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China's Economic Statecraft: Lessons Learned from Ukraine

Economic statecraft has become an increasingly prominent part of China's foreign policy toolkit. Beijing has often sought to use both economic coercion and inducements to achieve its political goals, albeit to mixed results. In that vein, Chinese leaders have attentively watched how the United States has deployed its economic power, including US-led sanctions on Russia following the invasion of Ukraine. This recent episode has underscored America's continued global financial power and highlighted to Beijing its potential economic vulnerabilities, as well as the risks of international opprobrium. At the same time, Washington faces challenges in assembling a durable global coalition to exert pressure on Moscow, due to economic dependencies on Russian energy and political reticence outside of a core bloc of allies.

I provide an overview of China's approaches to economic statecraft and examine some of the key lessons that Beijing's leaders are likely to draw from Russia's war in Ukraine. I then discuss the implications for China's economic statecraft going forward. Beijing is likely to redouble its efforts to increase economic self-reliance in critical technologies and sectors, better insulate the country from financial sanctions through de-dollarization, and continue to dangle economic inducements to peel allies and partners away from the United States, thus weakening US and allied leverage over China during a potential future crisis.

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How China Uses Economic Statecraft

China's grand strategy and foreign policy centers on the following core goals: preserving the Chinese Communist Party's (CCP) political rule; protecting national sovereignty and territorial integrity; and promoting economic development as a pillar of elite and public support.[1] Especially in recent years, Beijing has also increasingly emphasized regaining China's standing as a major power on the international stage, reforming the international system to better reflect China's preferences, and pushing back against challenges to the CCP's stated core interests.[2]

Economic statecraft offers a number of advantages for China as a rising power in achieving these foreign policy goals. After decades of rapid economic growth, China is deeply embedded in global and regional production networks. This has enabled Beijing not only to reassure other countries through mutually beneficial trade and investment linkages, but also to leverage its position as the world's largest manufacturer and second-largest economy to use economic tools for strategic gain. Compared to military force, economic statecraft tends to be less costly and disruptive; can be more enticing because of mutual benefits; is less likely to incite immediate counterbalancing or censure; and allows Beijing to avoid directly challenging Washington's military dominance.

China often uses economic statecraft, via both coercion and inducements, to stamp out criticism and reward supporters. These tools are often applied to issues involving what Beijing believes to be its national sovereignty or territorial integrity (Taiwan, Hong Kong, Tibet, Xinjiang, and territorial disputes in the East and South China Seas) and domestic governance (such as human rights, China's treatment of the Uyghurs in Xinjiang, and its handling of the COVID-19 pandemic).

In many countries, the size of the Chinese market and/or promises of development through Chinese investment and financing have created constituencies (politicians and companies) with vested interests in deepening economic ties and avoiding political tensions. At the same time, Beijing has often turned to what I call "subversive carrots"—such as bribes to key political players—to buy over leaders' support. These tactics have allowed China to make inroads in places where leaders can act with relative impunity, such as Cambodia, but have backfired in countries where leaders face accountability mechanisms.[3] On the other hand, more legitimate investment projects have made elites in recipient countries more reluctant to undertake actions that could anger China. In Greece, the important role of Chinese investments after the Eurozone crisis—including the acquisition and modernization of Piraeus port by Cosco, China's leading shipping conglomerate—led Athens to block EU statements criticizing Beijing's policies on human rights and territorial disputes.[4]

While eagerness for Chinese infrastructure loans has contributed to rising debt burdens,[5] the notion of debt trap diplomacy, whereby China purportedly saddles recipient countries with enormous loans in order to extract strategic concessions when they cannot repay, is overblown. Many of these countries already face structural economic and fiscal challenges, and in several cases, including Sri Lanka's infamous Hambantota port, local politicians themselves are drivers of white elephant projects—whose practical utility or economic value are far outweighed by their costs—for their own self-interested reasons.[6] Potential strategic influence from Chinese loans and investments stems less from coercive leverage than constituency creation.

