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Five modes of China's economic influence: rethinking Chinese economic statecraft

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ABSTRACT

Interest and anxiety about China's economic statecraft, or the ways in which it uses economic means to achieve foreign policy, is booming. The overriding perception is that China has sophisticated, long-term plans to enhance its power on the global stage through the use of economic strategies and tools and that it is uniquely capable of effectively implementing those plans now or in the future. Yet when it comes to actual outcomes, whether or not China has been able to achieve its foreign policy goals via economic means, the evidence is mixed at best. This article seeks to move beyond some of the shortcomings in our understanding of Chinese economic statecraft by exploring the links between perceptions, ambitions, abilities, and outcomes of Chinese foreign economic policies and behaviour. We propose an alternative to the concept of economic statecraft by introducing instead five different 'modes of economic influence'. We suggest directions for future research focused on China's economic influence, including its latent structural power.

KEYWORDS Economic statecraft; economic influence; China; international political economy; perceptions; intentions; outcomes; principal-agent relations

Introduction

Interest in economic statecraft, or the ways in which states use economic means to achieve foreign policy goals, is booming.¹ No country has attracted more attention for its economic statecraft, or been the source of more anxiety, than China. The overriding perception is that China has sophisticated, long-term plans to enhance its power on the global stage through the use of economic strategies and tools. A common presumption is that China is (or will be) especially capable of implementing those plans, in part because of its sheer economic size and resources and in part because China's state-led economy allows it to channel those resources in ways few other governments can.

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Concerns about China's economic coercion against Australia, Lithuania, or Taiwan—all of whom have experienced tense political ties with China—highlight China's multiple sources of leverage resulting from deep trade and investment ties. Claims that China is creating an insurmountable geopolitical sphere of influence over developing countries in Asia, Africa and Latin America through its Belt and Road Initiative (BRI) similarly rest on claims that China is pursuing dominance via the lure of deeper trade, investment, and financial links to those regions.

Yet when it comes to outcomes, whether or not China has been able to achieve its foreign policy goals via economic means, the literature on Chinese economic statecraft presents a blurred picture, at best. This article seeks to move beyond some of the shortcomings of the literature on Chinese economic statecraft by exploring the links between perceptions, ambitions, abilities, and outcomes of Chinese foreign economic policies and behaviour. We propose an alternative to the concept of economic statecraft by introducing instead five different 'modes of economic influence'. This typology builds on work by other scholars that captures more effectively the mechanisms through which Chinese power and influence are exerted or blunted. Our five modes of economic influence,

1. the ability to prevail,
2. preference multiplication,
3. persuasion,
4. informality, and
5. unanticipated influence

aim to account for not only those circumstances when China is likely to be able to intentionally achieve its desired outcomes, but also when its influence is limited, or its interests undermined. We conclude with prospects for improved understanding of Chinese economic statecraft and economic influence, including the need for a more in-depth understanding of China's latent structural power.

China's economic statecraft: the conventional wisdom

For the case of Chinese economic statecraft, answering the five unifying questions of this Special Issue is crucial, but also especially challenging. The first question about perceptions of the problem(s) China poses, and what to do about them, in some sense supersedes and conditions the answers to all the other questions. The perception that China is an exceptionally capable practitioner of economic statecraft, or pursuer of geo-economic stratagems, combined with concerns about its long-term objectives, is arguably the primary driving factor motivating much of today's scholarship, policymaking and punditry related to these concepts. In other words, *perceptions* about China's objectives and goals and about its

capabilities to achieve those goals play a key, maybe even determining, role in understandings and assessments of a wide variety of outcomes associated with Chinese economic statecraft. With this overriding importance of perceptions in mind, the following is a brief sketch of answers to this issue's five core questions.

What is the perceived problem that needs a response?

In the case of China, the dominant perception in much of the world outside of China is that China is all-knowing and all-powerful when it comes to economic statecraft. Even if this is a caricature of, say, the official U.S. government position, the perception that China is highly adept at formulating and implementing long-term plans that deftly blend commercial and geopolitical aims to give China maximum leverage or advantage over other countries, is widespread. For example, as the authors of one often-cited book on economic statecraft assert, 'As China's economic might has grown, so too has its ability and temptation to use this power to advance geopolitical ends...China is often correctly described as the world's leading practitioner of geoeconomics' (Blackwill & Harris 2016: 93). Added to this is the perception that when it comes to the relationship between the Chinese government and Chinese firms, or between the party-state and the economy, there is for all practical purposes no distinction. All of which leads to powerful, if sometimes deeply misleading assumptions, that when it comes to the overseas behaviour of Chinese firms or banks, they are, by definition, doing the bidding of the Chinese government and Communist Party (cf. Babić and Dixon 2022). Moreover, such perceptions and assumptions often lead to interpreting certain outcomes, say the failure of Sri Lanka to repay a loan for a port project to a Chinese bank, as having been planned from the outset to maximize Chinese leverage or political power. In other words, because it is *assumed* that China uses commercial means and instruments to achieve foreign policy objectives, some outcomes that may have had nothing to do with Chinese economic statecraft are still interpreted as having been so (Kastner & Pearson 2021).

What is the objective?

The objective or goal of Chinese economic statecraft is also very much tied to the perceptions and assumptions just outlined. For some, the goals of Chinese economic statecraft are very much linked to China's broader ambitions for either regional or global dominance (see Doshi 2021). For others, the aims of Chinese economic statecraft are far more specific, say aiming to create leverage over its Southeast Asian neighbours via deepened trade or investment relations, which themselves can create forms of economic and political dependency on China. At an even more specific

level, some view Chinese aims as focused on creating sectoral or firm-level competitive advantages, for example through its Made in China 2025 industrial strategy or via support for technology firms such as Huawei and ZTE.

Probably the best example of aims and motives ascribed to Chinese economic statecraft are tied to the BRI, which is often posed as Exhibit A for how China tries to create asymmetric financial, investment and trade links to developing countries in Asia, Africa and Latin America through a host of specific transportation, energy and digital infrastructure projects (see Rolland 2017; Friedberg 2020: 154). While such goals and ambitions are often ascribed to Chinese economic statecraft with reference to official Chinese policy documents or leader statements, they are often assumed rather than proven. In any case, judging intentions or presuming them by working backwards from outcomes, can easily prove misleading. Moreover, the general presumption that China seeks long-term regional or international dominance can then colour many of the more specific regional or sectoral examples of Chinese commercial activity that have come to be seen as part of Chinese economic statecraft.

