Atlantic Council

ECONOMIC STATECRAFT INITIATIVE

ECONOMIC STATECRAFT: FINANCE AND MONEY

Carla Norrlöf

The **GeoEconomics Center** works at the nexus of economics, finance, and foreign policy with the goal of helping shape a better global economic future. The Center is organized around three pillars - Future of Capitalism, Future of Money, and the Economic Statecraft Initiative.

The **Economic Statecraft Initiative** examines the role that economics, finance, and regulation play in national security for the US and its partners, and how governments can collaborate the private sector.

November 2021

ISBN-13: 978-1-61977-203-8

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Executive Summary

The twenty-first century ushered in a new era of great-power politics using economic capabilities. The United States' war weariness and Europe's prioritization of non-military forms of power politics propelled a profound transformation in order provision, the use of economic coercion and economic inducement for geopolitical purposes. This reorientation of foreign policy privileges economic statecraft.1 The pursuit of non-economic foreign policy objectives using economic means short of war began after the September 11, 2001, attacks.

Financial measures are the frontline of economic statecraft, particularly for the United States, given its outsized role in the dollar-centered financial system. However, not all instances involving financial sanctions are examples of economic statecraft. To qualify, financial sanctions must be used to attain some foreign policy objective. The use of financial sanctions to oppress domestic political competition and/or civilians is not a form of economic statecraft unless it serves a direct foreign policy goal. Moreover, financial sanctions are not the only tool in the economic-statecraft kit. Practices range from coercive policies to inducements to defensive policies.

This report provides an overview of the economic statecraft involved in great-power competition, outlining how great powers attempt to influence each other and third parties using financial coercion and inducement. Equipped with outsized financial markets and dominant currencies, the United States and the European Union (EU) exercise financial and currency coercion in order to deter foreign policies they dislike and to encourage foreign policies they like. Rival great powers are not capable of exercising influence through financial coercion. Instead, they offer financial inducements in order to gain new allies and to subvert the financial coercion of their allies. In this geoeconomic game, all great powers offer financial inducements according to the dictum, "the enemy of my enemy is my friend."

Counterstrategies are employed by countries feeling the strain of sanctions as well as by the sanctioning parties. Countries faced with financial and currency coercion adopt counterstrategies to defend their foreign policy sovereignty. These counterstrategies involve direct retaliation, mostly using extra-financial means, or neutralization through blocking statutes. Pursuit of financial autonomy varies according to financial and currency might. All great powers, apart from the dominant financial power, will take steps to foster independence from the center, exploring financial and currency alternatives. The more exposed countries are, the more likely they will be to develop a comprehensive long-term strategy for escaping economic pressure.

The dominant financial power pursues another form of financial independence. Security-motivated financial decoupling seeks to counter the geopolitical ambitions that rivals' financial inducements are designed to advance. In some cases, allies follow suit. Decoupling firms from stock exchanges, and preventing mergers and acquisitions, denies rivals investment opportunities and responds to security threats that could have wider geopolitical ramifications. Investment denial through delisting and divestment triggered by investment screening for security reasons is a new form of geoeconomics. This report addresses the extent to which financial and security considerations have become enmeshed, while evaluating their geopolitical stakes.

New Great-Power Dynamics

Together, different forms of economic statecraft—coercion, inducement, and defense—create a new foreign policy dynamic among the great powers. Their financial and currency might provide the United States and, to a certain extent, the European Union (EU) with opportunities to deter and punish foreign policies they disagree with—such as wars, terrorism, human-rights violations, and election fraud—while inducing behavior with which they agree. Their capacity, especially the United States' capacity, for financial and currency deterrence is unprecedented. Compensating for their less advanced financial markets and lack of an internationally coveted currency, rival powers China and Russia play to their strengths by offering financial carrots to countries hard hit by the big financial stick. Countering the coercive policies of their principal rival and offering economic support to countries weighed down by Western sanctions, they seek to induce countries to switch allegiance in the great-power game of systemic influence.

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1 For early pathbreaking work on economic statecraft, see: David A. Baldwin, *Economic Statecraft* (Princeton, NJ: Princeton University Press, 1985).

