

US-China Crisis Scenario: Are Russia Sanctions a Model for China?¹

U.S. TECH LAW UPDATE & CHINA REGULATION WATCH²

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Sanctions against Russia following its invasion of Ukraine raise the question of whether similar measures might be implemented against China in the event of a crisis scenario between the US and China. However, the significant differences between the size of China's and Russia's economies and the degree of their integration with global markets suggest that sanctions against Russia do not provide a model for China. In the event of a crisis, the US and China will instead likely engage in targeted, asymmetrical economic countermeasures tailored to the unique characteristics of the US-China relationship. This would continue an observable trend from economic countermeasures already implemented during the escalating US-China competition.

This legal update explores the likely economic countermeasures that the US and China will implement should a crisis erupt and the extent to which Western energy sanctions against Russia lend meaningful precedent for potential economic measures against China. In addition, this legal update provides an overview of US-China economic countermeasures that have already been implemented.

I. Potential US-China Economic Measures in a Crisis Scenario

Sanctions rarely work as intended. According to Nicholas Mulder, an assistant professor of modern European history at Cornell University, while the threat of multilateral sanctions sometimes deters conflict between small states,³ they can have the opposite effect on major powers. In *The Economic Weapon: The Rise of Sanctions as a Tool for Modern War*, Mulder asserts this incendiary impact was demonstrated in the lead-up to World War II, when Italy,

¹ This legal update is adapted from Greg Pilarowski's presentation on the Dealing with Trade Restrictions 2.0 panel during the Games Industry Law Summit in Vilnius, Lithuania, on September 7, 2023. We extend special thanks to Sergei Klimov for organizing the event, Leonard von Rummel for leading the panel, and Perry Bechky for lending us his expertise in sanctions law. Notwithstanding their gracious attention and knowledgeable insight, any errors or oversights in this legal update are Pillar Legal's own.

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³ For example, in 1921, Yugoslavia withdrew its incursion into Albanian territories after the League of Nations threatened an embargo and the League of Nations similarly defused a brief invasion of Bulgaria by Greece in 1925. See Nicholas Mulder, *The Economic Weapon: The Rise of Sanctions as a Tool of Modern War*, YALE UNIVERSITY PRESS (January 25, 2022).



Germany, and Japan each sought to insulate themselves from the impact of threatened foreign sanctions through hostile military engagement.⁴ Unilateral sanctions, while perhaps less inflammatory are also ineffective, often resulting in the exclusion of the sanction-issuing country from the sanction target country's market while the sanction target country continues to access international trade through countries that do not participate in the sanctions.⁵ Since the US and China are both major powers with expansive trade networks, broad, unilateral sanctions are unlikely to deter conflict or effectuate their intended objectives. Accordingly, should a crisis erupt, the US and China will likely implement strategic, coordinated economic measures tailored to meaningfully impact the other while minimizing inadvertent consequences for themselves.

While the threat of swift and severe sanctions might deter China from engaging the US militarily, comprehensive sanctions against China, with which both the US and its allies are economically interdependent, would face stiff political and economic resistance in the West. As a result, the US might not be able to replicate the unprecedented Western unanimity that significantly isolated Russia from the global economy, albeit with crucial gaps.⁶ Thus, the US will likely impose economic measures that are tailored to specific areas where China is highly dependent on the US and its allies but where the US and its allies rely little on China.

According to a recent study, China is highly dependent on hundreds of exported items from the US and its allies, providing the US and its allies leverage for imposing costs on China without disastrously destabilizing their own economies.⁷ The study asserts that by forming coalitions to strategically target China imports that have value as either intermediary goods, end-product goods, or luxury goods for which China has few alternative sources, the US and its allies could influence China's behavior.⁸

For example, Japan, South Korea, and the US provide 99% of China's global supply of silver powder, a critical intermediary good for producing solar panels.⁹ In addition, the US provides more than 81% of China's zinc powders (which are used for anticorrosion coating on metals).¹⁰ The next major suppliers of these goods to China are mostly like-minded US allies, such as Switzerland and Germany, making it difficult for China to source alternatives.¹¹ Thus,

⁴ Sanctions against Italy failed to deter Italian dictator Benito Mussolini's invasion of Ethiopia in 1935 and 1936, while Adolf Hitler's fear of foreign sanctions contributed to Germany's invasion of Poland in 1939. Then, when the US, Britain, and the Netherlands imposed escalating sanctions to deter Japan's occupation of Southeast Asia, Japan responded by bombing the US Navy fleet at Pearl Harbor and launching invasions across the region. *See Id.*

⁵ For example, when China entered the Korean War in June 1950, the US retaliated by imposing a total trade embargo. The United Nations (the "UN") shortly followed suit in 1951, but while the UN lifted the sanction when the Korean War ended in 1953, the US unilaterally maintained its embargo until the Shanghai Communiqué in 1972. However, any impact on China was negligible; China simply expanded trade with North Korea, Vietnam, and Mongolia. China was further able to establish trade relationships with France, West Germany, Italy, and Japan, acquiring from US allies nearly everything China could have acquired from the US. Rather than isolate China, the US trade embargo ultimately served to exclude US companies from the China market. *See Xin-zhu J. Chen, China and the US Trade Embargo, 1950-1972, AMERICAN JOURNAL OF CHINESE STUDIES (October 2006).*

⁶ *See Russia Sanctions Database*, ATLANTIC COUNCIL (last updated April 17, 2023); *see also* Jeffrey A. Sonnenfeld and Michal Wyrebkowski, *The Dangerous Loophole in Western Sanctions on Russia*, FOREIGN POLICY (September 7, 2023).