It is not that China does not have ambitions and goals towards which its economic statecraft is directed, it is that far too often analysts and pundits take for granted Chinese leaders' or firms' intent and ability to achieve their stated (or hidden) goals. Essentially, by adopting this master narrative of an existing Chinese grand strategy, or what we might call the *long-game narrative* (Doshi 2021), all the pieces of the puzzle are assumed to fall in place in line with that strategy.

What is China's ability to achieve its objectives?

If China is often presumed to be pursuing power and interest-maximizing aims via its foreign economic and commercial policies and tools, then it is also often assumed that China is highly capable of achieving those aims via its economic statecraft. China is assumed or argued to have strategies and plans to effectively link its growing economic capabilities and to use multiple levers of state control over the Chinese economy and economic actors to achieve outcomes conducive to Chinese interests, and in line with those plans and strategies (Pillsbury 2016; Boustany & Friedberg 2019).

Two factors are especially important in such assumptions: 1) the overall size and rapid growth of China's economy that provide ample resources for use in economic statecraft and 2) the Chinese state's influence over the economy and in particular its control over firms and banks, especially those directly owned by the state (Pearson et al., 2022). Whether it is via coercive economic instruments such a formal or informal trade or investment restrictions, or by cutting off flows of finance or even tourism, a dominant perception is that such coercive or punitive tactics and threats

work, or at least could work, in the future (see Glaser 2021). The case of Chinese restrictions on the Philippines' banana imports in response to disputes over the South China Sea (SCS) is often cited as an example of China's use of punitive economic statecraft, with the unspoken, but also unproven, assumption that such restrictions may have factored into a softening of the Philippines' position on their SCS dispute with China (see Blackwill & Harris 2016; Lai 2018). And in the case of China's more positive, or inducement-focused economic statecraft, such as the BRI, it is often assumed that China can manipulate various types of trade, investment, or financial interdependence to gain political leverage over Asian, African or Latin American countries.

The overall impression, then, is of China as highly, and maybe uniquely, capable of achieving its foreign policy aims via economic and commercial policies (Blackwill & Harris 2016; Rolland 2017; also Friedberg 2020). More recent research, including this article (see also Norris 2016; Reilly 2021; Ye 2020) explore more carefully the question of China's capabilities, including the reality and potential of serious limitations facing Chinese firms or government officials in achieving their aims and of the possibility of unseen or unwanted outcomes that demonstrate those limitations. In fact, some research in this vein promotes the argument that because of its 'fragmented' system of governance, China's abilities to achieve either domestic or foreign policy aims are far less than often assumed (Jones & Hameiri 2021; or Patey 2021; see also Lieberthal & Lampton 1992 on fragmented authoritarianism). As in the case of China's economic statecraft goals, it is not that China does not possess significant capabilities. It is that such capabilities are too often assumed rather than systematically analysed.

What are the outcomes?

Understanding and measurement of outcomes is where research and policy regarding China's economic statecraft truly comes up short. In fact, *in lieu* of actual systematic analysis of the outcomes of China's economic statecraft, it is perceptions and assumptions about China's ambitions, combined with its capabilities, that often hold sway. In some cases, this means that research or policy analysis about Chinese economic statecraft focuses on the combination of China's power-maximizing ambitions with its deep-pocketed capabilities and then either never follows up to examine actual outcomes or assumes that China has or will achieve its stated or assumed aims. If such analysis can be unsatisfying, then so too is working backwards from outcomes to assume intentions and capabilities. A clear example of this is the politicized discussion about China's 'debt trap diplomacy' (Chellaney 2017), when especially American policy makers claimed that China intentionally lent money for large infrastructure projects in Sri Lanka and elsewhere with the knowledge

that the debt could not be repaid, leaving China with economic and political leverage.

A variation on both themes is the type of discussion in the U.S., Europe and elsewhere about the risks of Chinese direct investment, which often hinge on assumptions about Chinese intentions and capabilities, including risk projections far into the future (Mattlin & Rajavuori 2023). In some cases, even if various outcomes seem to reflect a setback for Chinese economic, security, or diplomatic interests, there is a sense that China's long-term strategic acumen and patience will allow it to prevail in the end.² Even among some of the more recent analytically and empirically rich research about Chinese economic statecraft, there can be an unsatisfying willingness to defer careful research about outcomes for a later time. For example, the author of one such study says this about the outcomes of China's economic statecraft: 'this book is not designed to identify when China is most likely to secure its desired policy outcomes: that task is best left to another book, which I hope someone else will write' (Reilly 2021, p. 167). Again, as with China's ambitions and abilities, it is not that China has not, cannot, or will not achieve outcomes in line with interests, it is that the state of our understanding of the full range of outcomes remains woefully inadequate (Wong 2019; Kastner and Pearson 2021).

How useful is it to use economic statecraft to frame our answers to the first four questions?

In light of all the various drawbacks associated with the perceptions and assumptions about the aims, capabilities and outcomes of China's economic statecraft, we argue that a reappraisal of the value of the concept of economic statecraft is in order. In fact, both the concepts of economic statecraft and geoeconomics are part of a renaissance of realist-inflected thinking about political economy and international political economy.³ While few analysts of Chinese economic statecraft draw explicit connections to deeper historical policy or intellectual traditions such as mercantilism (18th century), economic nationalism (19th century), or the international economic and political crises that led to the birth of the modern field of International Political Economy (IPE) in the 1970s (for exceptions see Cohen 2008; Breslin 2011), today's interest in economic statecraft and geoeconomics reflects insights as well as drawbacks of those traditions.

Realist-type assumptions about the importance of power and security-maximizing states that distrust cooperation and that prioritize relative over absolute (economic) gains are all embedded in the China economic statecraft debate *du jour*. As common-sensical as today's interest in such issues may be (i.e. today's world is replete with examples of the interconnectedness of international economic and power issues), some of these assumptions are tied to the shortcomings explored in the basic

responses to the first four questions here. Instead, in the rest of this article, we propose that a focus on *modes of Chinese economic influence* offers a more productive way forward. We do not suggest that economic statecraft ought to be jettisoned as an analytical concept, but that it instead be viewed through the lens, and as one type of, potential economic influence.

