

China's Perspective on Economic Security

By Audrye Wong

Introduction

The U.S.-China trade war and the COVID-19 pandemic alongside growing concerns over maintaining access to critical technologies and supply chains has heightened global attention to economic security issues in recent years. For the United States and many European countries, China is seen as a major threat to economic security, and a major driver of current discussions and policies. In turn, how does Beijing view economic security as well as other countries' actions in this realm?

When Chinese president Xi Jinping introduced the Comprehensive National Security Concept in April 2014, he declared that it would take “security as the purpose, political security as the basis [根本 *genben*], and economic security as the foundation [基础 *jichu*].”¹ Economic security is not a new or foreign concept to Chinese thinkers and policymakers, but the emphases, concerns, and priorities have evolved over time, due in part to changes in the international environment as well as in China's own economic and geopolitical situation. This article examines how Chinese leaders and scholars have approached the definition and scope of economic security, as well as recent and proposed policy responses. It draws on a range of Chinese-language official documents and scholarly writings as well as broader secondary source analyses.

A 1999 article by a reputable Chinese scholar, Zha Daojiong, defines economic security as “the role external economic interactions can play to either enhance or weaken a country's sense of security in the global nation-state system that is often preoccupied with territorial integrity, defense and deterrence.”² His reading of Chinese scholarly literature at the time finds that there is a general definitional consensus as “a situation where a sovereign nation's economic development and economic interests are free from interruptions or threats posed by internal or external elements;” and that most analysis has focused on the external dimension of China's economic security as well as the impact on the country's overall situation, with “national economic security” (*guojia jingji anquan*) being a standard and commonly used term.

Dr. Audrye Wong is an Assistant Professor of Political Science and International Relations at the University of Southern California and Jeane Kirkpatrick Fellow at the American Enterprise Institute. This paper was finalized in November 2023.

Certainly, there has been variation in Chinese writings on their treatment of economic security. Some scholars, particularly in the earlier days, focus on ensuring economic development and sustainability, as well as the role of internal factors such as inequality and unemployment, while others highlight more traditional national security implications, such as access to resources and ensuring a firm industrial base for military capabilities. Still others emphasize that economic security can vary by individual countries and across time and entails a continual process of policy responses.³

In general, China's notion of economic security has shifted from mainly responding to the economic vulnerabilities arising from globalization to an expanded array of concerns driven by political factors such as perceived U.S. containment and U.S.-China rivalry. While Beijing's rhetoric of self-sufficiency and state-led industrial policies often grab headlines, China is also thinking about economic security in more nuanced ways. Economic security is seen as a natural consequence of economic growth and openness, and the focus is on managing those added risks. There is a clear recognition of continuing the benefits of economic integration alongside domestic strengthening. This also involves a strategic interpretation of ensuring that China capitalizes on its position in the global economy to gain maximal leverage for safeguarding its own economic security, including supply chain resilience as well as domestic industrial upgrading.

While Chinese discussions of economic security tend to be framed as ensuring economic development and stability, development is implicitly and explicitly linked to national security. Many writings emphasize that economics is the foundation for national strength (including military capabilities). As such, it is more than just economic survival and growth for the economy's sake, but also as having implications for China's geopolitical position in the international order. In that respect, economic stability and national security may be hard to separate. Indeed, we see a resurgence in today's rhetoric about the notions of development and security as inextricably linked, along with the need to coordinate the two — and in service of maintaining CCP rule and regime stability. Some have argued that economic security is a necessary condition for development, but that it is also more than that — the scope of economic security includes using economic tools to substitute, complement, or strengthen military tools, in pursuit of national security goals.⁴

Finally, we see Beijing taking concrete steps toward increased legalization and institutionalization of economic security measures. This represents a shift, at least in the domain of retaliatory countermeasures, from its usually more

“informal” approach to economic coercion, which has afforded more flexibility and minimized political costs for the regime. At the same time, actual implementation has been relatively limited thus far.

