**Headline:** Even If Joe Biden Wins in a Blowout, the ‘Global Economy’ Is Not Coming Back

**Teaser:** New economic imperatives are forcing nations to make a choice.

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**[Article Body:]**

COVID-19 has not only presented the global economy with its greatest public health challenge in over a century, but also likely killed off the notion of America’s “[unipolar moment](https://unc.live/3jnyOcB)” for good. That doesn’t mean full-on autarky or isolationism but, rather, enlightened selfishness, which allows for some limited cooperation. Donald Trump’s [ongoing threats to impose additional tariffs on a range of EU exports](https://www.ft.com/content/f51be172-746f-48f2-9b9d-ac782b707c76) are exacerbating this trend as the old post-World War II ties between the two regions continue to fray. Even the possibility of a Biden administration is unlikely to presage a reversion to the status quo ante. Regionalization and multipolarity will be the order of the day going forward.

Many will regard these developments as chiefly driven by geopolitical prerogatives. But over time, the driving engine of the process will be a combination of maturing technologies that are rewriting the laws of profitability in manufacturing and production for advanced economies. The various capacities that enabled a far-flung global supply chain and sent the economies of Asia into hyperdrive over the past 40 years have continued to mature. The rise of China, South Korea and Japan in this period is just a phase of a larger series of advances that are now likely to become more distributed and at the same time reshuffle the geopolitical trend lines we currently experience.

The reshuffling is coming in large part because America’s historic military dominance has less relevance in a world where the new forms of competition place greater weight on access to advanced research and technologies, rather than the projection of brute military force (especially given the increasing proliferation of nuclear technologies and the rise of asymmetric warfare). Furthermore, the lack of American manufacturing capacity has left it open to a significant loss of influence to the benefit of other regions, notably China (in Asia), and Germany (in the European Union).

China in particular will likely remain both a geopolitical and economic rival to the United States for the foreseeable future, especially as it already supersedes the United States in some areas of technology (such as 5G), and is increasingly becoming the locus of economic activity in Asia. As yet, Asia is by no means a cohesive economic or strategic bloc (such as the European Union), especially given the ongoing American influence in countries such as Japan, South Korea and Taiwan. But longer term, it is hard to believe that an independent democratic Japan would embrace a foreign policy stance that risks antagonizing [a country of almost 1.4 billion people](https://en.wikipedia.org/wiki/Demographics_of_China) with nukes. According to [some projections](https://www.pwc.com/gx/en/world-2050/assets/pwc-the-world-in-2050-full-report-feb-2017.pdf), by 2050 Japan will likely constitute about one-eighth of China’s GDP, South Korea much less. On the basis of that size disparity, strategic triangulation is a non-starter. Japan will no more be able to “balance” China than Canada today can “contain” the United States. It is likewise difficult to envisage Seoul continuing to have its own relations with the North being continuously subject to the vagaries of Pentagon politics in D.C. Heightening instability on the Korean peninsula is hardly in the long-term interests of either Seoul or Pyongyang.

By the same token, the idea of a [broad but shallow trilateral United States-EU-Japan bloc against China](https://itif.org/publications/2020/05/21/chinas-reaction-pandemic-shows-why-us-and-its-allies-need-nato-trade) is also a fantasy because the European Union, like Japan, increasingly finds its own interests clashing with those of the U.S. These tensions have manifested themselves fully in the [current dispute over Huawei](https://asiatimes.com/2020/07/world-splitting-into-pro-and-anti-huawei-camps/), China’s largest telecommunications equipment manufacturer. The Europeans, especially Germany, may well be too invested in China to side with the United States in this particular dispute given its strong pre-existing commercial ties with the former, as Wolfgang Munchau’s Eurointelligence [highlights](https://bit.ly/3hovc88):

“China is Germany’s biggest trading partner. Merkel continues to seek dialogue with China and insisted that ties with the country are of strategic importance to the EU. If this can be called a strategy it is clearly motivated by economic interests. These days, German car makers are dependent on the Chinese market, where record sales in Q2 compensated for the fallout from the pandemic in other markets, the FAZ reports.”