Even as Beijing actively touts deepening trade and investment ties, including through the sweeping Belt and Road Initiative (BRI), as part of a "win-win" narrative for other countries, it has also turned to coercive economic tactics to punish or pressure governments and companies perceived to be attacking Chinese government policies or undermining national sovereignty.[7] In imposing sanctions, China has largely targeted symbolic products with ready substitutes—think Norwegian salmon, Philippine bananas, or South Korean cosmetics—that minimize damage to its own economy.[8] Rather than announcing formal sanctions, it often denies political motivations and uses informal measures such as internal government guidelines or selective food safety inspections.[9] More recently, Beijing has mobilized patriotic consumer boycotts to pressure governments and companies seen as undermining China's interests.[10]

But China's use of economic statecraft has not been as successful as commonly assumed. The multiple domestic actors involved in policy implementation create challenges in internal coordination,[11] while Beijing's heavy-handed attempts to coerce or entice targets are often tone-deaf, generate further backlash, and become entangled in messy political scandals in other countries.[12] The ramping up of economic coercion alongside a broader foreign policy turn to aggressive "wolf warrior" diplomacy over the last few years has also undermined the lure of China's economic inducements—perhaps sparking Beijing's very recent attempts to moderate its diplomatic tactics and renew economic engagement. While China has not bought itself much lasting goodwill, in the short to medium term it has still been able to foster divisions and undermine international coordination on issues that it cares about.

China's use of economic statecraft has not been as successful as commonly assumed

Beijing's Lessons Drawn from Ukraine

What lessons have Chinese leaders learned from Russia's invasion of Ukraine, regarding both the utility of economic statecraft as a tool of foreign policy as well as the potential impacts of economic statecraft by other countries on Beijing's own strategic interests? I identify three major takeaways: that economic statecraft, including inducements, can have limited utility when countries face core security concerns; that it would be unwise to underestimate US economic leverage; but also that Washington may face difficulties in building and sustaining global coalitions in the event of a future conflict with China.

First, despite Beijing's confidence in its own clout, it has come to realize that economic tools may not always be sufficient enticement in the face of security concerns and political tensions. China's close rhetorical and diplomatic alignment with Russia over the invasion of Ukraine has redounded negatively on its political standing and sent a strong signal to many European countries concerned about Russia's revanchism. This has accelerated trends in a deteriorating China-Europe relationship over the last few years, with the European Union labeling China as a "systemic rival" and increasingly focused on issues such as investment screening and unequal access to the Chinese market.

China's previously vaunted framework of economic cooperation with Central and Eastern European countries, the 17+1, appears to be falling apart. Following Lithuania's departure in 2021, Latvia and Estonia also quit the bloc in August 2022. Before the Ukraine war, the CEE-China relationship was already broadly souring due to two main factors. First, there have been growing perceptions that Beijing's vague economic promises have not materialized into concrete benefits for many countries in the region. Second, China turned to more coercive economic tactics, including against Lithuania over its ties with Taiwan, which highlighted the political risks of deepening economic interdependence with China rather than the benefits of economic engagement.

But political distrust has deepened even further since Russia's invasion of Ukraine. For many CEE countries, Moscow's geopolitical shadow looms large—Russia's revisionist use of military force represents a heightened threat to their security environment, and they have a front row seat to the Ukraine war, receiving Ukrainian refugees and sending assistance to their neighbor. Beijing's perceived support for Russia has underscored to these governments that China is not necessarily willing to respect the sovereignty of other countries.

This is certainly not to say that European countries have wholesale abandoned desires for greater trade and investment with China, as evinced by German Chancellor Olaf Scholz's November 2022 trip to China—the first by a Western leader since Chinese President Xi Jinping's consolidation of power in his third term, and the first by a G7 leader since the COVID-19 pandemic.

But the criticism surrounding his visit from both within Germany and other European leaders—that European nations should demonstrate unity in safeguarding the continent's security interests and coordinating foreign policy toward China—also points to continued fears about China.[13] Future attempts to dangle economic inducements may require greater political and economic reassurances from Beijing's end.

