.42	255.22	367.63
Time required to start a business (days)	22.90	5.60	11.66
Time to export, border compliance (hours)	25.90	1.50	8.11
Time to export, documentary compliance (hours)	21.20	1.50	1.39
Total reserves (includes gold, trillion US\$)	3.24	0.45	1.40
Unemployment, total (million people)	36.78	7.13	18.91

Source: own representation based on "World Development Indicators", The World Bank, last modified January 30, 2019.

Annex 2

Indicators	China	United States	European Union
Arms exports (billion US\$)	1	3	2
Arms imports (billion US\$)	2	3	1
External balance on arms (billion US\$)	1	3	2
Cost to export, border compliance (US\$)	1	2	3
Cost to export, documentary compliance (US\$)	1	2	3
Current account balance (BoP, billion US\$)	2	1	3
Exports of goods and services (BoP, trillion US\$)	2	1	3
Imports of goods and services (BoP, trillion US\$)	3	2	1
External balance on goods and services (billion US\$)	2	1	3
Foreign direct investment, net (BoP, billion US\$)	1	2	3
Foreign direct investment, net inflows (BoP, billion US\$)	1	2	3
Foreign direct investment, net outflows (BoP, billion US\$)	1	2	3
Fuel exports (billion US\$)	1	2	3
Fuel imports (billion US\$)	2	3	1
External balance on fuel (billion US\$)	2	3	1
GDP per capita, PPP (current international \$)	1	3	2
GDP, PPP (trillion international \$)	3	1	2
GNI per capita, PPP (current international \$)	1	3	2
GNI, PPP (trillion international \$)	3	1	2
High-technology exports (billion US\$)	2	1	3
ICT service exports (BoP, billion US\$)	1	2	3
Inflation, consumer prices (annual %)	2	1	3
Labor force, total (million people)	3	1	2
Net migration (million people)	1	3	2
Population ages 0-14, total (million people)	3	1	2
Population ages 65 and above (million people)	1	3	2
Profit tax (% of commercial profits)	3	1	2
Service exports (BoP, billion US\$)	1	2	3
Service imports (BoP, billion US\$)	3	2	1
External balance on services (billion US\$)	1	2	3
Time required to start a business (days)	1	3	2
Time to export, border compliance (hours)	1	3	2
Time to export, documentary compliance (hours)	1	2	3
Total reserves (includes gold, trillion US\$)	3	1	2
Unemployment, total (million people)	1	3	2
Final score	59	71	80

Source: own calculation.