⁷ Victor Cha, *Collective Resilience: Deterring China's Weaponization of Economic Interdependence*, INTERNATIONAL SECURITY (July 1, 2023).

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*



targeting items like silver powder and zinc powder through coordinated measures agreed upon between Japan, South Korea, and the US would allow for unanimity among a small but powerful coalition capable of reaching consensus and maximizing their impact more effectively than attempting to convince a wide coalition of allies to implement broad economic countermeasures against China.¹²

While China is economically dependent on the US and its allies in certain industries and for certain goods, the US and its allies are also dependent on China for access to raw materials like rare earths and its large domestic market.¹³ In a crisis scenario involving the US, China would likely reduce or halt imports from specific countries, reduce or stop the flow of China tourists to specific countries, encourage consumer boycotts, and implement selective export bans.¹⁴ Such measures may not be limited to the US either; although the US has a more diverse set of economic and national security partners than China, those alliances also create vulnerabilities. China could, for example, retaliate against a US-led sanction regime by targeting the business interests of US partners more severely than against the US directly.¹⁵ The risk for the US is not only economic; should China harm the US's foreign partners, the US may experience damage to its reputation and relationships, incurring pressures that impose future policy limitations.¹⁶

In addition, the US and its allies have extensive supply chain exposure to China's enormous manufacturing base.¹⁷ While the US has undertaken efforts at diversification and reshoring and friend-shoring key supply chains, untangling 40 years of economic integration with China takes time, coordination, and transitional pains. If done rapidly, such economic "de-risking" would be extremely disruptive to the global economy.¹⁸ Thus, China also has a wide variety of options for influencing the US's behavior in the event of a crisis scenario.

II. China Isn't Russia

Across metrics such as gross domestic product ("GDP"), banking sector assets, and foreign trade and investment flows, China dwarfs Russia in economic magnitude and global integration. The size of China's economy and the breadth of China's economic integration with the US and its allies provide China with much greater capacity than Russia to resist foreign economic countermeasures, while significantly raising the cost on the US and its allies of implementing those countermeasures.

A. Gross Domestic Product

In 2021, China's economy was nearly 10 times larger than Russia's.¹⁹ Stated differently, prior to Russia's invasion of Ukraine, Russia's GDP was approximately the same size as that of

¹² *Id.*

¹³ Richard Nephew, [China and Economic Sanctions: Where Does Washington Have Leverage?](#) BROOKINGS (September 2019).

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.*

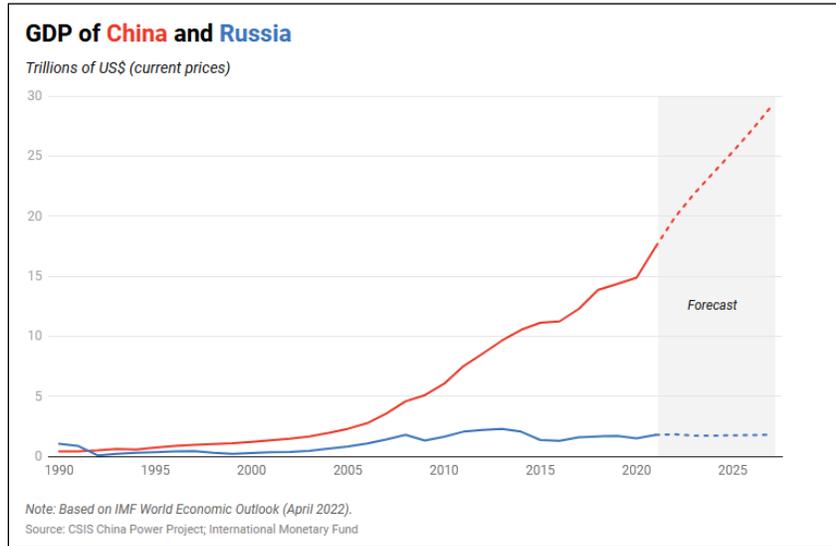
¹⁷ Cha, [Collective Resilience: Deterring China's Weaponization of Economic Interdependence](#).

¹⁸ *Id.*

¹⁹ [World Economic Outlook Database](#), IMF (April 2022).