Second, global responses to Russia's invasion of Ukraine have shown that the United States still has a strong ability—and the resolve—to inflict significant economic harm. China has certainly witnessed the continuing relevance of US global financial power. G7 nations froze around USD $350 billion in Russian assets, and Russia is facing extensive restrictions on technology, financing, and investment. America's position as a central hub of global financial networks has demonstrated the logic of "weaponized interdependence," in which countries can exploit their positions of asymmetrical structural advantages within a network to choke off economic flows and compel or deter desired policy behaviors.[14]

Washington's ability to cut off financial flows and assets would have significant adverse impacts on the Chinese economy, whose performance has long served as a pillar of legitimacy for the CCP. China holds a significant proportion of its foreign exchange reserves in dollar-denominated assets, conducts most of its trade in dollars, and remains dependent on Western suppliers for advanced technology such as semiconductors.

Additionally, Beijing may have learned a lesson about US resolve—that Washington is not as much of a paper tiger as it previously thought, and that it will not simply back down during a conflict due to domestic economic or political costs. Congress approved a $40 billion military and humanitarian aid package to Ukraine in May 2022, and the Biden administration maintained public support for Ukraine despite high inflation and unprecedented gas prices in the run-up to the 2022 midterm elections. This likely does not bode well for China vis-à-vis a potential conflict over Taiwan. Over the last year, US politicians across the aisle have arguably expressed even firmer political and military support for Taiwan. Since former House Speaker Nancy Pelosi's visit to Taiwan in August 2022, several bipartisan congressional delegations have followed suit. In September, the Senate Foreign Relations Committee approved the Taiwan Policy Act, a bill that would designate Taiwan as a major non-NATO ally, provide $6.5 billion in enhanced security assistance, reframe US provision of weapons as deterring Chinese acts of aggression rather than simply for defensive purposes, and rename Taiwan's de facto embassy in a way that elevates its political status. In recent years, a hardening bipartisan consensus on treating China as a strategic competitor—as articulated in documents such as the 2022 National Security Strategy that explicitly prioritizes China as "America's most consequential geopolitical challenge"—suggests that perceived Chinese aggression in the Taiwan Strait would be met with a serious response.

At the same time, the high economic costs of US-led sanctions on Russia have not considerably altered Putin's strategic calculations, pointing to the limits of sanctions against a determined adversary who is unwilling to bargain. Sanctions or the threat of sanctions may not be sufficient to deter military invasion or compel a withdrawal of forces once action has been taken. But as long as Chinese leaders do not feel backed into a corner or believe that peaceful unification is no longer possible, they may be more willing to consider the adverse economic impacts of military conflict in the Taiwan Strait.

Beijing may have learned a lesson from Ukraine about US resolve

A third lesson for China is that, despite America's relative success in marshaling multiparty sanctions against Russia, assembling a durable global coalition faces political and economic challenges. Beijing is also seeing that Europe and the United States—and close US allies such as Japan, Australia, and South Korea—are playing a different ballgame than other regions of the world. Many countries in Southeast Asia and Africa, for example, have been much more muted and hesitant in criticizing Russian actions, largely refraining from supporting sanctions and instead calling for peaceful resolution and diplomatic negotiations.[15] This underscores the persistence of self-interested reasons for eschewing multilateral sanctions such as close political or military ties with Russia, a desire to stay out of the geopolitical fray, or illiberal regimes reluctant to align with the West.

Moscow, for its part, has also been able to weaponize Europe's dependence on Russian oil and natural gas. Putin has significantly cut back energy exports to European countries including shutting off gas flows through Nord Stream 1, a major pipeline that accounted for half of Germany's gas. But such Russian leverage may be short-lived. Moscow's invasion of Ukraine has spurred many European leaders to pivot away from a reliance on Russian energy supplies, including embarking on a global buying spree that bolstered gas reserves in advance of winter. Russian energy now accounts for less than 10 percent of Europe's supplies, down from 45 percent before the war. But European politicians remain sensitive to waning public support as the war in Ukraine drags on. Double-digit inflation and surging energy prices have led to protests and strikes in many countries. Governments are providing aid and subsidizing utility bills while calling for households and businesses to conserve energy.