Modes of (Chinese) economic influence

With the above sketches of answers to the core questions of this Special Issue now in place for the case of China, it is possible to try to move past some of the limitations of our understanding of Chinese economic statecraft. In order to do this, we propose an analytical framework for understanding different modes of Chinese economic influence. While not claiming to be exhaustive, we believe that the modes-of-influence analysis presented here can provide a typological spectrum that can help overcome some of the limitations associated with a narrower focus on economic statecraft or geoeconomics. More specifically, by focusing on five distinctive modes of Chinese economic influence, we hope to provide a more systematic scaffolding that can account for a wide range of outcomes, including ones in which there is a gap between intentions and capabilities on the one hand, and actual outcomes on the other. Our framework also provides an analytical opening for real-world scenarios where Chinese economic influence may be more limited than often assumed, but also where it is greater or simply operates via different methods than commonly understood. Our typology of modes of economic influence also underscores how *perceptions* of Chinese economic influence can overshadow, or impact, its real dimensions. By focusing on economic influence, economic statecraft can be placed in a broader spectrum of the ways that China's roles in the international political economy can enhance, undercut, or otherwise complicate its wealth and power.

Our proposed framework for understanding five different modes of Chinese influence builds on research by Evelyn Goh (2014; 2016). Goh's growing body of work on Chinese power and influence, especially in Southeast Asia, is immediately relevant to many of the concerns we noted above about the failure to better connect intentions and capabilities to outcomes in much of the work on Chinese economic statecraft. While Goh and her colleagues (Goh 2016) have done a great deal of work focused on non-economic dimensions of China's power, her analysis is also relevant for questions of economic influence, *per se*. Goh introduces three modes of Chinese influence, 1) the ability to prevail, 2) preference multiplication and 3) persuasion, that offer an excellent starting point for analysing Chinese economic influence more specifically (Goh 2014; 2016). Here, we introduce Goh's three modes of influence, propose some extensions or

alterations, and highlight some specific real-world examples to shed light on the utility of this framework.

Ability to prevail (a.k.a. coercion)

Rather than assuming that China has influence, or power, beyond its borders, Goh questions embedded assumptions about China's growing ability to get other countries to act as Beijing would wish (Goh 2014; 2016). Specifically, she argues for a distinction between power defined as latent or potential capabilities (economic, political, or military) and power that derives from influence, which she describes as the effective exercise of this power, or *'the act of modifying or otherwise having an impact upon another actor's preferences or behaviour in favour of one's own aims'* (Goh 2014: 826—italics in the original).

Goh argues that a great deal of the analysis about China's influence on regions like Southeast Asia focuses on China's ability and willingness to use compulsory power to get other countries to act according to its wishes, or what she calls the 'ability to prevail' (ATP). Such an analytical focus, Goh notes, is the default position of many traditional studies of power in the international relations (IR) literature as well as some work by China scholars like David Shambaugh (2013), who have explored the dimensions of China's power and influence on the global stage. More often than not, Goh argues, scholarship about China's ATP found China's influence wanting (e.g. Shambaugh's designation of China as a 'partial power'). Specifically, Goh herself has found little evidence for China to get its Southeast Asian neighbours to change or drop their territorial claims to the South China Sea. Rather than dismissing China's ATP, though, Goh argues that it is simply too high of a bar for measuring China's influence and that we need to be attuned to the range of other ways in which it seeks, and may possibly achieve, influence.

Given that Goh's earlier research was not specifically focused on economic influence, and that her original modes-research was published nearly a decade ago (cf. Goh, 2020), how might her ATP focus help us more accurately analyse some contemporary aspects of China's economic influence? Arguably, since Goh's initial work on modes of Chinese influence, Western (i.e. U.S., European, and Australian) interest and concern about China's willingness and ability to use 'economic coercion', or punitive economic measures, to achieve political or geopolitical ends has risen dramatically. China's willingness to impose formal or informal trade restrictions on neighbours like Japan, South Korea and Australia over territorial or political disputes, or on European countries over human rights (e.g. Norway and Sweden) or Taiwan decisions (e.g. Lithuania) that have upset China, have all prompted a rise in concern about Chinese economic coercion. During the Trump presidency in the U.S., there was also criticism of China's 'predatory' lending, and the creation

of 'debt traps' to developing countries, all of which, it was argued, gave China leverage over a wide range of countries in Asia, Africa and Latin America. Goh's focus on the ability to prevail not only draws our attention to what analysts of economic statecraft have usually categorized as punitive or coercive economic policies or instruments (as opposed to economic inducements), but also whether such efforts at economic arm-bending 'work' or not.⁴

Thus, Goh's ATP framework requires us to follow up on the effects and outcomes of China's attempts at economic coercion. China's seemingly growing willingness to use forms of coercive economic diplomacy in political disputes with other countries (see Mattlin, 2021) might well fit into the ATP mode, but the outcomes of such coercive tactics have often been inconclusive. Did China's *de facto* embargo on imports of Norwegian salmon lead directly to a diplomatic *rapprochement* on China's terms, especially given that Norway's overall trade with China did not suffer during its time out in the cold? Did Japan change its position on the Senkaku/Diaoyu island dispute with China because of China's restrictions on rare-earths exports to Japan? Did South Korea change its policy on the installation of THAAD radar technology because of a Chinese boycott on the Korean company Lotte or because of Chinese restrictions on tourism to Korea? Have Lithuania, or other EU members, been effectively deterred from shows of support for Taiwan because of Chinese trade restrictions on Lithuanian goods? In all of these and other frequently referenced cases of coercion, the question of whether and how firms view and respond to pressure or threats is as crucial, but also as little understood, as the responses of national governments.

Careful and definitive exploration of these questions remains sparse among academics, even as pundits and politicians often imply that attempts at economic coercion amount to China achieving its aims. For example, one of the earliest reports on Chinese economic coercion states that it has 'caused significant economic damage to U.S. partners such as Japan and South Korea' and 'may also have long-term effects in deterring and shaping countries' foreign policy interests that go well beyond the short-term economic costs' (Harrell et al., 2018). In fact, many of the reports on Chinese economic coercion highlight the 'resilience' of both firms and governments in their response to actual or threatened Chinese trade, investment or financial restrictions, implying that China's ability to prevail has been kept in check (see Ferguson et al., 2021). Likewise, work on Chinese 'predatory' lending, and especially its 'debt trap diplomacy' has in many ways been explored and debunked far more thoroughly than Chinese attempts at economic coercion among rich countries (see Parker & Chefitz 2018; Ferchen & Perera 2019; Jones & Hameiri 2021; Brautigam 2020; Brautigam & Rithmire 2021).⁵ Such research at the very least presents a more complete and also more complex picture of limits on, but also unexpected pathways for, China's actual economic influence. Ultimately, the value of a focus on Goh's ATP mode is not in demonstrating that

China has not or cannot effectively wield economic influence, including via coercive or punitive methods, but rather to note that we are still in the early stages of understanding actual and potential outcomes as well as limitations.

