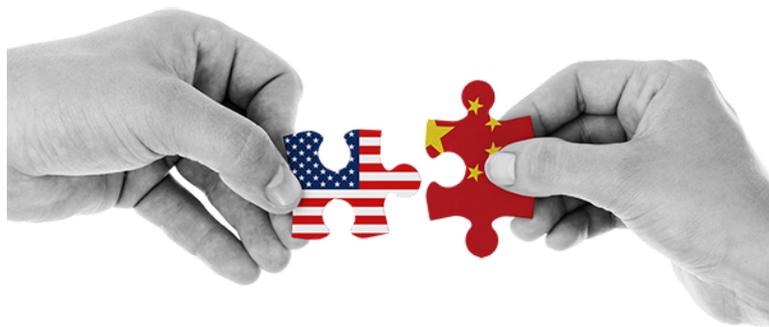


“From Virus to Vitamin” Newsletter

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**Multi-polarity: the best guarantee
against falling (again) into
the Thucydides Trap**



“From Virus to Vitamin”
Newsletter n15

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QUESTION UNDER DISCUSSION

"Does the world need to contain China and how?"

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EDITORIAL

Multi-polarity: the best guarantee against falling (again) into the Thucydides Trap

The rise of China has revived the rhetoric of Cold War-era containment to depict competition between dominant powers, although the state of international relations is fundamentally different. Containment strategy towards China has featured prominently in President Donald Trump's policy and many believe strategic competition will continue to define the relationship under the Biden administration, although in a different form. However, the necessity to contain China is a contested idea both on economic and ethical levels.

In the first place, it should be recalled that "the world includes many different groups with varying degrees of dependence from China". Therefore, the need for containment will be seen differently if you are looking at textile supply chains, workers' rights in Sinkiang, data privacy rules, markets for European cars." The emergence of a new superpower competing with other western countries "may be positive particularly for the Global South". That said, we are undeniably witnessing "the emergence of a new distribution of power in which relative weights are shifting away from the United States and its allies, although the absolute political and economic power of these nations is and will remain considerable."

Some see the rise of China not only in the economic and military domains but also as an ideological confrontation - "between two Weltanschauungen" - that determines whether the future world order will be defined by liberal or authoritarian ideas. Proponents of a containment policy believe that China does not offer a realistic alternative to the liberal order and therefore

that it should be "obliged" to comply with those rules. How? It could be through "multilateral agreements and targeted alliances", designed to bring European powers more firmly into the containment effort in the economic and technological domains.

In contrast, some observers question the necessity of containment, arguing that "a deliberate policy of containing another country, and thereby not allowing many to achieve their human potential" may not be morally justified. States should "respect the diversity of systems while encouraging each other to become "better socialists" and "better capitalists" serving humanity." On the economic front, others argue that "the technological competition between the USA and China is positive for all of us as it speeds up innovation and reduces costs and consumer prices."

At first glance, the Cold War rhetoric of containment refers to a bi-polar world which is not (yet) the case. Multi-polarity seems to be the best guarantee to avoid the world sliding into bi-polarity, with a risk of falling once again into a "Thucydides Trap". In this perspective the swift assertion of EU as a global active player is urgently needed to leverage a new negotiated equilibrium anchored in a minimal level of mutual commitment on most urgent global challenges. In that sense, the notion of containment may be reformulated in terms of world's "self-containment", especially when we look "at the way the world economy abuses the planet."

[Virgile Perret & Paul H. Dembinski](#)

“... multilateral agreements and targeted alliances ...”

Yes. China, by virtue of its human capacities, its natural resources and its organization, is today the dominant power (in terms of Purchasing Power Parity). Opposite, the United States retain a monetary and military advantage, which China seeks to steal from them. Knowing that "power corrupts" (Lord Acton) and that "only power stops power" (Montesquieu), how to contain China without submitting to the USA? **Through multilateral agreements and targeted alliances against MNCs who, in the global market, behave like privateers in the service of their country of origin, sometimes even like pirates without faith or law.**



[Étienne Perrot](#)

“... China does not export its politics ...”