Guangdong province.²⁰ The gap is set to widen significantly in the coming years. By 2027, according to forecasts from the International Monetary Fund (“IMF”), China’s GDP will climb to nearly US\$30 trillion, while Russia’s GDP will stall at well under US\$2 trillion – thus widening the gap in size between the two country’s economy to 15 times.²¹



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B. Bank Sector Assets

In an effort to isolate Russia’s economy and disrupt the Kremlin’s ability to raise capital for its war in Ukraine, both the EU and the US have imposed strict sanctions on Russia’s banking sector.²² In March 2022, the European Commission disconnected seven of Russia’s largest ten banks by assets²³ from the Society for Worldwide Interbank Financial Telecommunications (“SWIFT”), an interbank messaging system that links over 11,000 member banks and financial institutions in over 200 countries and territories to facilitate international payments.²⁴ SWIFT is the most widely used interbank messaging system in the world, accounting for about half of all high-value cross-border payments.²⁵ In addition, over 80% of Russia’s banking sector by assets is under US sanctions, including Russia’s 10 largest banks.²⁶

If the EU and the US were to impose similar sanctions on China, the impact on the global economy would be immense. In 2021, the total value of China’s banking assets was 37 times

²⁰ In 2021, Guangdong’s GDP was US\$1.92 trillion. See Orange Wang, [China’s Guangdong GDP for 2021 set to top that of South Korea and most other countries](#), SOUTH CHINA MORNING POST (January 4, 2022).

²¹ [World Economic Outlook Database](#), IMF (April 2022).

²² Christian Perez, [What Does Russia’s Removal From SWIFT Mean For the Future of Global Commerce?](#) FOREIGN POLICY (March 8, 2022).

²³ The initial ban included Bank Otkritie, Novikombank, Promsvyazbank, Rossiya Bank, Sovcombank, Vnesheconombank (VEB), and PJSC Bank VTB. In May 2022, Sberbank, Russia’s largest bank by assets, was also banned from SWIFT. [SWIFT and Sanctions](#), SWIFT (last accessed October 30, 2023).

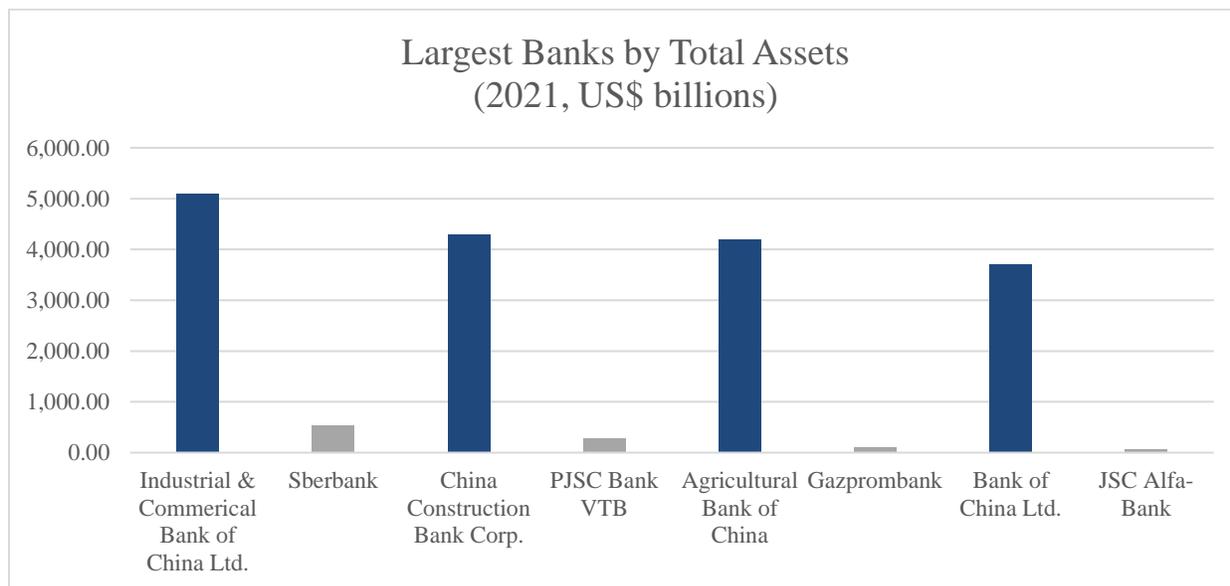
²⁴ Perez, [What Does Russia’s Removal From SWIFT Mean For the Future of Global Commerce?](#)

²⁵ *Id.*

²⁶ *Id.*



greater than Russia’s banking assets.²⁷ According to a joint report by the Atlantic Council and Rhodium Group, sanctioning even just the top four of China’s banks could put US\$3 trillion in cross-border trade and investment flows at risk— more than the entire asset value of Russia’s banking sector in 2021.²⁸