Given that China is a much bigger global economic player compared to Russia, and that many countries have (or desire) even closer economic ties with China, this suggests that building and sustaining a cohesive international coalition on sanctions against Beijing will remain a challenging task for Washington, especially in the longer run. Countries that perceive little direct stake in the outcome of a conflict between China and the United States in the Taiwan Strait are unlikely to want to jump onboard a US-led sanctions regime that would affect trade and investment ties with China or incur Beijing's economic coercion and diplomatic wrath.

Similar dynamics would be even more likely to apply in cases short of military conflict, such as the human rights abuses of Uyghurs in China's Xinjiang region; to date, many Muslim-majority countries have remained relatively silent on this issue because of China's economic lure. Several Arab states have actively cooperated with Beijing on its campaign of transnational repression of Uyghur diaspora, including the surveillance, detention and deportation of Uyghurs back to China.[16] Even though the UN human rights office described China's treatment of the Uyghurs as crimes against humanity, last fall the UN Human Rights Council voted not to debate China's policies in Xinjiang, with many of the "no" votes coming from Muslim-majority countries such as Indonesia, Pakistan, UAE and Qatar.[17]

Building and sustaining a cohesive sanctions coalition against Beijing will remain challenging

Indeed, Washington's articulated national security priorities do not always align with even those of allies and partners. The Biden administration's sweeping export controls, announced in October 2022, are designed to curb China's access to advanced semiconductor technologies and supply chains. But they have faced pushback from countries who are major exporters of such items to China, like South Korea and the Netherlands (although Japan and the Netherlands recently agreed to join the US in limiting the export of advanced semiconductor machinery to China, suggesting that Beijing will continue to face coordinated pressure on certain fronts).

Effects on Future Chinese Policy and Behavior

What are the implications for Beijing's policies going forward? China will double down on efforts to increase economic self-reliance in critical technologies and energy, while seeking to limit exposure to US financial sanctions. Additionally, the Chinese government will reemphasize economic statecraft, particularly positive inducements, as an important way to peel off US partners and inhibit global coordination of diplomatic censure and economic sanctions against China in the event of a conflict.

First and foremost, similar to Europe's actions to reduce its dependence on Russian energy, the events in Ukraine and the US-led response will further spur China to reduce its external dependencies and economic vulnerabilities, especially in critical sectors such as semiconductors, electric vehicle batteries, high-tech electronic components, biotech, and aerospace materials. Both Moscow's ability to leverage its position as a major energy supplier and Washington's ability to leverage its position at the center of global financial networks have underscored the value of structural economic advantages to be able to weaponize interdependence—and the pitfalls of being on the receiving end.

As reflected in the discourse swirling throughout China's 20th Party Congress in October 2022, when President Xi Jinping consolidated a third term in power, Chinese leaders perceive the external environment as an increasingly tumultuous and uncertain backdrop for China's domestic stability. The government's notions of development and security are seen as deeply intertwined, exemplified in the CCP's expansive definition of "holistic" national security as the "bedrock of national rejuvenation." Compared to the previous Party Congress, the 2022 report featured a newly expanded section on national security detailing the importance of safeguarding various strategic sectors—as well as across energy, food, minerals, resources, and supply chains—underscoring the leadership's focus on ensuring security across multiple domains and as a key underpinning of CCP governance.[18]

In fact, the 20th Party Congress report mentioned the word "security" 91 times, a notable increase from 54 in the previous Party Congress report from 2017. The report also makes reference to challenges such as a slowing global economy, regional conflicts (read: Ukraine), and "external attempts to blackmail, contain, blockade, and exert maximum pressure on China." Notably, this is the first such report to explicitly discuss foreign sanctions and the need to counter such measures in the interest of China's national security.[19] Xi's speech at the opening of the Congress also underscored Beijing's commitment to achieve technological self-reliance and "resolutely win the battle in key core technologies."[20]