Preference multiplication (a.k.a. inducements)

While Goh's ATP mode draws our attention to the need to more carefully evaluate whether and how China might be able to use economic tools, especially punitive or coercive measures, to convince other countries to bend to Beijing's will and interests, Goh's focus on preference multiplication shines a light on an underappreciated component of Chinese economic influence. Specifically, Goh juxtaposes the ATP mode of influence with what she terms preference multiplication (PM), which is closely associated with economic inducements. Unlike the ATP mode, which mostly involves a focus on conflict or compulsion as the mechanism of influence, she instead points to a type of influence in which 'co-optation and consent' are the key mechanisms at play. For Goh, preference multiplication takes place when China's interests and preferences largely overlap, or converge, with those of other countries (or businesses or institutions) that are the target of Chinese influence efforts. In other words, the PM mode involves China giving others more of what they already desire. As an example, Goh points to China's promotion of Southeast Asian economic regionalism, including increased Chinese investment in the region, and China's general push to promote mutually beneficial economic development opportunities.

While the ATP mode draws our attention to a type of influence or power in which China might use economic 'sticks' to get other countries to do what they otherwise would prefer not to do, the PM mode is more focused on the types of 'carrots' or inducements that are so central to much of China's development-themed foreign economic engagement with developing countries (Mattlin, 2021). While Goh does not mention China's BRI, it is a perfect example of the PM mode in action, given China's focus on enhanced trade, investment, and financial cooperation aimed at promoting 'win-win' development outcomes for China as well as BRI partner countries.

Other more recent examples of China giving others what they already want would be its support for the ASEAN-led Regional Comprehensive Economic partnership (RCEP) trade agreement, or its late 2020 signing of the Comprehensive Agreement on Investment (CAI) with the European Union. Indeed, we may be able to discern patterns in which China is more likely to use punitive or coercive economic instruments in an effort to change other countries' or firms' behaviours in line with China's preferences and other instances when it would be more likely to use preference multiplication tools and strategies. Arguably, the former is more often used

with developed and democratic countries like the U.S., Europe, Australia or Japan and the latter with countries in the Global South with whom China claims like-minded developmental solidarity (see Gloria 2021; Mattlin, 2021). If the ATP mode is more often associated with efforts at compulsion, the PM mode is more likely applicable to cases of inducement.⁶ The concepts of economic statecraft and geoeconomics seem more closely aligned, then, with the ATP mode, while the notion of economic influence may more effectively accommodate the PM mode.

Yet caution must also be taken when analysing the PM mode of economic influence. For example, Goh argues that China's broad-based diplomacy focused on shared economic development interests and goals with developing countries in Southeast Asia, Africa, or Latin America provides a good example of the PM at work: China's promotion of developmental outcomes that countries in these regions already want is a type of force multiplier. It would seem that China's development-themed, win-win rhetoric and emphasis on mutually beneficial trade, investment, and financial ties via the BRI would be a clear example of the PM mode of influence at work.⁷ Yet we should be cautious in assuming how much understandings, perceptions or hard material interests associated with 'development' are shared between China and countries with which it claims a South-South solidarity. The political economy of China's development-themed economic diplomacy (Zhang & Wang 2015; Luo & Zhao 2022; Li 2021) and engagement with developing country regions like Africa and Latin America has not necessarily been a story of smooth, Chinese-led preference multiplication.

For example, even at the height of the commodity boom (ca 2003–13), in countries like Brazil that were reciprocating China's emphasis on 'South-South' solidarity via engagement with BRICS, there were clear undercurrents of concern about the flip side of seemingly shared development interests. Within Brazil there were intellectual and interest-group critiques of *reprimarization*, or about a reprise of previous periods of commodity dependency.⁸ At the same time, Chinese officials, and importers of iron ore to feed the booming steel sector inside China were increasingly upset at Brazilian (and Australian) cartels that were able to keep iron ore prices (artificially) high. So even as Chinese and Brazilian leaders voiced support for South-South, development-based solidarity, there were undercurrents of concern on both sides about how interdependence meant worrying elements of dependence or undue influence. When former Brazilian president Dilma Rousseff first took office in 2011, she voiced concerns about the need to 'move beyond complementarity' in Brazil-China relations. Even as that earlier commodity 'super cycle' ended with serious consequences for commodity exporting countries and now with the world economy in the midst of a new energy shock, market fluctuations and their disruptive effect on China's ties to commodity-rich countries are a complex component of China's economic influence.

China's foreign policy still relies heavily on a kind of preference multiplication logic in which mutually beneficial commercial ties are supposed to underpin stable and healthy political and even security relations. This logic still has a certain appeal and resonance, especially in parts of the developing world. Yet even before the health and economic crisis tied to the Covid-19 pandemic, there were already serious concerns about the financial and environmental sustainability of China's BRI. As the world emerges from the pandemic, China and many of its developing world partners are mired in an emerging debt crisis, while its commercial ties to the rich world are fraught with distrust and calls for decoupling, derisking and enhanced supply chain security. All of this points to the headwinds China faces in using PM as a form of economic influence.

In both the ATP and PM cases, it is clearly important to ask how host/target country reactions, but also broader structural conditions (including things like external shocks), factor into the outcomes of China's influence. With a focus on specific cases and how host/target countries respond, we can also look at different levels of receptiveness, reaction or compliance that in some cases might be contradictory, or at least present a mixed bag of influence. Such work focused on host country 'agency' are increasing in number and quality (see Corkin 2013; Mattlin & Nojonen 2015; Schneider 2021), but the challenge is to connect insights from that research more directly to our understanding of Chinese economic influence.

Persuasion

For Goh, both the ATP and PM modes of influence rely on assumptions about material interests and preferences, but as the above discussion highlights, interests and preferences can be subject to change or persuasion. Persuasion, then, is Goh's third mode of influence and her focus is on the ways that China or a target country understands or perceives convergence or divergence in their interests. In other words, it is not necessarily obvious beforehand whether a situation is one in which the ATP or the PM mode would be more likely to pertain. Here, the importance of narratives and conceptual frameworks becomes especially important (Mattlin & Rajavuori 2023). As Goh emphasizes, Chinese leaders focused on dispelling a growing 'China threat' narrative among its Southeast Asian neighbours in the 1990s with a 'charm offensive' in the first decade of the 2000s (Kurlantzick 2008). Yet when it comes to issues of economic influence, when and where China is willing to more overtly rely on the language and instruments of economic coercion or compulsion tied to the ATP mode versus when and where it will push the more positive-sum-rhetoric and logic of 'co-optation and consent' associated with the PM mode is not necessarily obvious.