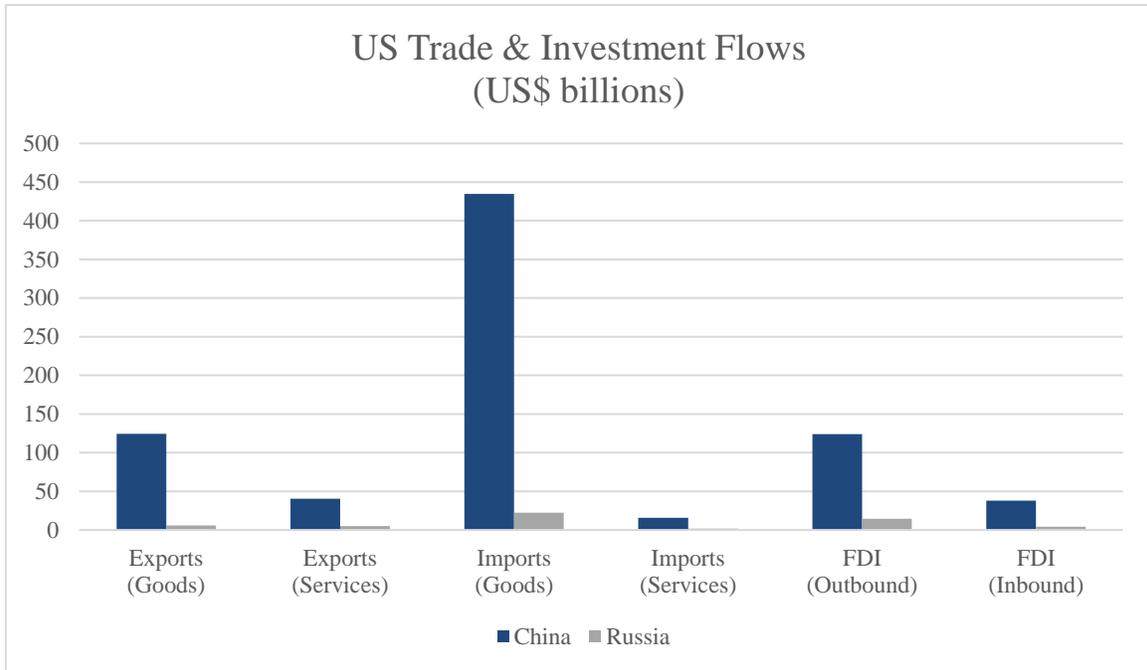
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C. Foreign Trade and Investment

The US and China are far more economically integrated than the US and Russia prior to Russia’s invasion of Ukraine. According to the US Trade Representative Office, China was America’s third largest goods export market in 2020, while Russia was the 40th in 2019. US total exports, including both goods and services, to China were over 15 times those to Russia. In addition, China was America’s largest supplier of goods imports in 2020, whereas Russia was the 20th in 2019. US total imports, including both goods and services, from China were nearly 19 times those from Russia. There is also a stark contrast in foreign direct investment (“FDI”): US FDI in China was nearly nine times US FDI in Russia prior to Russia’s invasion of Ukraine.

²⁷ Based on data provided by Statista. See Daniel Slotta, [Total assets of banks in China from 2007 to 2021](#), STATISTA (February 2, 2023); see also A. Melkadze, [Total assets of the banking sector in Russia from 2017 to 2022](#), STATISTA (July 24, 2023).

²⁸ Charlie Vest and Agatha Kratz, [Sanctioning China... Scenarios and risks](#), GEOECONOMICS CENTER (June 22, 2023).

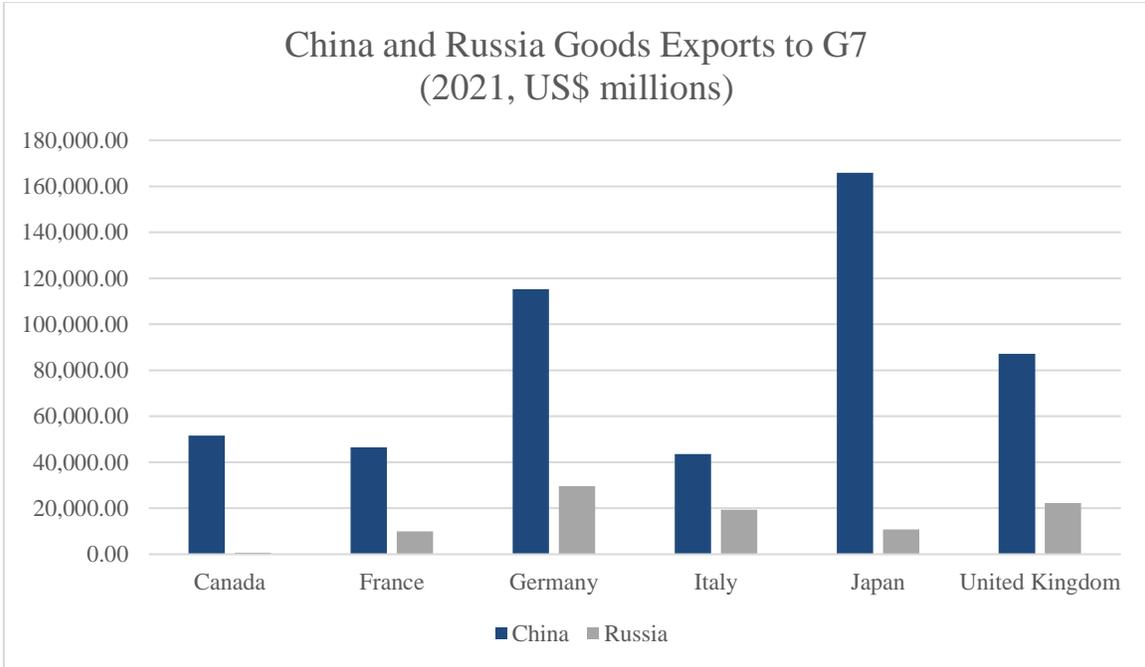


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Based on data from the IMF, other members of the Group of Seven (the “G7”), an informal coalition of advanced democracies that meets annually to coordinate global economic policy, also have much closer economic ties with China than they did with Russia prior to Russia’s invasion of Ukraine.