Is it the world or is it the West? Did the world need to contain Great Britain, or Spain or the US in its time? What we are facing is a new superpower emerging that will compete with other Western countries and the result should be positive particularly for the Global South. "The more, the merrier." **The technological competition between the USA and China is positive for all of us as it speeds up innovation and reduces costs and consumer prices. All else is irrelevant. China does not export its politics.**



[Oscar Ougarteche](#)

“... negotiate with a clear understanding of issues at stake ...”

“The world” is no geopolitical actor, it includes many different groups with varying degrees of dependence from China. The need for containment will be seen differently if you are looking at textile supply chains, workers’ rights in Sinkiang, data privacy rules, markets for European cars and machinery, monetary balances, Taiwan security and microprocessor supplies, loans to Africa and Latin America, or rare earth resources... If the question refers to containment from “the West” or, more precisely, the European Union, then the answer is no. **We should negotiate with a clear understanding of issues at stake, as in the case of the proposed Comprehensive Agreement on Investment. Above all, we should learn more facts about the incoming largest economic power.**



[Domingo Sugranyes](#)

“... One World – Diverse Systems ...”

How should be the role of China in the world? Three options: 1. China is disconnected from the world, sealed off, as it was to some extent 1949-1979, based on self-reliance and autonomous development. 2. China is fully integrated in the globalized world and follows the Western model of so-called capitalism and democracy as many powers in the West hoped that China, with its Open Door Policy since 1979, would develop. 3. China is integrated in the world, but with its “Chinese Characteristics” of “third way” combining planned and market economy, socialist one party system with elements of consultative participatory processes and controlled civil society. **The Ethics of International Relations needs to respect the diversity of systems as in option 3 while encouraging each other to become “better socialists” and “better capitalists” serving humanity.**



[Christoph Stückelberger](#)

“... we are witnessing the emergence of a new distribution of power ...”

The danger of conflict arises when there is no longer a consensus regarding the real power situation of the major parties, in this case Russia as well as China and the United States. Conflict can become real, when the parties, acting on significantly different subjective visions of the objective situation, come into collision. The purpose of conflict will be to demonstrate what the real power relationships have become and to establish some new consensus. Avoidance of conflict requires peaceful development of such a consensus for which prerequisites will be acceptance by previously dominant countries that **we are witnessing the emergence of a new distribution of power in which relative weights are shifting away from the United States and its allies, although the absolute political and economic power of these nations is and will remain considerable.**



[Andrew Cornford](#)

“... foster friendly and mutually fruitful relations ...”

Does the world need to contain China? The USA? Itself? To contain oneself is always good advice, and if we look at the way the world economy abuses the planet, the world ought indeed to contain itself. **However, to struggle to contain another party normally provokes a hostile reaction, and things go from bad to worse. Better to converse with it and thus to foster friendly and mutually fruitful relations.** Trade is a form of that kind of conversation. As Adam Smith said, “It is the great multiplication of the productions of all the different arts, in consequence of the division of labour, which occasions, in a well-governed society, ... universal opulence.”



[Edward Dommen](#)

“... climate change will do more to change China ...”

Containing China may be too big a task and not all the world necessarily agrees on this goal. Indeed, it's questionable if a deliberate policy of containing another country, and thereby not allowing many to achieve their human potential, is morally justified. Certainly, we should robustly oppose her monstrous conduct in Xinjiang, Tibet, and Hong Kong and counter the Chinese Communist Party's unacceptable behavior, for example in trade and IP, in a targeted manner. **But the demographics of an aging and gender skewed population, and the devastating effects of climate change will do more to change China than any containment strategy. One final thought: should the world have contained the US when it destroyed indigenous peoples or practiced slavery?**



[Kara Tan Bhala](#)

“... two comprehensively different conceptions of the world ...”