This is not an entirely new trend, but rather a reinforcement of recent developments. External shocks such as the 2008-2009 global financial crisis and Trump's trade war highlighted the dangers of interdependence for Chinese leaders, leading them to double down on self-reliance policies.[21] Ongoing state-led interventionist policies including the erstwhile-named "Made in China 2025" initiative seek to strengthen China's advantages in advanced technologies and critical sectors, thus limiting dependence on overseas supply chains. Such efforts are only likely to continue to deepen as Washington openly articulates goals of competing with Beijing through a combination of export controls to exclude China from supply chains in strategic sectors (e.g. semiconductors) alongside domestic industrial policies such as the CHIPS Act and Inflation Reduction Act.

China has a ways to go—for example, Chinese companies are still far behind the leading foreign manufacturers on semiconductor chips, aerospace, and smartphone operating systems—but the Chinese regime is unlikely to waver from its current course.[22] Recent personnel reshuffles and corruption probes at major Chinese semiconductor companies, as well as a large state fund,[23] also indicate top leadership dissatisfaction at the progress on semiconductor and technological self-sufficiency.

US export controls and technological restrictions (and its encouraging of allies to follow suit) will certainly slow China's ability to acquire these technologies. But unlike the hegemony of the US dollar in the global financial system, semiconductor and other advanced technology supply chains are harder to weaponize unilaterally because they consist of multiple nodes and actors, none of which exert dominant control.[24] Other companies and governments, such as South Korea or Japan, may adjust their own production networks to reduce reliance on US components and continue selling to China. It would also be a mistake to underestimate Beijing's persistence and capacity at economic and technological innovation—think of advances in renewables manufacturing, electric vehicles, e-commerce, or fintech. A top Chinese semiconductor firm was recently found to have acquired the ability to manufacture more advanced chips than expected. State-led interventions and subsidies will generate inefficiencies, but could be outweighed in the longer run by political commitment and massive resources.

Related to concerns over external economic vulnerabilities is the issue of energy security, a longstanding topic of discussion since China became a net oil importer in the 1990s. In the wake of the war in Ukraine, Chinese writings have highlighted concerns over energy-importing countries in the West "wielding energy as a weapon" to block energy exports of adversaries, leading to instability in global energy markets.[25] Chinese observers point to the continued importance of diversifying energy supplies and deepening new regional and global energy partnerships, but also turning to renewable energy production, generation and innovation as a top priority to ensure that China maintains a strategic advantage in this sector and reduce reliance on external sources of fossil fuels.[26] The latter dovetails with ongoing state-led industrial policy efforts to solidify China's dominance in clean energy manufacturing and innovation, from solar panels and wind turbines to electric vehicle batteries. While Chinese firms have been taking advantage of Western sanctions over the Ukraine war to buy Russian oil and gas at attractive prices, it appears that Beijing is aware of the significance of investing in renewable energy as a way to bolster its own energy security while cementing its strategic position in global supply chains.

Additionally, China will endeavor to reduce dependence on the US dollar and better insulate itself from financial sanctions. This will not be an easy task, but Beijing has already been taking steps to increase international use of the renminbi, including through creating alternative financial infrastructure such as a cross-border payment mechanism (the Cross-Border Interbank Payments System, CIPS), a central bank digital renminbi, and launching a yuan oil futures contract. Recent studies suggest that the BRICS countries (Brazil, Russia, India, China and South Africa), led by China and Russia, are collectively undertaking de-dollarization initiatives to promote the use of local currencies in lieu of the US dollar.[27] These measures would mean that Beijing has alternative means of accessing financing and energy beyond the US dollar, while other countries could plausibly have greater autonomy in trading with countries under US sanctions. This would ultimately make it harder for Washington to impose effective financial sanctions as a way of coercing change in Chinese behavior and also pressuring other governments to fall in line.