Evolution in Thinking about Economic Security

Xi’s emphasis on economic security has a strong legacy in Chinese and CCP history. During the Mao era, China’s priorities were to ensure food security and jumpstart economic development. Modeling policies after the Soviet Union’s own industrial development push, Mao Zedong emphasized the need for China to develop economically and scientifically, including the Great Leap Forward and the “Two Bombs, One Satellite” campaign.⁵ In drawing lessons from this period, Wu and Zhou highlight the important role of developing heavy industry and the defense industry in achieving strategic goals of national security and laying the foundation for a more self-sufficient industrial system, despite a few problems at the “micro level” (the disastrous humanitarian consequences from the Great Leap Forward are not mentioned).⁶

For quite some time after China’s post-1978 reform and opening up, economic growth (including foreign economic relations, i.e., trade and investment) and national security (involving state sovereignty and territorial integrity) were treated as separate conceptual issues. In the 1990s, more discussions of economic security started to emerge, particularly against the backdrop of the 1997 Asian Financial Crisis as well as China’s entry to the WTO.⁷

By extension, Beijing’s conceptualization of economic security was very much about weathering the risks stemming from globalization and economic integration — in other words, how to respond to more classic problems such as vulnerabilities to market demand, energy shocks, or financial contagion. A 2014 article, originally published in *Legal Daily* and reproduced in the *People’s Daily*, presented economic security as about a country’s overall economic competitiveness and the economy’s ability to withstand external “attacks, disturbances, and crises” while ensuring growth and stability.⁸ China’s economic openness (*duiwai kaifang*) had brought opportunities along with challenges, including a growing need for natural resources, energy sources, and markets. Economic security needed to emphasize competitiveness and proactiveness in improving the conditions faced by China.⁹

Concerns over energy security – ensuring access to natural resources from abroad – became more prominent, particularly a reliance on oil imports and on maritime transport routes more broadly. Chinese scholars expressed concern over potential vulnerabilities to naval blockades as well as national and

corporate monopolies over important inputs such as iron ore. Australia's dominance as an iron ore producer and exporter was flagged given Canberra's membership in the Five Eyes Alliance, which was seen as facilitating the manipulation by "hegemons."¹⁰

Of course, geopolitics was never far from the mind. The end of the Cold War signaled to Beijing that the economy would be important in determining national strength. That is, economic development would be crucial for China's "campaign for national greatness" and ensuring China's security in the post-Cold War era (military conflict, on the other hand, is seen as detrimental to such goals). U.S. hegemonic expansion and accompanying rhetoric of a 'China threat' is seen as part of an attempt to limit China's economic growth and its policies of cultivating "friendly neighbors" (*mulin zhengce*). By extension, China must then safeguard its own economic strength in order to counter U.S. efforts.¹¹

In Zha's analysis at the turn of the century, Chinese scholars actually come across as more concerned about economic security than official government policy during that time. While Beijing was still actively promoting increased foreign direct investment into China, analysts argued for a balance between such foreign economic involvement in the Chinese economy and the need to protect the indigenous economy (*minzu jingji*) and indigenous industries (*minzu gongye*) so as to ensure "economic sovereignty" and prevent exploitation by foreign capital.¹²

Economic Security in the Current Era

In the 1990s and even into the early 2010s, there remained considerable optimism about favorable conditions for China's economic security and economic development.¹³ Post-2012, Beijing is portrayed as facing an increasingly complex array of threats to economic security. By some accounts, China is now in a "critical phase" [关键阶段 *guanjian jieduan*] since the "watershed" year of 2017 when its economy exceeded 60% of the U.S. economy, seen as crossing the "red line" for U.S. perceptions of China as a great power competitor.¹⁴ A 2021 article in the *People's Daily*, titled "Integrated planning [统筹 *tongchou*] of development with economic security," points to an expanded range of concerns.¹⁵ Contrasting with previous writings that describe a largely favorable situation for China, this article emphasizes a far more tumultuous external environment. In addition to the usual vulnerabilities from exposure to foreign markets, it highlights how global industrial and supply chains are facing challenges due to "non-economic factors" — read, the U.S. trade war and geopolitically-driven economic pressures such as export controls and investment restrictions.