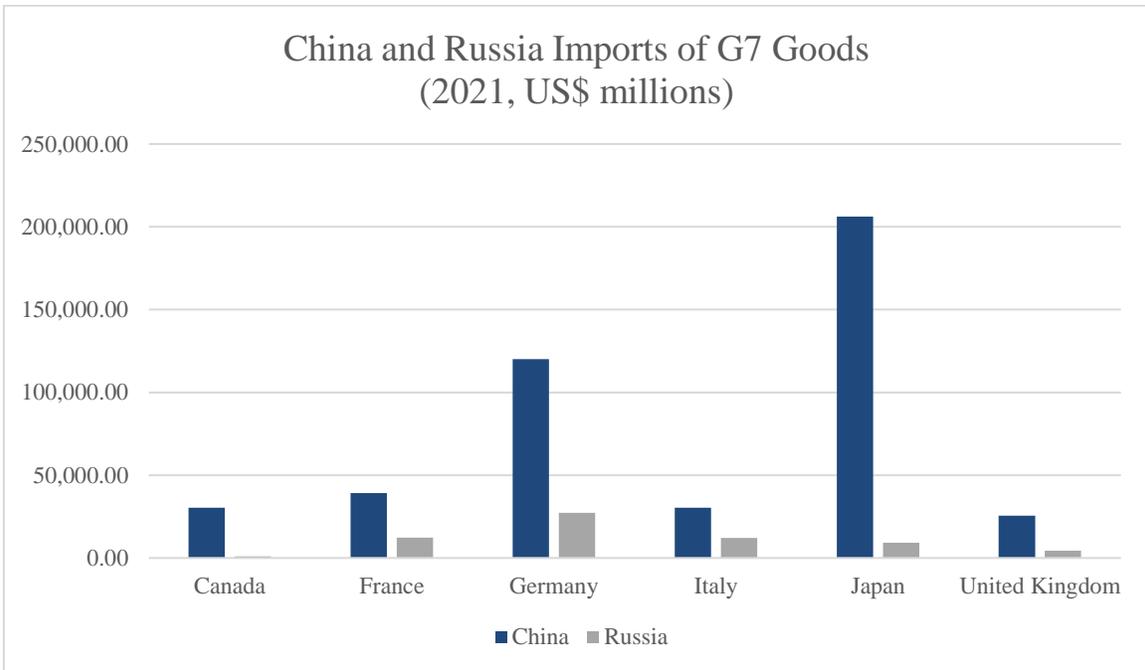
The graph below presents the value of China²⁹ and Russia’s merchandise exports to the G7 (excluding the US) for the year 2021.

²⁹ Excluding Hong Kong.



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The graph below presents the value of China³⁰ and Russia's merchandise imports from the G7 (excluding the US) for the year 2021.



³⁰ Excluding Hong Kong.



D. Russia's Energy Model

Prior to Russia's invasion of Ukraine, EU member states relied heavily on Russian energy resources. In 2021, the EU imported 155 billion cubic meters of Russian gas, accounting for about 45% of total gas imports, and 51.4 million tons of coal, representing nearly half of the EU's total coal imports.³¹ As a result, Western sanctions against Russia did not initially block the energy imports that Europe needed.³² Instead, the US and EU imposed a "ceiling" on the price of Russian oil and petroleum, allowing energy products to continue to be bought and sold while trying to reduce Russian revenue.³³

In 2022, the EU reduced its dependence on energy supplies from Russia due to changes imposed by Russia to rules relating to gas supplies for European customers and the suspension of gas transport via the Nord Stream 1 pipeline.³⁴ Such measures led to a drop overall in Russian gas exports to the EU of approximately 48% to around 80 billion cubic meters. In response, the EU increased its imports of liquified natural gas, including Russian liquified natural gas, by 60% compared to 2021.³⁵ With its reduced dependence on Russian energy, in August 2022, the EU introduced an embargo on the import of Russian coal, followed shortly by a similar measure on Russian seaborne crude oil exports.³⁶ In late 2022, Germany completely banned the purchase of Russian oil.³⁷ Together, these measures decreased the EU member states' supply of oil from Russia by up to 90% in 2023 compared to 2022.³⁸

Thus, in the energy sector, where the EU was heavily dependent on imports from Russia, the US and EU did not impose immediate comprehensive sanctions. Given the heavy dependence of the US and its allies on China for a wide range of products, the US and its allies are also unlikely to impose immediate comprehensive sanctions in the event of a crisis scenario. If the sanctions against Russia provide a model for China, the energy sector example is likely most instructive.

III. Existing US-China Economic Countermeasures

The US-China economic countermeasures that can be expected in a crisis scenario are, in many respects, already unfolding amid rising US-China tensions. Recent and ongoing actions by the US and China provide insight into what may come should matters escalate further.