As noted above, China seems to rely more on PM types of persuasion, at least in its official rhetoric and propaganda about 'win-win' and

South-South solidarity, when interacting with developing countries. Yet even in its increasingly distrustful relationships with the U.S., Europe or some of its richer neighbours in Asia, Chinese foreign economic diplomacy also often emphasizes the mutually beneficial aspects of more trade and investment (Wong 2016). Persuasion as a method of economic influence is therefore especially pertinent to understandings of *economic interdependence*. Whether in China's charm offensive in Southeast Asia in the early 2000s, its efforts to push through the CAI investment agreement with the EU, or even Xi Jinping's claims during the Trump presidency that China was the key remaining pillar of free trade, it has often relied on methods of persuasion to convince others (and presumably the Chinese people) that economic interdependence was a net positive. And yet as events of recent years have shown, most dramatically in the cases of U.S.-China or Australia-China relations, such efforts at persuasion can break down as interdependence (or its correlate, dependence) have increasingly been viewed as a serious security risk. Given the growing perception in those countries and elsewhere that China seeks to use economic policies and instruments to gain political leverage or to secure its own interests at the expense of others, persuasion as a type of Chinese economic influence also exhibits clear limitations.

Returning to China's commodity-based relations with developing countries, Goh's persuasion mode is also relevant. For example, China has been keen to portray commodity-based trade and investment relations with countries in Latin America, Africa, Asia and the Middle East as complementary, whereas concerns and critiques of dependency to portray the same material and structural relationship, emerged in these regions (see Ferchen 2011). A Chinese official or researcher evaluating or describing Chinese economic influence in an African or South American economy is almost certain to portray the relationship as mutually beneficial development (see e.g. Zhang & Wang 2015; Li 2021), whereas a local official, scholar or journalist may underscore concerns about risky dependency or volatility inherent in the same material relationship. Internal Chinese evaluations of the implications of interdependence with the global economy or a specific country for any given commodity, technology or service are also far more likely to underscore the risks to China itself of too great a degree of dependence on foreign markets (Glosny 2016).

It may seem common sense to draw a distinction between objective, material elements of Chinese economic influence and the role of perceptions. Yet even Goh's careful work relies more on the former than the latter when it comes to analysing the alignment or misalignment of interests and preferences that are so important to evaluating whether a given situation fits more with the ATP or the PM mode. In our effort to build on Goh's 'modes' insights, it therefore makes sense to push forward with efforts to distinguish the material and perceived differences or similarities in understandings and evaluations of related concepts like *asymmetric interdependence*, *competitive interdependence* (Hass 2021), *weaponized*

interdependence (Farrell & Newman 2019), or simply *dependency* (Stallings 2020). Here we might build on classical IPE traditions that delved deeply into questions of power and interdependence, including asymmetric interdependence, on the global stage (see Keohane & Nye, 1973, 1977; Ferchen Forthcoming). On this, Goh does make passing reference to Keohane and Nye, as well as to traditions of 'structural power' from researchers like Susan Strange (Strange 1997).

In addition to re-evaluating these insights and analytical tools from the renaissance of IPE in the 1970s, we can add the insights of more recent work from scholars like Kastner and Pearson (2021), who explore the differential effects and perceptions of interdependence, and James Reilly (2013), who deploys the concept of 'enmeshment' as a variation on 'interdependence'. Kastner and Pearson as well as Reilly note that Chinese economic influence does not necessarily expand in direct proportion to growing levels of interdependence with its neighbours or any other region or country, nor that interdependence (asymmetric or otherwise) is necessarily the outcome of concerted policies or intentionality on China's part, topics that will receive more direct attention below. Ultimately, it may be too simple to assert that 'interdependence is what states make of it', to adapt Alexander Wendt's famous phrase, but when assessing China's economic influence, we have a lot of room to sharpen our analytical tools for understanding both the real and the perceived impacts of interdependence. Clearly, the persuasion-mode takes us out of pure rationalist and material analysis into socially constructed understandings and perceptions.

The informal mode of influence

Goh's three modes of influence, once adapted to focus on issues of China's economic influence, provide an excellent starting point for moving beyond some of the limitations associated with concepts like economic statecraft and geoeconomics. Yet as with much of the work on Chinese economic statecraft, Goh's focus is also primarily on China's *intentional* use of economic tools and policies to achieve foreign policy goals. Much of that work is understandably concerned with how the Chinese party or state uses state-owned enterprises (SOEs), policy banks, or even large private firms to pursue a combination of commercial, political and security aims, including through high-profile projects like the BRI.

Here, we propose two additional modes of Chinese economic influence that are not necessarily intentional but that nonetheless impact China's power and interests in significant if underappreciated ways: economic informality and unanticipated influence.⁹ The concept of economic informality, often defined as economic activity unregulated by state authorities, has a rich pedigree in studies of economic development and state-socialist systems. The concept is part of the popular vernacular and a standard

topic of academic studies in vast stretches of the developing world, from Latin America to Africa to South Asia and the Middle East. Yet even though China has shared some of the core features of informality that exist in other regions, namely rapid rural-to-urban migration, and the expansion of market forces in place of more state-led development, the concept of informality has rarely been applied to China (Ferchen 2008). While the reasons for this are beyond the scope of this article, the work that has been done on the political economy of Chinese economic informality increasingly provides insights into forms of China's economic influence in its own neighbourhood and far beyond (Ferchen 2021; Rozelle & Boswell 2021).

A good starting point for understanding an informal mode of Chinese economic influence is Ching Kwan Lee's (2017) work on 'varieties of Chinese capital' and Chinese investment in Africa. Lee distinguishes between a state-led form of Chinese capitalism and another equally important form characterized by 'decentralized improvisation' and often 'chaotic and unpredictable outcomes' (Lee 2017: 5). Especially in China's outbound commercial activities in developing countries, these two varieties of Chinese capital can come together: 'China's strategy of "going out" is...ordained and promoted by the center but its execution and outcomes are equally, if not more, unpredictable than these domestic ones' (Ibid: 9).