The approach of integrating development and security was first introduced by President Xi in a series of speeches in 2014, including important meetings of the Central National Security Commission and the Central Conference on Work Relating to Foreign Affairs as well as at an international conference on Asian security.¹⁶ Equating development and security represented a significant shift away from the 'development-first' approach, which then-CCP General Secretary Jiang Zemin declared in 2002 to be the Party's top priority. Even Xi required some time to overcome institutional resistance and build consensus around his new formulation, eventually facilitated by external security pressures including the U.S.-China trade war from 2017.¹⁷ The integrated development-security approach was officially adopted during the Fifth Plenum of the 19th Central Committee in October 2020, and is viewed as parallel to integrating "the strategic rejuvenation of the Chinese people with changes unseen in a century" (the latter a commonly used CCP phrase in recent years).¹⁸

Xi's new approach could be interpreted as elevating economic security to "unprecedented heights."¹⁹ Implicit in this phrase is perhaps that there may be tradeoffs between development and security, but that safeguarding security will take priority, and that economic development should serve to enhance China's national security. Some scholars further adopt a zero-sum understanding of economic security, saying that China should take a relative gains rather than an absolute gains approach - in other words, if the other party benefits more, that is considered negative for national economic security. Moreover, the existential nature of these threats justifies broader securitization of the economy and the breaking of institutionalized rules.²⁰

In an official interpretation of the 14th Five Year Plan (2021-2025), the National Development and Reform Commission (NDRC) identified four categories of economic security: industrial supply chains, food and agriculture, energy and resources, and the financial system. It noted that (i) China is still very reliant on foreign countries for core industrial components and technologies, leading to shortages and supply chain disruptions; and that China is facing pressure on both sides from reindustrialization in developed economies and from developing economies moving up the value chain. (ii) China should not relax its grip on food security, given its reliance on imports and challenges of domestic agricultural productivity. (iii) China's resource demand will continue to increase, including minerals and rare earths for strategic emerging industries. Mineral import sources are highly concentrated, while mineral resource development faces challenges of lagging technology, overexploitation, and waste. (iv) The financial system still faces many risks from foreign monetary policies, illegal

activities, struggling assets and capital shortages; additionally, platform business (e.g., tech and digital commerce) monopolies and the “disorderly expansion” of capital pose threats to the socialist market economy.²¹

Some Chinese scholars are more explicit in their discussion of threats, referring to the United States and the West’s ability to cut off access to SWIFT as a “financial nuclear bomb.”²² These fears remain salient in Chinese thinking even though existing Western measures against Russia have not been as sweeping or strict in their scope as they could be. The same authors highlight the United States as a major threat to China’s economic security (Washington is also blamed for what the authors characterize, perhaps exaggeratedly, as Japan’s “lost three decades”).²³ The United States is seen as using illegal and “bullying tactics” to suppress China’s technological progress and economic development through “technological decoupling.” In particular, Washington is accused of targeting leading Chinese firms such as Huawei, “weak links” such as 5G and high-end semiconductors, disrupting supply chains and restricting market access to stifle the commercialization and adoption of Chinese technologies, in order to allow the United States to catch up and preserve its market space as well as its hegemonic position. In terms of financial threats, a PBOC-affiliated researcher highlights three major potential risks: freezing or confiscating U.S. dollar reserve assets; cutting Chinese actors off from US dollar payment and clearing channels, such as SWIFT and CHIPS; including Chinese high-tech companies in an “entity list” (a trade restriction list published by the U.S. Department of Commerce’s Bureau of Industry and Security (BIS)) as well as forced ‘de-listing’ of Chinese stocks; and obstructing RMB internationalization.²⁴