This also applies in the specific case of Huawei, where the U.S. is spearheading an attempt to limit the Chinese company’s global reach on national security grounds. [Berlin in particular](https://nam03.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.economist.com%2Fbriefing%2F2020%2F07%2F16%2Famericas-war-on-huawei-nears-its-endgame%3Futm_campaign%3Dthe-economist-today%26utm_medium%3Dnewsletter%26utm_source%3Dsalesforce-marketing-cloud%26utm_term%3D2020-07-16%26utm_content%3Darticle-link-1&data=02%7C01%7CStephen.Auerback%40lexisnexis.ca%7C6e1801763ecf484837fc08d829d2c831%7C9274ee3f94254109a27f9fb15c10675d%7C0%7C0%7C637305332565357701&sdata=Hqfy%2Bx%2FFkEZGiDKsi224x%2Bl8u9rDte%2F1H6ciGUMVqDQ%3D&reserved=0) is seeking to balance the tensions of preserving an increasingly fraying relationship with the U.S. versus safeguarding emerging German commercial interests in China. The Merkel government is expected to make a definitive decision on Huawei by the autumn when the German parliament reconvenes; this will have significant implications for Europe as a whole, as an increasing number of EU member states [are moving away from the firm’s 5G wares](https://asiatimes.com/2020/07/huawei-losing-its-5g-grip-on-europe/).

German political opinion [remains sharply divided on the issue of Huawei](https://www.theguardian.com/technology/2020/jul/13/europe-divided-on-huawei-as-us-pressure-to-drop-company-grows). The decision is also complicated by the fact that “Deutsche Telekom, a 32%-state-owned company, is the country’s largest mobile provider and already relies heavily on Huawei equipment. It has lobbied strongly against any action that would make it harder for it to roll out 5G,” [according to the Economist](https://nam03.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.economist.com%2Fbriefing%2F2020%2F07%2F16%2Famericas-war-on-huawei-nears-its-endgame%3Futm_campaign%3Dthe-economist-today%26utm_medium%3Dnewsletter%26utm_source%3Dsalesforce-marketing-cloud%26utm_term%3D2020-07-16%26utm_content%3Darticle-link-1&data=02%7C01%7CStephen.Auerback%40lexisnexis.ca%7C6e1801763ecf484837fc08d829d2c831%7C9274ee3f94254109a27f9fb15c10675d%7C0%7C0%7C637305332565357701&sdata=Hqfy%2Bx%2FFkEZGiDKsi224x%2Bl8u9rDte%2F1H6ciGUMVqDQ%3D&reserved=0). If the Berlin government fails to follow the lead of the United Kingdom (which [recently reversed an earlier decision](https://www.businessinsider.com/uk-government-announces-plan-to-remove-huawei-from-uk-5g-2020-7) to incorporate Huawei equipment in its growing 5G infrastructure), it will send a very powerful political signal in terms of how Germany prioritizes its long-term interests, which are no longer axiomatically tied to the U.S.

However Germany decides on Huawei, Atlanticism as a concept is largely dead in Europe. Even before the onset of the pandemic, for example, Italy had already become the first European country [to join China’s Belt and Road Initiative (BRI)](https://www.cnbc.com/2019/03/27/italys-joins-chinas-belt-and-road-initiative.html) in response to ongoing economic stagnation. COVID-19 has, if anything, accelerated this Sinification of the Italian economy, given the ham-handed response of Brussels to the country’s plight (and which is still governed by [old prevailing austerity biases](https://www.ft.com/content/8e30fd89-4958-491e-9f30-8c0b5f8b4cef)). Although the tangible economic benefits of the BRI [have likely been overstated](https://www.project-syndicate.org/commentary/china-one-belt-one-road-loans-debt-by-brahma-chellaney-2017-01?barrier=accesspaylog), Rome-based journalist Eric Reguly [has written](https://www.theglobeandmail.com/business/commentary/article-trumps-cold-war-with-china-is-heating-up-and-catching-the-eu-in-the/):

“The Italian government rolled out the welcome mat to Chinese President Xi Jinping in part because it is desperate for foreign investment. Italy suffers from crushing youth unemployment and never fully recovered from the 2008 financial crisis. It felt it was more or less abandoned by the U.S. and the rest of the EU on the investment front. The anti-EU sentiment among Italians rose during the migrant crisis, when other countries of the bloc refused to relieve Italy’s migrant burden, and rose again earlier this year, when Brussels ignored Italy’s initial pleas for help to fight COVID-19.”