One way the concept of informality can be a useful addition to our toolkit for understanding Chinese economic influence is by shining a light on those Chinese individuals or small firms that conduct trade, investment, or lending activities that make up much of Lee's 'decentralized improvisation'. Such informal commercial activities may be conducted by those who do not have any connection to, let alone support from, central or local officials or their plans and policies. Yet the concept of informality can also capture the activities and impact of actors operating in the space between the official and unofficial, the sanctioned and unsanctioned, or even potentially the legal and the illegal.¹⁰ As Ferchen's (2021) research in Cambodia, Myanmar and Vietnam has highlighted, there is a wide range of activities from property speculation to online gambling to trade in illicit commodities like timber, jade, or methamphetamines to investments in coal-fired power plants that impact real and perceived Chinese influence Southeast Asia. Moreover, some of these actors and their economic activities explicitly develop in the spaces created by more official, state-capitalist instruments of economic statecraft, such as BRI-branded economic corridors, ports, and special economic zones. Recent cases from Myanmar highlight how informal Chinese actors have exploited China's official BRI project to build gambling projects branded as the BRI, a ruse that eventually caused a diplomatic row between the two countries (Tower & Clapp 2020). Small-scale, non-state actors, or those working with local officials far from Beijing, can and have used the space created by big, state-sanctioned projects to pursue personal or corporate economic opportunities in the name of projects originally sponsored by central officials (Ferchen 2021).

A focus on informality therefore opens novel ways to analyse how a range of actors can use or manipulate their linkages to a more 'official' type of Chinese economic activity or policy for their own purposes. Yet the informality mode of influence may also be applied to the behaviour of actors most associated with official, state-capitalist China (see White 1998, on 'official informality'). For example, the China Development Bank's lending behaviour in Venezuela has highlighted how arguably the most powerful and well-connected financial institution in China pursued a set of policies ostensibly as part of China's efforts at energy security, but that were ultimately aimed at enhancing the wealth and the power of the CDB itself (Ferchen 2013 and 2020). More broadly, Mattlin and Nojonen (2015) have shown that outcomes and policy effects in host countries may also emerge from the poorly coordinated activities of numerous Chinese state-linked organisations, each pursuing their own interests, a phenomenon that they call 'emergent conditionality'. At the same time, many discussions of Chinese economic coercion have noted that China prefers extra-legal, and therefore deniable methods such as popular boycotts of foreign firms or products, restrictions on outbound tourism to the target country, or *de facto* export or import bans meant to limit trade and investment.

A focus on informality can therefore highlight the ways in which both local, non-state actors as well as official central state entities can play a key role in China's economic influence. Importantly, both can be *perceived* as representatives of China even when they are acting in their own interests, potentially in defiance of the aims and preferences of Chinese foreign policy planners and leaders (Ferchen 2021). In the case of both Chinese citizens, who have pursued 'fake' BRI projects in Myanmar or the CDB in Venezuela, their portrayal, and the perception as agents of China have led to contentious claims of Chinese influence.

Such issues ultimately require us to reassess fundamental questions of principal-agent relations and of 'agency' more generally. This requires a mixed focus on material facts as well as perceptions. Will Norris's (2016) work on economic statecraft provides building blocks for understanding principal-agent relations between Chinese government and party officials on the one hand and firms on the other. Yet if, as Norris shows, there is a range of effective government control over state-owned institutions in terms of their outbound activities, levels, or instruments of effective control vary even more for firms nominally managed by provincial and municipal-level officials. Ye Min's (2020) analysis of the decentralized and improvisational way in which government and market actors have responded to the BRI is a good starting point for the link between such principal-agent questions and foreign economic influence. And Lee's work on different types of Chinese state-led versus more informal and improvisational types of investment in Africa shows such dynamics in action. But questions of perception are just as important, as Breslin's work on understandings and misunderstandings of the role non-state Chinese

firms play in China's economic statecraft highlights (Breslin 2021; see also Mattlin & Rajavuori, 2023). If we add informal actors and activities into the mix, and perceptions of who is and isn't 'Chinese'—especially in the context of overseas Chinese communities in Southeast Asia—it is clearly all the more imperative to understand the various dimensions of China's informal mode of economic influence.

Unanticipated influence

A focus on informal types of Chinese economic influence draws our attention back to the reality as well as the perception of intentional Chinese economic statecraft. As we noted at the outset, a core assumption of much of the work on Chinese economic statecraft is that it is intentional. Yet as some of the examples of informal Chinese economic influence highlight, there are many Chinese actors and economic forces that are not directly controlled by Beijing but that nonetheless factor into China's foreign economic influence. Moreover, broader structural trends in China's economy, and the global economy, can and do play into changes in China's trade, investment, and financial relations around the world. These can, and sometimes do, lead to unanticipated forms of economic influence, many of which have implications for China's foreign and security relations. In some cases, these unanticipated types of influence harm the interests of the Chinese party-state and undermine state policy goals, but in others they may create sources of leverage and influence that leave China in a stronger position than even its leaders could have planned.

Maybe the best example of unanticipated influence is associated with the now infamous claims about Chinese 'debt-trap diplomacy'. With Sri Lanka as the key example, state-owned Chinese lenders were accused by U.S. officials and others of purposely lending more money for a port project than Sri Lanka could afford. When Sri Lanka couldn't service the debt on the port, the accusations went, Chinese financiers swooped in to secure a 99-year lease on the port. Yet as a series of articles and reports have now demonstrated, the story is far more complex and ultimately is best understood as the confluence of a range of actions, and missteps, on both the Sri Lankan and Chinese sides (Brautigam & Rithmire 2021; Ferchen & Perera 2019; Jones & Hameiri, 2020). Yet even in the case of an unanticipated, unplanned outcome such as this, the conventional wisdom (or the politically motivated accusation) that this was a case of China's 'predatory' economic statecraft has had a deep resonance. Given the focus of much of the economic statecraft and geoeconomics literature on intentional, state-led Chinese efforts to use economic means to achieve foreign policy ends, outcomes like a stalled or failed port or dam project have been mostly perceived as the result of Chinese long-term planning or chicanery. The reality, of complicated and sometimes corrupt deal-making in host countries, e.g. Malaysia's East Coast Rail Link project (Sipalan 2019;

Lampton, et al. 2020), many of which face serious governance challenges and risks that have put off other investors, or of Chinese firms pursuing their own narrow interest rather than following a carefully planned script from Beijing (Ferchen 2020), has too often been dismissed.