There is active recognition that the increased concern about economic security is a logical result of China’s openness; expanding issues of economic security is not an indication of a “weak” China but in fact a function of its strengthening economy.²⁵ President Xi himself has stated that greater openness means a greater need for security, and few on the Chinese side have suggested that closing off its economy to the outside world is the primary solution. In fact, some scholars have written that the latter approach may prevent external threats but would also increase “internal threats” and ultimately harm national economic security. In this reading, external factors pose threats because of inadequacies in internal systems to manage and respond to such challenges.²⁶

As such, economic interdependence is portrayed as a “double-edged sword” in two ways. Certainly, China has experienced rapid growth and become more prosperous, but there is also greater exposure to external situations and

threats.²⁷ Second, China may face more sources of threats to its economic security but it can also leverage its position and draw on more tools to consolidate its security.²⁸ Another article mentions capitalizing on “global markets and resources” to strengthen China’s system [tixi] of national economic security.²⁹

Policy Responses

What exactly does integrating/coordinating development and security entail? President Xi has referred to the need to enhance self-competitiveness, regulatory oversight, and risk control.³⁰ Authoritative sources also emphasize the importance of keeping China as a key player in the international economic system, including for deterrence purposes. Certainly, the Party holds the “leading position” overseeing all work related to economic security. The Chinese people are described as being at the “center” of economic security, both because government policies are designed to promote development and well-being, and because the people are exhorted to be supporters of the Party’s goals, including sometimes reconciling individual interests and national security.³¹ The latter might be seen as a hint that the pursuit of economic security as defined by the CCP may involve some costs.

Chinese analysts interpret – and perhaps grudgingly admire – the United States as protecting its own economic security through a number of ways: pushing diplomacy and democratic values to align other countries politically, using its military power to exert desired influence, leveraging its technological dominance to control access to advanced technology, using regional and international organizations to ‘Americanize’ the rules of the game and shape structural conditions, and using U.S. multinationals to implement government policies and ideas.³² While Beijing’s ability to use similar methods is still more circumscribed, it is certainly looking to strengthen its technological capacities and create more favorable structural and institutional conditions.

Leveraging the Global Economy to Enhance China’s Economic Security

Official and unofficial writings have simultaneously advocated for continued economic integration and international cooperation alongside strengthening China’s own industrial and technological capabilities. For example, the 2021 *People’s Daily* article discusses liberalizing trade and investment and promoting regional integration, as well as adopting enhanced regulatory measures to manage risks such as an early warning mechanism for industry vulnerabilities, policy tools to address the costs of trade frictions, promoting self-reliance in advanced S&T, and accelerating critical and core technological breakthroughs.³³

In line with the above-stated framework of leveraging the global economy to enhance China's own security, promoting economic integration entails “deep coupling,” or building more resilient global supply chains.³⁴ The focus is thus on ensuring that China maintains access to needed resources, inputs, and technologies, and also presumably to position China as a crucial node in trading and investment networks, making it harder for other countries to cut China out of critical supply chains. This can in turn facilitate the second prong of rapid industrial upgrading and becoming stronger and more self-sufficient in critical and core technologies.³⁵ Promoting deeper integration can also be seen as a way to divide and conquer. Even while noting a shift in U.S. and European approaches to economic security from defensive to aggressive, one article calls for continued communication and cooperation with Europe and improving China's domestic business environment to attract European firms. The author explicitly describes this strategy as a way to divide EU member countries and reduce economic security coordination between Washington and Brussels.³⁶ While transatlantic cooperation has only strengthened over Ukraine, European nations such as Germany still remain eager for access to the Chinese market.