Certainly, these remain relatively nascent efforts, BRICS countries differ in their priorities, and global investors still turn to the USD as a safe haven. But coalitional efforts by strategic adversaries to chip away at dollar hegemony could ultimately hamper US global financial power and may allow countries less eager to jump onboard with US sanctions to conduct economic transactions through an alternative mechanism. Sanctions busting by third-party countries have often led to policy failure.[28] The Ukraine war has arguably provided added impetus for Beijing to further promote de-dollarization. During President Xi's December 2022 trip to Saudi Arabia, he told Gulf State leaders that China would work to buy oil and gas in yuan.[29] In January this year, Beijing extended trading hours for onshore yuan markets, as part of efforts to boost international use of its currency.[30]

BRICS countries are collectively undertaking de-dollarization initiatives

A second major implication for China's economic statecraft is the continued utility of both economic coercion and inducements for weakening potential coalitions against Beijing as well as inhibiting the formation of such coalitions. Compared to Russia, China is far more integrated with the global economy, especially in terms of major supply chains. In a potential future crisis, it would almost certainly be harder for countries to impose major punishment on China without significant economic repercussions, or for the US to marshal a united coalition for sweeping sanctions over the long run. As demonstrated by many companies' continued interest in the vast Chinese consumer market, and many developing countries' eagerness for Chinese investment, diversification away from an important economic player is hard to achieve. There is a strong incentive for China to deepen trade, attract more investment, and position itself more centrally in global supply chains—making the costs of disrupting such ties even higher.

This suggests that Beijing will renew its efforts to deter united criticism as well as peel allies and partners away from the United States. Certainly, the Chinese government has shown a propensity to cut off economic flows, be it trade or tourism, and encourage boycotts over a wide range of issues perceived to be undermining China's national interests—from support for Hong Kong pro-democracy protests and criticism of human rights abuses in Xinjiang to debates over Taiwan's political status and maritime disputes. Fears of Beijing's economic retaliation have sometimes led to foreign companies and governments preemptively staying silent or echoing support for China on controversial issues. At the same time, China's turn to coercive economic tactics—including toward Lithuania, Australia and South Korea—has pushed several of these countries to find alternative markets and more openly strengthen ties with the United States. For example, Beijing's economic coercion of Seoul over the deployment of a US-led missile defense system (THAAD) led to significant negative shifts in South Korean public opinion against China, further eroding the bilateral relationship. China's widespread use of economic coercion has also led to calls for building a strategy of "collective resilience," in which countries agree to coordinate on economic countermeasures against China and support those targeted by Beijing's coercion.[31]

To avoid this kind of blowback from economic coercion, economic inducements will thus remain an important part of the equation for China's economic statecraft and its efforts to divide countries on issues that Beijing cares about. Of course, the present environment poses considerable headwinds. China is facing internal economic challenges due to COVID-19 lockdowns, and in the wake of their sudden rollback, a full-blown public health crisis. A sluggish global economy has constrained countries' demands for Chinese financing. Chinese investments and financing are also viewed with increased skepticism given frequent issues of corruption and shoddy implementation.[32] Additionally, to counter perceived Chinese economic influence, in 2022 the United States and G7 countries announced a rival program, the Partnership for Global Infrastructure and Investment, which aims to mobilize $600 billion in public and private capital over the next five years to fund infrastructure projects in developing countries in the realms of clean energy, health systems, information and communications technology, and gender equality.[33]

Economic inducements will remain an important part of China's economic statecraft

China is also doubling down on another grand economic diplomacy effort—the Global Development Initiative (GDI), first announced by President Xi

Jinping at the 2021 UN General Assembly and framed as a call for the international community to achieve the UN's Sustainable Development Goals and the 2030 Agenda. While it remains a broad and sweeping vision, reminiscent of the BRI when it was first launched in 2013, Beijing has actively touted the GDI in bilateral and multilateral venues over the past year. The GDI has ostensibly garnered international support, as seen by the launch of a 55-nation strong Group of Friends of GDI at the UN, and its appearance on the Davos World Economic Forum agenda. In June 2022, Xi chaired a "High-Level Dialogue on Global Development" with leaders of eighteen countries, ranging from Malaysia and Cambodia to the BRICS nations. Xi also promoted the GDI alongside a parallel Global Security Initiative (GSI) during a whirlwind series of overseas diplomatic visits in fall 2022, including at the Shanghai Cooperation Organization summit, the G20 summit, and the inaugural China-Arab States summit.