A. Existing US Measures and Preparation.

The limited and targeted approach to economic countermeasures against China is already being implemented even in the absence of a crisis scenario. The Trump administration started,

³¹ Szymon Kardaś, [Conscious uncoupling: Europeans' Russian gas challenge in 2023](#), EUROPEAN COUNCIL ON FOREIGN RELATIONS (February 13, 2023).

³² *Id.*

³³ US Department of the Treasury, [The Price Cap on Russian Oil: A Progress Report](#) (May 18, 2023).

³⁴ Kardaś, [Conscious uncoupling: Europeans' Russian gas challenge in 2023](#).

³⁵ *Id.*

³⁶ *Id.*

³⁷ *Id.*

³⁸ *Id.*



and the Biden administration continued, a shift in US policy toward China from engagement to strategic competition. While the US frequently uses sanctions to pursue foreign policy objectives, the new competitive relationship with China presents unique challenges due to the size of China’s economy and the national security implications of emerging technology with dual civilian and military use. The US has therefore expanded its economic countermeasures toolkit. The table below lists several of the measures the US has implemented against China in recent years.

Economic Measures Targeting China

US-China Trade War	<ul style="list-style-type: none"> - <u>Initial Tariffs</u>. In 2018, the US imposed tariffs on US\$550 billion of China goods. China retaliated with tariffs on US\$185 billion of US goods.³⁹ - <u>Phase One Agreement</u>. In 2020, the Phase One Agreement reduced tariffs from 15% to 7.5% on a wide range of products but left tariffs in place of approximately 25% on a broad range of products.⁴⁰ - <u>Ongoing Impact</u>. President Biden has maintained the remaining tariffs.⁴¹
Export Controls	<ul style="list-style-type: none"> - <u>Access to AI Chips</u>. In October 2022, the US restricted China’s ability to purchase and manufacture certain high-end chips used for artificial intelligence (“AI”) development.⁴² - <u>Evolving Rules</u>. In October 2023, the US announced further export controls to close perceived loopholes and prevent US companies from circumventing the rules by introducing new chips.⁴³
Entity List	<ul style="list-style-type: none"> - <u>Trade Restrictions</u>. From 2018 to 2022, China-based additions to the Entity List, which are subject to export licensing requirements, tripled from 141 China-based entities to 425.⁴⁴
TikTok	<ul style="list-style-type: none"> - <u>Mobile App Bans</u>. In 2020, President Trump issued executive orders banning TikTok and WeChat, two leading mobile apps from China.⁴⁵ - <u>Constitutional Challenge</u>. In October 2020, US district courts blocked both bans on First Amendment grounds. - <u>Rescission</u>. In June 2021, the Biden administration rescinded these executive orders.

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³⁹ Erica York, [Tracking the Economic Impact of U.S. Tariffs and Retaliatory Actions](#), TAX FOUNDATION (July 7, 2023).

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² Matt Sheehan, [Biden’s Unprecedented Semiconductor Bet](#), CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE (October 27, 2022).

⁴³ Karen Freifeld, [Exclusive: US tackles loopholes in curbs on AI chip exports to China](#), REUTERS (October 16, 2023).

⁴⁴ Maxwell Bessler, [The Drive to Decouple](#), CSIS (January 24, 2023).

⁴⁵ For more information, please see Pillar Legal’s US Tech Law Update, [POTUS Bans WeChat](#), and Pillar Legal’s joint China Regulation Watch/US Tech Law Update, [TikTok vs. WOW: The New Data Wars](#).



Huawei

- Telecom Equipment Ban. In 2022, the Federal Communications Commission banned usage in the US of telecom equipment from Huawei and other China producers due to “unacceptable” national security risks.⁴⁶
- Export Licensing Requirements. From 2019 to 2022, 152 Huawei-affiliated companies were added to the Entity List.⁴⁷

Inbound Investment Screening

- Expanded CFIUS Review. In 2018, the US adopted the Foreign Investment Risk Review Modernization Act (“FIRMMA”), granting the Committee for Foreign Investment in the US (“CFIUS”) expanded authority to review and block foreign investments in certain US businesses.⁴⁸
- Targeted at China. Although FIRMMA is not limited to China investments, FIRMMA was designed to curb China’s access to US technology, data, and infrastructure.

Outbound Investment Screening

- Executive Order. In August 2023, President Biden issued an executive order directing the US Department of the Treasury (“Treasury”) to establish a program for screening certain US investments in China-based entities involved in semiconductors and microelectronics, quantum information technologies, and artificial intelligence.⁴⁹
- Impending Regulations. Treasury is currently drafting regulations implementing the program.

CHIPS and Science Act

- US Semiconductor Investment. In August 2022, President Biden signed the CHIPS and Science Act, providing \$53 billion for US domestic semiconductor research, manufacturing, and workforce development.⁵⁰
- China Funding Exclusion. In September 2022, the US Department of Commerce issued a final rule limiting recipients of US funding from investing in or engaging in joint efforts with countries of concern like China and Russia.⁵¹

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B. Existing China Measures and Preparation.

In the US, great attention is placed on how America and its allies should respond to China’s reemergence as a global superpower. Less attention has been placed on how China has and will continue to respond to economic countermeasures taken by the US and its allies. But China has imposed, and will continue to impose, economic countermeasures of its own.