It is important to note that Huawei is but a symptom of a broader EU disengagement from the U.S. Even if Huawei’s role in Europe’s future 5G networks is minimized, the big winners will be European companies, Nokia and Ericsson, not American ones. The 5G deficiency is but one illustration of how America’s failure to prioritize a robust manufacturing sector has contributed to a loss of influence and leverage in Europe.

That in turn explains the relatively tepid response to American pressure in many European capitals. Many EU member states have made the calculation that their interests are no longer inextricably tied to those of the U.S. One also sees this in response to [American threats over new Russian natural gas pipelines](https://www.bloomberg.com/news/articles/2020-07-15/pompeo-threatens-sanctions-on-eu-companies-over-nord-stream-2-kcnh97fq?sref=qD0EKJAt), which the EU is largely ignoring. Europe has outgrown the suffocating embrace of Cold War exigencies.

The one outlier might well be the United Kingdom in its post-Brexit incarnation. Via the [Five Eyes](https://www.dni.gov/index.php/who-we-are/organizations/enterprise-capacity/chco/chco-related-menus/chco-related-links/recruitment-and-outreach/217-about/organization/icig-pages/2660-icig-fiorc) intelligence coordination among the U.S., the United Kingdom, Canada, Australia and New Zealand, it is possible that there will be a further tightening of the Anglosphere countries. Their current convergence on Huawei is one illustration of this, although [Huawei’s Chief Digital Officer, Michael MacDonald, concedes](https://asiatimes.com/2020/07/us-interest-in-5g-isnt-really-about-5g/) that the battle over 5G dominance is small fry compared to “the total Digital Economy, which is generally accepted to contribute as much as 25% of the world’s gross domestic product (GDP) by 2025-26, [and] will be worth approximately $20 trillion, with 5G contributing just 0.2%.” And here the U.S. has everything to play for, given its ongoing dominance through American Big Tech behemoths such as Amazon, Apple, Facebook and Google.

As far as the U.S. itself goes, that also means a narrow but deep North America strategy (United States/Mexico/Canada), especially given the American government’s increasing proclivity to view economic warfare through the prism of national security considerations (as it did during the original Cold War). Those national security calculations have changed somewhat: In a reversal of old Cold War norms, whereby the strategic importance of Japan via America’s offshore naval presence was paramount, Mexico is now being prioritized, at least in regard to manufacturing and investment flows via the new North American trade agreement. As U.S. Trade Representative Robert Lighthizer [writes](https://www.foreignaffairs.com/articles/united-states/2020-06-09/how-make-trade-work-workers) in Foreign Affairs, the newly reconfigured United States-Mexico-Canada (USMCA) trade agreement reinforces this trend by “overhaul[ing] the ‘[rules of origin](https://ustr.gov/sites/default/files/files/agreements/FTA/USMCA/Text/04-Rules-of-Origin.pdf)’ that govern trade in the… [automobile] sector,” increasing the threshold from 62.5 percent under the old NAFTA to 75 percent under the new USMCA.

These concerns are becoming bipartisan, as [both parties](https://www.washingtonpost.com/politics/biden-releases-700-billion-plan-to-spur-american-economy/2020/07/09/f51b846c-c173-11ea-b178-bb7b05b94af1_story.html) are now tacking increasingly toward an overt form of economic nationalism.

Multipolarity need not usher in a Hobbesian-style world of eternal conflict. But as it becomes more of a reality, it signals the increasing eclipse of America as a preeminent superpower of one. Asia’s rise in particular simply returns the distribution of economic activity to [what it was before the first industrial revolution](https://www.amazon.com/Capitalism-Alone-Future-System-Rules/dp/0674987594/ref=sr_1_1?crid=33U8GWJRK9UIZ&dchild=1&keywords=branko+milanovic&qid=1595021784&s=books&sprefix=Branko+%2Caps%2C159&sr=1-1). That’s not a bad thing, except for [those rooted toward an embrace of American hegemony that must be retained at all costs](https://en.wikipedia.org/wiki/John_Bolton), peacefully or by war. If anything, one could argue that America’s status as the world’s sole global superpower ushered in considerably greater global instability, given the absence of any restraining counterweight, as Washington went from one unilateral war of choice to another. A Joe Biden victory in November may temporarily arrest these trends, but the die has been cast.