Euro, Hong Kong dollar, U.S. dollar, Japanese yen, pound and Chinese 100 yuan banknotes are seen in this picture illustration, January 21, 2016. REUTERS/Jason Lee/Illustration/File Photo.

Financial means are at the core of geoeconomic competition to advance national interests. The primary reason for singling them out is the tighter connection between financial means and non-economic foreign policy goals, rather than that between commercial means and non-economic foreign policy goals. Many financial measures, especially financial sanctions, are explicitly designed to pursue non-economic foreign policy goals. By contrast, many high-profile cases, such as former President Donald Trump's "trade wars," are not easily distinguishable from economic goals. The expressed goal of creating a more level economic playing field is economic prosperity, not the advancement of non-economic interests. When studying financial measures as a form of statecraft, it is easier to determine that the measures are intended to have foreign policy consequences beyond their immediate economic consequences. Financial instruments are also better tools for pursuing foreign policy objectives. Their three main advantages are flexibility, frequency, and far-reaching character—which apply with unequal force, contingent on the financial size and sophistication of the sanctioning country.

Flexibility refers to the ease with which financial instruments can be tailored to target a specific individual, firm, or government. When it comes to financial sanctions, punitive measures are regularly levied against individuals. By contrast, export controls are typically imposed against a sector. For example, when the United States imposes trade barriers against Venezuela, the target is not a specific individual or even a company, but the oil sector. The second characteristic, frequency, is partly a function of the legal framework surrounding coercive economic measures. The authority to impose coercive financial measures generally lies with the executive branch of government. Unlike punitive commercial measures, punitive financial measures can be imposed without legislative approval. Third, and finally, financial sanctions are potentially far-reaching and qualitatively different from export controls because no single country dominates commercially, whereas the United States dominates financially. Wielding its financial power, the United States is able to inflict inescapable financial sanctions with a high degree of certainty that their negative impact will be felt.

Coercion

Coercion refers to punitive actions such as financial sanctions and asset freezes. When governments use coercion punitively, their influence attempts can be directed toward nongovernmental or governmental actors. Nongovernmental actors can be individuals or other entities, such as corporations, opposition groups, or nongovernmental organizations. Coercion targeting governments may single out select government officials, the government per se, or the entire country. When sanctions are directed at individuals, such individuals are often politically exposed persons (PEPs)—namely, government officials with an especially high risk of involvement in illegal activity due to their extraordinary influence. Whether used against individuals, entities, governments, or entire countries, the aim of any coercive attempt is to secure foreign policy objectives and enforce compliance with international agreements or norms against territorial aggression, terrorism, drug trafficking, human-rights abuses, and election fraud. The main forms of coercion are foreign-policy-motivated financial sanctions against parts of the target country or the entire country, and penalties on individuals, entities, and governments not in compliance with foreign-policy-motivated financial-sanctions programs.

Financial Sanctions

Global use of financial sanctions intensified after the September 11, 2001, attacks against the United States. Financial sanctions either involve asset freezes—whereby individuals or entities are unable to access assets within a country's jurisdiction—or financial prohibitions, which prevent transactions with listed individuals and entities. The top ten country targets are Afghanistan, Sudan, the Democratic Republic of the Congo, North Korea, Cote d'Ivoire, Somalia, Libya, Liberia, Iran, and Eritrea. They were all sanctioned through various resolutions under Chapter VII of the UN Charter. The sanctions against them are multilateral in scope and, in principle, mandatory. The reasons for these sanctions range from war termination, to deterring war initiation and nuclear proliferation, or combatting human-rights violations and terrorism.

The countries issuing the most sanctions are the United States, the United Kingdom, and the countries of the European Union that have a common, though variably enforced, sanctions policy. Within this group, the United States is by far the most active user of financial sanctions. Currently, the United States implements financial sanctions more frequently than the EU or the United Kingdom (UK).[2] Other European countries outside the EU, such as Switzerland, track the EU's consolidated sanctions list, short of replicating the list.

