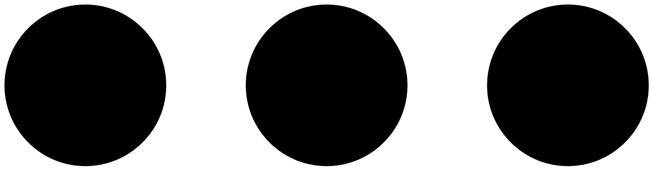
Written by Angeline Tan on February 27, 2024

China Claims U.S. “Economic Coercion” Destabilizes World Economy

Washington’s latest round of sanctions against Russia and its partners, including China, is yet another instance of U.S. “economic coercion” undermining global trade relations, China’s Commerce Ministry said on February 26.



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The U.S. Treasury announced a new list of sanctions on February 23, targeting some 500 individuals and entities in Russia, as well as various Chinese companies, for Russia-related reasons.

Regarding the restrictions, the Chinese Commerce Ministry stated on its official website that “the US approach is a typical example of unilateral sanctions, ‘long-arm jurisdiction’ and economic coercion, which undermines international economic and trade rules and order, and damages the security and stability of global industry and supply chains.”

Beijing underscored that it firmly opposes such moves and vowed to adopt all necessary measures to “resolutely safeguard the legitimate rights and interests of Chinese enterprises.”

Last week, the EU and the U.K. also included several Chinese companies in their latest rounds of Russia sanctions. Beijing responded on February 26 by accusing Brussels and London of deliberately ignoring positive trends in their ties with China.

The ministry highlighted that sanctions against Chinese companies have “no basis in international law” and cautioned that they will have a negative impact on the EU’s and U.K.’s economic and trade relations with China unless withdrawn.

The latest U.S. sanctions list has been the most comprehensive produced by Washington thus far. The list includes Russia’s Mir payment card system, Russian energy firms and companies associated with the military-industrial sector, as well as various individuals including soldiers, figures involved in military procurement, and financial executives. Some of the persons named do not reside in Russia and are based in countries such as China, the United Arab Emirates, and Vietnam.

Also, Russian Finance Minister Anton Siluanov said in an interview with RIA Novosti published on February 26 that the global economy is changing as developing countries are now quickly outpacing the major advanced economies of the West.

He referenced economist and billionaire hedge fund manager Ray Dalio, who has said that “history rhymes” and that the configuration of the world economic order frequently changes as countries that are "slowing down" are overtaken by those whose economies are growing.

"Now the situation is absolutely the same, truly a turning point, when countries with developing economies have already overtaken the G7 countries in terms of growth potential…. The rapid development of emerging economies confirms that the world is undergoing a global economic shift," Siluanov declared.

The minister warned, nonetheless, that such transformations are often laden with difficulties and are never "painless." Advanced economies, he contended, are using sanctions to stall the growth of those countries that are developing.

"We see the restrictions and sanctions they are trying to restrain China and Russia with — these are the consequences of a paradigm shift," Siluanov said.

Although Russia has encountered an unprecedented number of Western restrictions since the start of the Ukraine conflict two years ago, its economy has showed resilience, the minister said, alluding to growth of GDP (3.6 percent), industrial production (3.5 percent), and household incomes (5.4 percent). Siluanov noted that the sanctions have backfired on the states that imposed them.

Moscow will respond in kind if the West goes through with threats to confiscate Russian assets blocked abroad, Siluanov also warned. He pointed out that Western states themselves still have assets in Russia that could be jeopardized if the frozen funds are tapped.

"This is not a question for us, we are following the decisions of Western countries," Siluanov stated. "We have frozen no less [of Western funds]. Any actions with our assets will receive a symmetrical response."

Western countries have blocked an estimated $300 billion in assets belonging to the Russian central bank since the start of the Ukraine conflict in February 2022.

The U.K. and United States have recently demanded an outright seizure of those funds in order to aid the Kyiv government, whereas the EU has been more cautious, opting instead for a plan to seize the interest earned from the assets held at the clearinghouse Euroclear. Many European countries have cautioned that an outright confiscation of the funds would reflect poorly on the Western financial system and undermine trust in the euro. In an article for the Sunday Times marking the two-year anniversary of the start of the Ukraine conflict on February 25, British Prime Minister Rishi Sunak said that Ukraine's Western backers should step up efforts to confiscate Russian assets frozen abroad in order to aid Kyiv.

"We must be bolder in hitting the Russian war economy. Our collective sanctions have deprived Russia of $400 billion for their war effort — enough to finance the invasion for another four years…. And we must be bolder in seizing the hundreds of billions of frozen Russian assets," the prime minister stated.

He explained that, in his opinion, tapping "the billions in interest these assets are collecting and sending it to Ukraine" should only be the first step in taking over these funds, and urged Kiev's Western supporters to go further and "find lawful ways to seize the assets themselves and get those funds to Ukraine too."

While Siluanov did not provide details about the amount of Western assets presently held in Russia, calculations by RIA Novosti put them at roughly equal the size of the Russian funds frozen abroad. Total foreign direct investments in the Russian economy by the EU, G7, Australia, and Switzerland added up to $288 billion at the end of 2022, the news agency said in a report last month.

Moscow has repeatedly contested the legitimacy of the asset freezes, blasting the practice as “thievery” and warning of countermeasures should the West confiscate these funds. Siluanov warned that global players are closely following the story involving the Russian assets and are drawing their own conclusions.

“The Chinese are reducing their exposure to American securities — this is a consequence of what is happening [with Russian assets]. The reliability of the dollar and the euro has been compromised,” he stated.

Moscow has responded to the latest restrictions by calling them “fruitless attempts to put pressure on Russia.” The Kremlin also announced that it has “significantly expanded” its own list of sanctions on European officials, entities, and private individuals, particularly those responsible for “providing military assistance to the neo-Nazi regime in Kyiv.”