This ties in closely with Beijing's policies on the “new development pattern” [新发展格局 *xin fazhan geju*] and the concept of “dual circulation” [双循环 *shuang xunhuan*], in which “the internal market is the main part, while internal and international dual circulations mutually promote one another [以国内大循环为主体、国内国际双循环相互促进的新发展格局 *yi guonei da xunhuan wei zhuti, guonei guoji shuang xunhuan xianghu cujin de xin fazhan geju*].”³⁷ That is, expanding China's domestic demand should now be regarded as the primary driver of growth, in contrast to the previous export-led growth model that depended on globalization, which in Beijing's eyes is encountering numerous “headwinds,” from Covid to perceived protectionism.³⁸ In contrast to previous efforts at “rebalancing” the Chinese economy to reduce export dependence after the 2008-2009 global financial crisis, dual circulation emphasizes reducing dependence on imports and increasing self-sufficiency.”³⁹

On the other hand, the international component brings added coercive and deterrent power for China's economic security. As Xi wrote in 2020, “...we should strive to reshape new industrial chains and comprehensively increase technological innovation and import substitution...We must build on our advantages, solidify and increase the leading international positions of strong industries, and forge some “assassin's mace” [杀手锏 *shashou jian*] technologies (a wide array of technologies that might afford an inferior military an advantage in a conflict with a superior military power). We must sustain and enhance our

superiority across the entire production chain in sectors such as high-speed rail, electric power equipment, new energy, and communications equipment, and improve industrial quality; and we must tighten international production chains' dependence on China, forming powerful countermeasures and deterrents against those foreigners who would artificially cut off supply to China."⁴⁰ In this context, import substitution appears to refer to reducing dependence on other countries but without necessarily exiting global supply chains, in a way that leaves other countries still dependent on China as a critical node.

Technology and High-Tech Supply Chains

Certainly, technology is seen as a key domain for ensuring economic security: "economic competition is the foundation of national competition, and technological competition is the foundation of economic competition."⁴¹ An oft-raised concern is so-called "stranglehold" [卡脖子 *ka bozi*] technologies for which China is heavily dependent upon other countries and seen to be "constraining China's industrial development."⁴² A Ministry of Education article identifies 35 of these technologies, ranging from photolithography machines and chips to high-end steel materials to electronic components to industrial software. Xi has described S&T as "the primary productive and competitive forces" in "today's world," and called for China to become "a global leader in important scientific and technological fields and a pioneer in cutting-edge and interdisciplinary fields."⁴³ Promoting S&T advancements and attracting talent in these areas is seen as vital for achieving Beijing's national goals and generating new sources of economic growth.⁴⁴

In line with Xi's emphasis on science and technology, the Innovation-Driven Development Strategy (IDDS), launched in 2016, represents China's "master plan" for industrial policy, encompassing but also going beyond the erstwhile-named Made in China (MIC) 2025 and seeking not just to catch up with other leading economies but also to take the lead in a range of critical emerging technologies.⁴⁵ It explicitly links S&T innovation with economic security and national survival: "The core support of national strength is technological innovation capability. National prosperity follows from strength in innovation, and national misfortune follows from weakness in innovation [创新强则国运昌, 创新弱则国运殆 *chuangxin qiang ze guoyun chang, chuangxin ruo ze guoyun dai*]. A major cause of China's stagnation in the modern era was that it let previous technological revolutions pass it by, leading to technological and national weakness [科技弱、国力弱 *keji ruo, guoli ruo*]. To achieve the Chinese dream of the great rejuvenation of the Chinese nation, one must truly make good use of science and technology, which is a revolution in the highest sense and a powerful lever."⁴⁶

Of course, the IIDS and MIC 2025 build on previous techno-industrial policy initiatives that sought to increase self-sufficiency and move up the value chain, even before economic security became a regular buzzword. This includes the 2010 Strategic Emerging Industries (SEI) [战略性新兴产业 *zhanlvxing xinxing chanye*], which laid out seven critical areas for domestic innovation: energy conservation and environmental protection; next-generation information technology, biotechnology, precision and high-end machinery; new energy; new materials; and new energy vehicles.⁴⁷ As part of this industrial policy push, Beijing uses government guidance funds (GGF) [政府引导基金 *zhengfu yindao jijin*] to invest in key areas, with the most famous and well-funded example being the National Integrated Circuit Fund, also known as “The Big Fund.”⁴⁸ These funds operate similarly to venture capital or private equity funds, buying stakes in existing companies and shaping those companies’ operations.