Any attempt to account for the full range of China's economic influence must, therefore, account for unintentional outcomes that do not align with China's intentional foreign economic policy plans or that might undermine Chinese interests. Some of these outcomes might fit into the category of mistakes, or at least miscalculations. The China Development Bank's multibillion dollar loans-for-oil deals with Venezuela, or Chinese bank and construction contracts for Myanmar's Mytson dam, can both be understood as part of poor political risk analysis and management (Ferchen 2020). For some scholars, such miscalculations or mistakes reflect clear 'losses' for China or indicate a broader pattern of 'fractured' and therefore poor governance (Patey 2021; Jones & Hameiri 2021).

More importantly, though, for a deeper understanding of different types of Chinese influence is to understand how and under what circumstances such mistakes are made and what responses are put in place by Chinese officials and firms or host countries. Even if we determine that some unintended and unwanted outcomes are sometimes the product of political and economic incentives that make Chinese investors or lenders disproportionately risk averse (Ye 2020), or that they are the result of complex and changing political and economic conditions in host countries, any comprehensive understanding of Chinese economic influence must leave open the analytical category of 'setbacks' or 'loss of influence'. It must also leave open the possibility of learning and adaptation on both China's side and that of host countries. In contrast, too much of the literature on Chinese economic statecraft and geoeconomics assumes that China is always and everywhere able to (or likely to be able to) effectively leverage its economic power and tools into outcomes that align with Chinese interests.

Yet the category of unintentional influence, including unplanned outcomes, must also include the possibility of influence that bolsters or otherwise expands China's power or interests. Structural shifts in the international economy, or exogenous shocks, such as the commodity boom of the early 2000s demonstrate one way in which deepened Chinese economic interdependence with commodity-rich developing countries expanded Chinese influence in those regions but was mostly not the product of intentional Chinese policies. During those commodity boom years, and on the back of rising Chinese demand for minerals, energy, and agricultural goods, China quickly became the number one or two trade partner with many South American and African countries. Yet this boom in trade was mostly the result of changes in China's domestic economy, including unplanned increases in steel production that drew in minerals like iron ore, and not the result of intentional foreign economic policy designed to drive increased trade with these regions. China's

win-win, South-South rhetoric was largely a diplomatic overlay and rolled out after the fact of rapidly expanding trade and investment ties. Yet such structural forces or exogenous shocks can also expose China to the pressures of *de facto* influence, as we are currently seeing with concerns about the unsustainable debt burden of BRI partner countries who are seeking debt relief in the wake of the Covid-19 pandemic and rising interest rates around the world. Having influence, then, may not necessarily always be in China's interests.

Conclusions: analytical clarity and latent structural power

We have made a case in this article that the concept of economic influence allows us to overcome some of the analytical blind spots associated with concepts like economic statecraft or geoeconomics. Those increasingly popular terms presuppose not just an intentionality to Chinese economic statecraft, but also are often freighted with assumptions about its aims and ability to achieve those aims. They also leave too little room for the pervasive and crucial role of perceptions. We do not propose to completely jettison the analysis of Chinese economic statecraft, *per se*, but instead argue that a framework focused on economic influence allows us to understand a far greater range of ways that Chinese power is deployed, enhanced, or restricted because of its policy choices, the realities of host countries, or broader structural forces in the international economy.

If a framework focused on China's economic influence promises potentially greater analytical clarity than does economic statecraft, this Special Issue focused on comparisons of different Asian political economies requires us to ask several follow-up questions. What, if anything, is special or important about Chinese economic influence, *per se*? Are answers to the core questions posed in this issue, about perceptions, aims, capabilities, and outcomes, fundamentally different when applied to China? In terms of the five modes of economic influence proposed here as an alternative to a narrower focus on economic statecraft (or on the more nebulous concept of geoeconomics), what if any limitations would there be in analysing the modes of economic influence of other countries in Asia or elsewhere using the same typology offered here? Given the outsized role of China in generating interest and anxiety about its economic statecraft, better understanding the dimensions, potential, and limits of its economic influence is crucial. Yet we hope that the modes of economic influence framework offered here may also be of use for research on other countries as well.

As such, we hope that this article stimulates far greater interest in, and scrutiny of, the relationship between China's foreign economic goals and capabilities on the one hand, and actual outcomes on the other. Our analysis of the modes of Chinese economic influence presented here is meant as a preliminary effort to think systematically about Reilly's plea

Table 1. Comparative modes of Chinese economic influence.

	ATP (sticks)	PM (carrots)	Persuasion	Informality	Unintentional
Intentional economic statecraft?	Yes	Yes	Yes	No* - but a type of economic influence	No** - but a type of economic influence
Effectiveness	Works less well than assumed; works better with firms than governments	More common and successful than coercion	Resonance greater in the Global South than with G7 or neighbours	Outcomes often destabilizing or unexpected	Outcomes a mixture of diminished or enhanced influence
Methods or behavior	Coercion: punitive policies	Inducements: expanded trade & investment opportunities	Reassurance and 'win-win' rhetoric	Unregulated, improvised, or illicit activities & actors	Result of mistakes or structural influence
How is it perceived?	Coercion assumed to be pervasive and effective	Inducements assumed to have ulterior motives and foster high leverage	State propaganda seen as cover for power-maximisation	Not typically perceived as ES; state control over local/nonstate actors assumed	Opposite views: intentional deception (debt-traps) or inept governance
Likely targets / who is most affected?	OECD countries & firms; some neighbours	Developing and former socialist countries; smaller neighbours	Universal, but tailored, especially to developing countries	Smaller and poorer neighbours; developing countries	Universal, but especially poorly governed countries

*The resulting influence is often not tied to central government policy, yet at the micro level it is associated with the intentional behaviour of informal actors, which can include local officials.

**By definition, not intentional. Yet in the category of 'mistakes', it is the product of intentional behaviours that can lead to outcomes that are unwanted or unanticipated.

that someone else 'identify when China is most likely to secure its desired policy outcomes' (see Table 1). Given how much ink has been spilled evaluating whether economic sanctions 'work' or not, it should be self-evident that we need to do far better in understanding whether, or how, China's economic statecraft works, or how its different modes of economic influence lead to success, failure, or something in between. As with questions about sanctions, we highly encourage scholars interested in economic statecraft or geoeconomics to engage more directly with fundamental insights derived from the IPE scholarship of the 1970s and 1980s, including work on power and interdependence. Ultimately, though, perceptions about Chinese intentions and capabilities are likely to continue to loom large in any evaluations of the outcomes of China's foreign economic relations and policies. As scholars, we must continue to seek as much analytical clarity as possible about the realities of China's economic influence, but we must also redouble our efforts to understand how assumptions and perceptions create their own reality.