As Xi Jinping continues to steer the Middle Kingdom out of its historical isolation, avoiding challenging the United States for the position of world leader will be difficult, given China's demographics and economic status. **These two Weltanschauungen, two comprehensively different conceptions of the world, sooner or later will present the international community with a choice.** Xi is well aware that the Biden administration can finally change course for the US and its allies, forging a united and progressive front after years of populist, nativist and authoritarian politics. Perhaps this element can help understand Xi's assertiveness at the last World Economic Forum better than the recent economic successes. After all, political and civil rights are China's Achilles' heel.



[Valerio Bruno](#)

“... wobliging China to follow the rules ...”

Present international relations cannot be correctly interpreted in the Cold War terms. The current confrontation between the United States and China is not Cold War 2.0; it has a different nature. A historicist attempts to adapt the strategy of containment to post-cold war realities are doomed to failure. The heterogeneous world is not able to be either an opponent or a proponent of the People's Republic of China; only the consolidated West can be such an actor. China is a revisionist power. He criticizes the liberal world order but does not offer a realistic alternative. **The most effective way to minimize Beijing's destructive influence is to improve a rule-based order, and therefore a liberal order, by obliging China to follow those rules.**



[Yuriy Temirov](#)

“... addressing shared concerns on case of containing China ...”

Policymakers are progressively more anxious, working out new means to guard their own systems of government, economic prosperity, and national security. Policymakers and analysts in Asia, Europe, and North America are raising serious and legitimate distress about China’s rising influence, nevertheless, few voices in China do recognize this. China’s leadership may not identify its own role in igniting such global pushback.

Containment is passive and reactive does not mean war, what is needed from the United States is an explicit policy that will not be misunderstood by the Chinese leadership. Foreign policy makers understood this better than most spectators as they view international politics without using ideological, progressive, or sentimental perspectives. The coronavirus has only additionally highlighted this dynamism.



[Archana Sinha](#)

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“FROM VIRUS TO VITAMIN” – JOIN THE DISCUSSION

The **Observatoire de la Finance** intends to seize this period of pandemic to step back and take a fresh look at our global economic system, dare to ask new questions which the current crisis brings to the fore and propose innovative ways to rebuild a more resilient and sustainable economy and society. In brief, we want to turn the virus into a vitamin for the future.

Our Discussion Board “From Virus to Vitamin” focuses on commenting issues relevant to finance and economy in relations to society, ethics and the environment from a variety of perspectives, of practical experiences and of academic disciplines. It has been designed to share and discuss information and opinions expressed in a short and concise manner.

Contributors ([Discover the list of contributors](#)) are invited to react on a question/issue that is submitted in parallel to a limited group of experts. This happens on a regular basis, through a dedicated mailing list. After the deadline for submission, the reactions are edited and published with signatures in one document on the website of the Observatoire de la finance and on its LinkedIn page. If you would like to join the discussion, you may send an email to the editor, Dr. Virgile Perret <perret@obsfin.ch>.

OF Discussion Board – Questions addressed so far

- Question 14 : [Special Drawing Rights: a drop of liquidity in an ocean of needs](#)
- Question 13 : [Trump's economic heritage: false promises setting the stage for populist disruption](#)
- Question 12 : [Will America drive the world again? A wish list for Biden's economic agenda](#)
- Question 11 : [Rush for Covid-19 vaccine: bottle-necks require public-private worldwide](#)
- Question 10 : [Does robotisation trigger redistribution?](#)
- Question 9 : [Scaling up industrial policy at regional level](#)
- Question 8 : [Stock markets and the real economy: dangerously skewed allocation](#)
- Question 7 : [Realigning international trade according to the full cost principle](#)
- Question 6 : [Indulgent creditors and industrial policy](#)
- Question 5 : [Caring for care](#)
- Question 4 : [The changing nature of GAFAs: global market players, national champions or public service providers?](#)