Other Domains of Economic Security: Financial and Energy Security

In terms of responding to U.S.-led financial sanctions, Chinese analysts have similarly touted a mix of defensive resilience measures alongside deterrence through deepening global integration. One PBOC-affiliated researcher discusses how to “uphold the two-way opening up strategy.” They state: “We must tighten the supply chain and industry chain linkages between China and the United States and both sides should hold each other’s assets on a symmetrical scale. The mutual penetration of the Chinese and American economies will inevitably weaken the willingness to impose financial sanctions, and there will be second thoughts about large-scale and extreme financial sanctions in particular.”⁴⁹ The same author advocates for building stronger relations with the EU and other U.S. allies, including FTA and investment agreement negotiations, to avoid a united U.S.-led bloc; and pushing for reforms of the international monetary system such as IMF voting rights and SWIFT neutrality. Resilience measures include improving alternative payment and settlement systems and software, as well as early warning mechanisms to monitor cross-border capital flows. Chinese financial experts mention promoting RMB internationalization, although there is pragmatic recognition that this will be a slow and limited process,⁵⁰ in part given China’s reluctance to take necessary steps such as relaxing its capital controls, allowing more convertibility of the RMB, and reforming its financial sector much more deeply in order to provide incentives for people outside China to use the RMB. Overall, Beijing seems relatively cognizant of the difficulties of matching U.S. financial firepower, and many of its proposed measures center on participating in global financial governance and ensuring broader trade and investment interconnectivity to increase the costs of any sanctions (alongside attempts to reduce risk).

Regarding energy and resource security, Chinese observers highlight the need to diversify energy supplies, deepen new regional and global partnerships, as well as prioritize the domestic development of renewable energy sources – including wind, solar, hydropower, and even perhaps nuclear – along with electric vehicles so as to reduce external vulnerabilities.⁵¹ Additionally, the Belt and Road Initiative and projects such as the Trans-Eurasia rail help to reduce the risks posed by maritime transport routes.⁵² A couple of authors also mention the need for strong military capabilities to safeguard economic security in case of contingencies.⁵³

Legal and Institutional Measures

Beijing's rhetoric and policies also reflect a strong trend toward greater legalization and institutionalization of economic security measures. Xi has praised a Legalist thinker from the Warring States era for the use of clear laws and regulations to promote prosperity, improve the Qin state's power, and unite the Warring States.⁵⁴ Many recent Chinese writings emphasize the crucial need for establishing more systemic institutional mechanisms to handle issues of economic security.⁵⁵ Because economic security risks span across multiple sectors, including industries, technology, information and communications, food, and energy, China needs greater inter-ministry cooperation and coordination.⁵⁶ S&T innovation also requires improved inter-provincial and inter-departmental coordination mechanisms to enable the pooling of resources and building more efficient nation-wide laboratories and research platforms.⁵⁷

Additionally, Beijing has expanded the legalization of its economic security toolkit.⁵⁸ Xi previously called on China to use “legal weapons” in “the struggle against foreign countries.”⁵⁹ In just the last few years, Beijing has adopted a spate of legal and regulatory measures, as outlined in the table below:

Table 1. China's Expanding Legalization of its Economic Security Toolkit: Examples of Recent Laws and Regulations