Compared to the BRI's initial launch, China has taken pains to emphasize its role through the GDI as a positive-sum global player providing debt relief, grants, public goods, and capacity-building to address development inequities, as well as working compatibly rather than competitively with existing regional and multilateral development frameworks. Additionally, Beijing has portrayed these initiatives as contrasting with supposed US preoccupation with great power competition and Washington's economic and political containment of China. The parallel naming and promotion of the GDI and GSI point to Beijing's efforts to articulate a global vision in both economic and security domains, and its continued emphasis on the close linkages between peace and stability on one hand and development on the other. This rhetoric again positions China as an alternative to the purportedly interventionist and destabilizing stance of the United States that fails to prioritize economic and human development.

Even though China's record of economic statecraft has been rocky, and many countries no longer look at China through rose-tinted glasses, the lure of the Chinese market and Chinese financing remains, especially when there are not many alternatives available. While the United States and Europe may be inclined to view Beijing's efforts through a competitive lens, China's claims of leading the way on development may be more appealing to those in the developing world, who may also be less convinced by America's values-based rhetoric of promoting and defending liberal democracy.

Lessons for China's Economic Statecraft: Vulnerability and Resilience

China's alignment with Russia over the invasion of Ukraine has left Beijing even more isolated on the diplomatic front. The speed and scope with which US-led sanctions were implemented has also given Chinese leaders ample food for thought on the contemporary use of economic sanctions and economic statecraft (by both Beijing and Washington) during a major military conflict. Relative to Moscow, Beijing is arguably both more sensitive to and more resilient against US economic pressure.

Beijing is arguably both more sensitive to and more resilient against US economic pressure

Fundamentally, China remains vulnerable to US financial power, and it is likely to remain so in the near to medium term. The current fragility of the US-China relationship and the domestic political pressure to be tough on China—as seen in Secretary of State Blinken's abrupt cancelation of his trip to Beijing after a Chinese surveillance balloon was discovered over US territory—suggests a bipartisan propensity in Washington to respond to any Chinese aggression toward Taiwan with forceful, sweeping economic measures. Compared to Russia's Putin, Chinese leaders are likely to be more risk-averse in avoiding significant harm to the economy, because of the implications for domestic stability and even more so today given the magnitude of internal economic challenges post-Covid.

At the same time, because of its significant trade and investment relationships with many economies, China is likely better positioned than Russia to undermine the success and durability of US-led, coordinated global efforts to impose economic sanctions on Beijing. Many countries remain reticent to anger China for fear of bearing the brunt of Beijing's retaliatory economic coercion or losing out on development opportunities from Chinese investment and financing. Given the relatively slow pace and continued challenges of de-dollarization, Beijing is most likely to emphasize policies that reduce its dependence on external supply chains in identified strategic sectors, while simultaneously making itself more central to the global economy and deepening economic ties with other countries.

Indeed, in the last few months we have seen China's apparent shift to a diplomatic charm offensive with renewed promises of economic cooperation. From a strategic perspective, Beijing sees initiatives such as the BRI and GDI as additional steps in its ongoing global campaign to tout China's successes—and its ability to be a global leader providing solutions and public goods—while criticizing the United States and other Western nations. Economic statecraft may not always have bought China as much goodwill as it has hoped or produced broader strategic realignments away from the United States. But the continued lure of inducements, realized or promised, will likely enable Beijing to divide and disrupt tenuous coalitions sufficiently. A China that is able to successfully position itself at the center of critical supply chains and portray itself as a valuable economic partner will make it much harder for Washington to marshal united opposition to Beijing, whether over imposing export restrictions on sensitive technologies or a conflict in the Taiwan Straits.

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