Finally, we hope the reflections in this article inspire constructive criticism, including additions to our proposed modes of Chinese economic influence. As we have noted, recent discussions about China's use of economic power have often focused on conspicuous cases of economic coercion. In some cases, such as with Australia and Lithuania, the Chinese state has been wielding its economic power to show displeasure with other governments or their country's firms. Clearly, China's economic power can be a source of real or perceived political and economic threat or deterrence. For the most part, however, there is less concrete evidence of the Chinese state's effective use of economic resources for foreign policy objectives—whether conceptualised as economic statecraft or geoeconomics—than is often assumed. Even recent, detailed studies about China's role in global ports, for example, rely to a large extent on projections about what China's *might* do in the future as a result of its expanding position in global shipping chains and port infrastructure from Asia to Africa to Europe (see Kardon and Leutert 2022; also Poutala et al. 2022).

A key component of China's perceived and actual economic influence on other countries and firms is thus a function of its position as the world's largest trading power and its second-largest economy. As China operates differently from Western countries (and often successfully) in the global economy, it is effectively establishing an alternative set of standards and norms for economic governance, e.g. on development aid, capital controls, protectionism and industrial policies, that are now increasingly also adopted in Western countries (Mattlin 2021). Ironically, in trying to shield their economies from China's economic influence, Western economies are turning more 'Chinese'. This all points toward the need to better understand a sixth mode of Chinese economic influence, its *latent structural power* and apprehensions about how China may *potentially* employ that power in the future. Such a focus could build on insights from previous scholarship about the importance of structural power in the international political economy (Strange 1997) and from historical examples including the United States in the early 20th century whose 'sway was often exercised indirectly and in the form of a latent, potential force rather than an immediate, evident presence' (Tooze 2015: 27). A better understanding of the potential, as well as the limitations, of China's economic influence will therefore require a combination of clearer concepts linked to more in-depth, empirical case studies.

Notes

1. David Baldwin's *Economic Statecraft* monographs (Baldwin 1985; 2020) continue to be foundational and a touchpoint for revitalized research on economic statecraft. However, efforts to create a list of China's tools of economic statecraft *à la* Baldwin are scarce. Blackwill and Harris, although they mention the intellectual and policy traditions of economic statecraft, are instead at pains to promote the concept of geoeconomics. As such, they devote a

chapter to 'Today's Leading Geoeconomic Instruments,' among which they include: trade policy, investment policy, economic sanctions, cyber, economic assistance, financial and monetary policy, and national policies governing energy and commodities. These are less specific tools or instruments, than arenas for the practice of what they consider geoeconomics.

2. In response to publications highlighting the ways in which China's economic and diplomatic interests have been undercut via its loans-for-oil deals in Venezuela (see Ferchen 2013; 2018 and 2020), a frequent rejoinder has been that China's long-term planning acumen assured that in the long run its interests would be secured and its power enhanced.
3. As a concept, geoeconomics is now often understood as revolving around a state's use of economic means to further geopolitical or geostrategic objectives (Wigell 2016), which brings the concept closer to the original geopolitics of the MacKinder and Mahan era, rather than how Luttwak (1990) described it when he coined the term. Mahan already talked about using the sea commercially in peace and controlling it in wartime, emphasising strategic locations, e.g., chokepoints and canals (Mahan 1920; cf. the concepts of 'chokepoints' and 'weaponised interdependence', Farrell & Newman 2019; Poutala et al. 2022).
4. Baldwin (1985) distinguishes between 'negative sanctions' and 'positive sanctions' whereas more recent research is more likely to point to differences between 'coercion' and 'positive inducements' (see Wong 2019).
5. Claims of China's predatory lending and debt trap diplomacy seem to constitute an area between outright coercion and a deceitful form of inducement. The more sophisticated, and less politicized, academic approach to such issues has been through a renewed interest in the 'Hirschman effect', reflecting Albert Hirschman's (2018 [1945]) analysis of Nazi efforts to forego economic gains by inducing smaller and weaker neighbours into dependent trade relationships that were then leveraged for political and military aims. Yet whether China is (effectively) employing such methods remains more a matter of speculation than proven fact.
6. A trade, investment or loan relationship that develops from preference multiplication could be the basis for future, more coercive leverage. Even the threat of limitations on existing economic ties could be a form of coercion. One way to understand the relationship between preference multiplication and the coercive ability to prevail is that deeper economic interdependence creates the potential for effective coercive pressure, but it could also just lead to ever-greater interdependence relatively free from friction.
7. Brown, Hoffman and Xu (2021) have studied use of the concept of 'geoeconomics' (地缘经济学) in CNKI articles over the last two decades. The concept tends to be divided into international economics as a cooperative, win-win (or 'liberal' in an IR sense) part of Chinese foreign policy, versus a more competitive, relative-gains (or 'realist' in an IR sense) component. More common in Chinese academic studies, however, than either geoeconomics or some direct equivalent of economic statecraft, is the idea of economic diplomacy (经济外交).
8. García-Herrero et al. (2013) found that in terms of a set of objective measures of commodity dependence, the Brazilian economy was less exposed to a downturn in Chinese demand than the Chilean economy. Despite this, concerns about over-dependence and 'reprimarization' (a concern tied to overdependence on commodity exports) were far more apparent in Brazil than Chile.
9. Audrye Wong's (2019) work on the inducement side of intentionality in Chinese economic statecraft makes an important point that much Western scholarship on economic statecraft has focused on coercive tools, such as sanctions, but that China often prefers to operate in the realm of 'win-win' economic statecraft. Yet, her characterization of 'subversive carrots' as a component of intentional economic statecraft quickly runs into the by-now familiar difficulties associated with determining intentionality (Wong 2019, 10–11; Kastner & Pearson 2021).
10. Studies of informality usually attempt to distinguish informal behaviour or activities from those that are more obviously illicit or clearly illegal. Yet as studies of grey markets in state-socialist economies or of myriad forms of boundary-pushing entrepreneurship in developing economies have shown, it is the space between the legal and the illegal, the allowed and the prohibited, that informality exists. Moreover, as Ferchen (2008) has shown, informality is as much about officials' and regulators' decisions to enforce or to allow a wide range of even prohibited behaviour that creates the space for informality in China's domestic economy.

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