<p>Foreign Trade Law</p>	<p>Revised in 2016 to allow China to adopt countermeasures against discriminatory, prohibitive, or restrictive measures taken by another country on trade. This was one of the first legal steps Beijing took to institutionalize its sanctions retaliatory toolkit.</p>
<p>Foreign Investment Law</p>	<p>In effect since January 2020, the FIL is supposed to improve the regulatory environment for foreign investment, but also allows reciprocal measures against restrictions on or otherwise perceived discrimination against Chinese investors abroad, and contains ambiguous language that gives Chinese regulators broad discretionary powers in granting or blocking market access.</p>
<p>Unreliable Entity List</p>	<p>MOFCOM released this list in September 2020, soon after the Trump administration issued executive orders against WeChat and TikTok. The UEL is a mechanism to take punitive measures against identified foreign entities, as a way of imposing costs on these companies that comply with foreign sanctions and blacklists in restricting market transactions with Chinese companies, organizations, or individuals.</p>
<p>Export Control Law</p>	<p>A new law in force since December 2020 that created a unified China's export control regime with the explicit goal of safeguarding "national security and interests"; applies to a broader range of goods, technologies, and services beyond military and dual-use items. It also allows for reciprocal measures in response to foreign governments' export controls.</p>
<p>Rules of Counteracting Unjustified Extra-Territorial Application of Foreign Legislation and Other Measures</p>	<p>Released January 2021 and is similar to the EU's Blocking Statute; MOFCOM leads a working mechanism that would investigate such extraterritorial measures. Through this, Beijing hopes to deter the use of and compliance with secondary sanctions.</p>
<p>Anti-Foreign Sanctions Law</p>	<p>Officially a legal framework for countersanctions and other measures against foreign countries that impose sanctions on China. MERICS describes it as a much more expansive "blocking statute, retaliatory regime and proactive sanctions legislation rolled into one." It is characterized by typically vague language that make red lines hard to know in advance.</p>

Source: Table is based off an excellent analysis and summary table by researchers at MERICS, a prominent European think tank.⁶⁰

Many of these legal frameworks can be seen as countermeasures and retaliatory responses to U.S. and EU policies, such as export controls, restrictions against Chinese companies and investments, and economic sanctions. For example, the Unreliable Entity List punishes foreign companies that comply with foreign sanctions, the Rules on Counteracting Unjustified Extra-territorial Application of Foreign Legislation is meant to counter secondary sanctions, while the Export Control Law limits the export of dual use or national security-related technologies as well as reciprocal measures against foreign export controls. At the same time, analysts have pointed out that some of the legislation, such as the Anti-Foreign Sanctions Law, is potentially more sweeping in its range of targets – beyond governments to include organizations and individuals – and scope, including allowing for proactive coercion or broad regulatory discretion.

Such legalization could be seen as representing a shift in how Beijing approaches economic statecraft. While China has sometimes used regulatory cover for economic coercion, such as food safety inspections of Philippine bananas, it rarely admits a political motive, and by and large it has tended to use informal approaches in its economic statecraft, including attributing punitive actions to nationalistic consumers and patriotic companies.⁶¹ Expanded legalization could reflect a few factors: it may be part of a broader process of institutionalizing and formalizing tools of economic statecraft over time, including as China observes how other countries deploy such tools; it facilitates better coordination and enforcement, given the multiple actors and entities involved; or simply that these are situations where the CCP wants to claim credit in front of their domestic audience for a tough response to foreign coercion by adopting reciprocal policies, and legal frameworks facilitate that. Finally, Chinese analysts have pointed to the valuable signaling and deterrence role of legal anti-sanctions measures amidst great power competition.⁶²

Beijing has started to draw more explicitly on legal tools in its economic policies. In July 2023, the Ministry of Commerce announced export controls on gallium and germanium, two critical minerals for semiconductor production, citing the Foreign Trade Law.⁶³ In May 2023, the Cybersecurity Administration of China announced that American chip manufacturer Micron had failed its cybersecurity review. Citing the Cybersecurity Law of China, it barred Chinese telecommunications companies from purchasing Micron's products.⁶⁴ And in February 2023, MOFCOM also announced its first ever use of the Unreliable Entity List, designating Lockheed Martin and Raytheon over arms sales to Taiwan.⁶⁵ The two companies had already been previous targets of sanctions, including through the AFSL and bans on the companies' CEOs in 2022. At the

same time, neither of these companies have a meaningful business presence in China, not least because of U.S. restrictions on defense contractors. This suggests that announced sanctions may be more of a symbolic move, and that Beijing remains relatively cautious about executing these legal frameworks. Such caution could be attributed to a reluctance to impose costs on its own economy and companies, as well as the reduced maneuvering room compared to informal measures that has allowed Beijing to quietly ease off coercion without looking like it is backing down. For the Chinese government, legal frameworks could be most useful as a preventive measure to discourage and deter “anti-China” actions.