⁴⁶ Diane Bartz and Alexandra Alper, [US bans new Huawei, ZTE equipment sales, citing national security risk](#), REUTERS (November 30, 2022).

⁴⁷ See [87 Fed. Reg. 8180](#) (February 14, 2022).

⁴⁸ [Foreign Investment Risk Review Modernization Act of 2018](#), 31 CFR § 800 et seq; see also Pillar Legal’s US Tech Law Update, [Foreign Investment Update: CFIUS Reform](#).

⁴⁹ Please see Pillar Legal’s US Tech Law Update, [US Restrictions on Outbound Foreign Investment](#).

⁵⁰ [Fact Sheet: CHIPS and Science Act Will Lower Costs, Create Jobs, Strengthen Supply Chains, and Counter China](#), WHITE HOUSE (August 9, 2022).

⁵¹ [88 Fed. Reg. 65600](#) (September 25, 2022).



The US has a long history of using the sanctions tool, dating all the way back to World War I and the Trading with the Enemy Act of 1917.⁵² China’s experience using sanctions and other similar tools is limited, in part because China has only recently reemerged as an economic superpower. Accordingly, China generally uses access to its market and consumers as a primary tool to achieve foreign policy goals rather than traditional sanctions. China’s restrictions on market access are not always publicized and are sometimes facially non-discriminatory. Such “de facto” restrictions are instead often observed in the market and then reported by the impacted nations or companies. The table below lists several examples of China’s pursuit of foreign policy goals through geographically targeted market access restrictions or other economic countermeasures.

Market Access

Halting rare earth exports to Japan	<ul style="list-style-type: none"> - <u>Contested Detainment</u>. On September 7, 2010, Japan detained a China fishing trawler captain whose ship collided with two Japan Coast Guard ships near uninhabited islands in the East China Sea over which Japan and China have a territorial dispute.⁵³ - <u>Export Blocks</u>. China reportedly de-facto blocked exports of rare earth oxides, rare earth salts, and pure rare earth metals to Japan until Japan released the trawler captain later that month.⁵⁴
Restrictions on salmon imports from Norway	<ul style="list-style-type: none"> - <u>Nobel Peace Prize</u>. In October 2010, the Norwegian Nobel Committee awarded the 2010 Nobel Peace Prize to Liu Xiaobo, a China dissident.⁵⁵ - <u>Tightened Quality Controls</u>. In 2011, China implemented more stringent sanitation and veterinary testing of imports of chilled farm salmon, for which Norway was the dominant exporter.⁵⁶

⁵² See *Trading with the Enemy Act of 1917*, 50 U.S.C. 53.

⁵³ Keith Bradsher, *Amid Tension, China Blocks Vital Exports to Japan*, NEW YORK TIMES (September 22, 2010). Although unnamed Japanese trading companies reported that China had blocked shipments of rare earth exports to Japan, a spokesperson for China’s Ministry of Commerce denied any such ban, and a Japanese Foreign Ministry official stated that the Japanese government had not been informed of any such ban. Another Japanese economic official stated that the Japanese government had not found evidence substantiating reports of the rare earth export ban as of September 23, 2010. See James T. Areddy, David Fickling, and Norihiko Shirouzu, *China Denies Halting Rare-Earth Exports to Japan*, WALL STREET JOURNAL (September 23, 2010). Subsequent analyses of Japanese port data from the Japanese Ministry of Finance showed that there was no uniform drop in Japanese imports of China rare earths following the China fishing trawler captain’s detainment. The analyses do not conclude that there were no episodes of disruptions to exports of rare earths from China to Japan, but if any disruptions occurred, they were brief. See Alastair Iain Johnston, *How New and Assertive Is China’s New Assertiveness?* INTERNATIONAL SECURITY (April 1, 2013); see also Simon Evenett and Johannes Fritz, *Revisiting the China-Japan Rare Earths dispute of 2010*, VOXEU (July 19, 2023).

⁵⁴ *Id.*

⁵⁵ See Ivar Kolstad, *Too big to fault? Effects of the 2010 Nobel Peace Prize on Norwegian exports to China and foreign policy*, CHR. MICHELSEN INSTITUTE (March 2013).

⁵⁶ *Id.*



- **Targeted Impact.** From 2010-2013, Norway’s market share of salmon exports to China plummeted from 92% to 29%.⁵⁷ In 2017, Norway signed an agreement with China to resume salmon exports.⁵⁸

Suspension of China tours to the Philippines

- **Shoal Dispute.** In April 2012, China and the Philippines became locked in a standoff in disputed waters at the Scarborough Shoal after the Philippine Navy attempted to apprehend eight China fishing vessels.⁵⁹
- **Tourism Ban.** China’s state-owned travel services indefinitely suspended all tours to the Philippines.⁶⁰

Ban on Korean TV Dramas, Music, Games, and Tourism

- **THAAD.** In July 2016, the US and South Korea announced the deployment of a US Terminal High Altitude Area Defense (“**THAAD**”) antimissile battery in South Korea.⁶¹
- **Culture and Tourism Ban.** China banned the airing of South Korean films and television shows, prohibited South Korean bands from performing in China, stopped granting game approvals for South Korean games, and suspended tours to South Korea. Some of the restrictions have since been lifted, indicated by an increase in game approvals for South Korean games,⁶² the availability of South Korean films and television shows in mainland China,⁶³ and the resumption of some group tours to South Korea.⁶⁴