Scholars have also suggested that Beijing should use international legal mechanisms as a resource. This includes using WTO legal reviews and dispute proceedings to cast doubt on the legitimacy of other countries' policies, capitalizing on BITs and regional agreements to reduce restrictions on Chinese investments, and even encouraging Chinese companies to use local litigation in host countries.⁶⁶

Conclusion

As one Chinese scholar notes, it remains “difficult, if at all possible, to determine how much economic security is sufficient.”⁶⁷ This is a challenge that many countries and governments face in trying to determine what economic security includes and what poses a threat, and in trying to balance the tensions between open economic exchange and national security concerns. Beijing's official rhetorical elevation of the importance of national security across multiple domains suggests that the domain of economic development and growth will be increasingly viewed through a security lens. At the same time, this is not yet a China that is seeking to decouple from the global economy, which points to both a recognition that China is “big but not strong”⁶⁸ – and still needs an open global economy – alongside an apparent confidence that Beijing will be able to position itself to secure its interests relative to other countries.

While Washington and many governments would point to China as the source of heightened risks to their economic security, Chinese writings suggest that Beijing sees risks as being generated by the incumbent hegemon – the United States – seeking to maintain dominance in the face of a rising challenger. That is, despite China's own growing capabilities, its view of economic security is becoming more negative. Certainly, China's foreign policy responses often seem oblivious to its own contributing role in escalatory dynamics. But this interpretation also points to the tit-for-tat security dilemma that is emerging as both parties seek to increase their own national economic security while

perceiving the other side as pursuing more revisionist and expansionist goals. Additionally, such a structural interpretation goes hand in hand with a domestic political economy explanation of China's approach to economic security – a regressive political shift and statist-mercantilist turn under Xi that has heightened the Party's perception of external risks to its own regime survival, and also led to the emergence of a techno-security state.⁶⁹

Xi has stated that “development is the foundation of security, and security is the precondition for development [发展是安全的基础，安全是发展的条件 *fazhan shi anquan de jichu, anquan shi fazhan de tiaojian*]”.⁷⁰ Recent trends suggest that China's foreign policy will be increasingly guided by an assertive quest for regime security, with security increasingly emphasized over development.⁷¹ At the same time, government policies are starting to have negative effects on the Chinese economy, with sluggish growth, low consumption, and stresses in the financial and real estate sectors. One question is whether such adverse conditions could pay off to achieve longer term economic security, at least in the eyes of the CCP; or whether Xi might be forced to ensure continued economic growth to forestall internal unrest. Some observers argue that China's ‘developmentalist’ foreign policy tradition – which has been appealing to many countries, despite its imperfections – will not be so easily discarded in the name of security, but rather that priorities will evolve hand-in-hand.⁷² For example, Beijing could pursue tighter trade and investment links with resource-rich developing countries that would also boost its energy and food security. We could see a bifurcation of policy sets in which Beijing adopts more legalized deterrent measures against the United States and like-minded countries but continues to emphasize softer development and economic security approaches toward the developing world (and sometimes even opportunistically to U.S. allies to peel off their support for Washington).

One question is whether in Xi's pursuit of “comprehensive national security,” notably the redoubling of efforts to guarantee internal regime security and fend off perceived external threats, longer-term economic security could in fact be undermined. Cracking down on foreign firms, for instance, would make China less attractive to investors, thus slowing growth and reducing its centrality in the global economy, a situation which has often facilitated Beijing's coercive and political clout. Moreover, efforts to weaponize interdependence could generate even more balancing behavior that China would hope to avoid, whether in terms of protectionist onshoring impulses or in terms of China being able to access the technology and markets that it still needs. Thus far, there seems to be relatively limited considerations in China of potential long-term blowback and how other countries may respond that could ultimately worsen economic security concerns.