Tariffs on Australian Agricultural Exports

- **Covid-19 Statements.** In May 2020, Australia’s then-Prime Minister Scott Morrison called for an international investigation into the origins of Covid-19.⁶⁵
- **Tariffs.** China’s Ministry of Commerce imposed tariffs on key Australian exports such as barley, beef, and wine, as well as unofficial restrictions on lobster and meat exports from certain abattoirs.⁶⁶

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⁵⁷ Richard Milne, [Norway sees Liu Xiaobo’s Nobel Prize hurt salmon exports to China](#), FINANCIAL TIMES (August 15, 2013).

⁵⁸ Terje Solsvik, [Norway signs deal to help resume salmon exports to China](#), REUTERS (May 23, 2017).

⁵⁹ See Pete Sweeney, [Chinese travel agencies suspend trips to Philippines](#), REUTERS (May 9, 2012); see also [Travel agencies suspend travel to Philippines](#), CHINA DAILY (May 10, 2012).

⁶⁰ *Id.*

⁶¹ See Rachel Premack, [A Row With China Over U.S. Missiles Is Devastating South Korea’s Tourism Industry](#), TIME (April 11, 2017); see also Dong Sun-hwa, [China’s hallyu restrictions likely to continue unless Seoul-Beijing ties improve](#), THEKOREATIMES (June 9, 2023).

⁶² Josh Ye, [China to import 44 foreign video games, grants multiple licences to Tencent](#), REUTERS (December 28, 2022).

⁶³ Soo-hyang Choi, [China resumes streaming South Korean content after six-year suspension](#), REUTERS (November 22, 2022).

⁶⁴ Haejin Choi, Pei Li, [China partly lifts ban on group tours to South Korea, online curbs stay](#), REUTERS (November 27, 2017).

⁶⁵ Kirsty Needham, Colin Packham, [China halts beef imports from four Australian firms as COVID-19 spat sours trade](#), REUTERS (May 11, 2020).

⁶⁶ *Id.*



- Lifted Barley Tariffs. In August 2023, China lifted the anti-dumping tariffs on Australian barley.⁶⁷

China has also recently adapted laws to enable the use of more traditional sanctions tools. The table below lists China’s newly adopted laws related to economic countermeasures.

Legislative Sanctions Framework

Unreliable Entity List (effective September 2020)	<ul style="list-style-type: none"> - <u>Import/Export Restrictions</u>. Entities and individuals added to the list are restricted or prohibited from engaging in importation or exportation activities related to China. - <u>Investment Restrictions</u>. Entities and individuals added to the list are restricted or prohibited from investing within China’s territories. - <u>Visa and Entry Restrictions</u>. Individuals on the list are restricted or prohibited entry into China. They may also be restricted in or prohibited from obtaining visas, work permits, stays, or residence qualifications.
Export Control Law (effective December 2020)	<ul style="list-style-type: none"> - <u>Targets Industry</u>. Regulates sensitive materials and technologies such as rare earths, drones, and solar panel ingot-casting technology.
Blocking Rules (effective January 2021)	<ul style="list-style-type: none"> - <u>Reporting Obligation</u>. China entities are required to report to the Ministry of Commerce any foreign laws and measures that prohibit or restrict their normal economic, trade, and related activities with a third country. - <u>Foreign Law Compliance Prohibition</u>. If, after an assessment, it is confirmed that such foreign laws and measures are inappropriately applied extraterritorially, the Ministry of Commerce can issue prohibitions on these foreign laws and measures— meaning they shall not be recognized, enforced, or complied with. - <u>Legal Liabilities</u>. A China entity’s failure to report or failure to abide by the prohibition on compliance issued by the Ministry of Commerce may result in legal liabilities, including but not limited to civil claims, administrative penalties, and even criminal liabilities.
Anti-Foreign Sanctions Law (effective June 2023)	<ul style="list-style-type: none"> - <u>Sanctions Countermeasure</u>. No enforcement, assistance, or support to any discriminatory measures imposed by foreign countries on China citizens or entities. Extends to any individuals or entities whether inside or outside of China.

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⁶⁷ Giulia Interesse, [China Removes Barley Tariffs on Australia](#), CHINA BRIEFING (August 4, 2023).



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- Targets for Countermeasures. Individuals and organizations directly or indirectly involved in making, deciding, and implementing discriminatory restrictive measures or sanctions.
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The significant differences between the size of China and Russia's economies and the degree of their economic interdependence with the US and its allies suggest that sanctions imposed against Russia do not provide a model for China. Sanctions against Russia's energy sector, however, do provide a precedent for the likely economic countermeasures the US and China might impose if tensions escalate into a conflict. Similar to how the US and its allies navigated Europe's dependency on Russian energy, the US and China will likely engage in strategic, asymmetrical economic countermeasures tailored to the unique characteristics of the US-China dependencies. The economic countermeasures already implemented with the escalating US-China competition provide valuable insight into how those measures might escalate during a crisis.