Over time, Europe has become more active in its use of financial sanctions as a foreign policy tool. The EU rarely sanctions countries the United States does not sanction. More often than not, there has been transatlantic agreement over when to use financial sanctions. Transatlantic consensus on how to manage assertive powers to the east has been especially strong. Both the United States and the European Union sanctioned Russia for its incursions into Ukraine, China for its human-rights abuses against ethnic minorities in the Xinjiang region, and North Korea for its nuclear and missiles program, human-rights abuses, and cyberattacks. Initially, transatlantic unity prevailed on how to manage Iran's regional ambitions in the Middle East. Negotiations of the Iran Nuclear Agreement, the Joint Comprehensive Plan of Action (JCPOA), aimed at persuading Iran to abandon its nuclear-weapons program, were off to a good start in 2015. But, discord ensued as President Trump pulled the United States from the agreement in 2018.

Non-European Western powers, such as Australia and Canada, have intensified their use of sanctions, though not to the same extent as the United States, the UK, or the EU. Rising powers, China and Russia, do not use financial sanctions for geopolitical reasons anywhere near the extent of the principal great power, the United States. They do not even match the activity of the EU or other Western powers. China tends not to support economic sanctions unless mandated to do so by the United Nations.[3] Russia uses financial sanctions to enforce domestic order, rather than as a foreign policy tool.[4] Rival great powers on the UN Security Council, the United States, China, and Russia were able to agree on punitive sanctions against Iran for its nuclear

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2 Peter Piatetsky, Julian Vasilkoski, and Chris Sullivan, "Casellum Ai," 2021.

3 Michael Wines, "In Talks with Chinese, Geithner Faces an Uphill Climb," *New York Times,* January 10, 2012, https://www.nytimes.com/2012/01/11/business/global/a-long-shot-for-geithner-as-he-begins-beijing-talks.html.

4 Peter Piatetsky and Julian Vasilkoski, *When Sanctions Violate Human Rights*, *Atlantic Council,* June 11, 2021, https://www.atlanticcouncil.org/in-depth-research-reports/report/when-sanctions-violate-human-rights/.

program, though the sanctions were adjusted to get Russia and China on board.[5] The one area where all major powers agree is on the fight against terrorism.

The stark geography behind the use of financial sanctions is no coincidence. Most sanctions dynamics in the third millennium have pitted wealthy advanced countries in the West against less advanced countries in Africa, Asia, and South America. Recently, sanctions have been levied against rival great powers, presenting an interesting twist to traditional patterns. Deployment of the US financial system against Russia began during the Barack Obama administration, whose signal feature was to downgrade the use of military force as an instrument of foreign policy. Whereas the George W. Bush administration prioritized the use of armed force, Obama actively sought a shift from Washington's knee-jerk reaction to reach for "militarized responses."[6]

Financial Crimes and Punishment

Money laundering and corruption are areas in which the United States has strong legal provisions to enlist third parties in its sanction efforts. Section 311 of the Patriot Act authorizes the US Treasury Department to treat any financial institution as a "primary money-laundering concern," denying it transactions with US banks. This legal provision amounts to a financial "scarlet letter," causing financial institutions eager to maintain US ties to discontinue financial services with targeted individuals and entities.[7] Section 311 threats provoked money-laundering reforms aimed at greater compliance with international norms in both Russia and Myanmar.[8] However, when governments target individuals and entities with financial sanctions in their efforts to combat money laundering, this only counts as an instance of economic statecraft if the sanctions meet two criteria. First, the money-laundering activity must contravene a sanctions list. Second, the sanctions list must have a foreign policy motivation. For example, in the case of Iran, the United States imposed financial penalties against numerous corporations that failed to observe sanctions against Iran's nuclear-weapons program. In 2012, the United States passed the Magnitsky Act, a bipartisan bill authorizing travel and financial sanctions against Russian officials for the wrongful imprisonment and death of Sergei L. Magnitsky in 2009 after his investigation of tax fraud within the Russian government.[9] The bipartisan Global Magnitsky Act was passed in 2016, extending the reach of the 2012 Magnitsky Act beyond Russia, to sanction human-rights abuses and corruption anywhere in the world.

Financial and Currency Deterrence

What makes financial sanctions a potent tool of foreign policy, with potentially frequent and far-reaching application, is the ability to enlist primary and secondary (third-party) participants in the sanctions.

Governments are primary sanction participants. They have the power to require all financial institutions and banks within their jurisdiction to participate in asset freezes and financial prohibitions against the targeted individuals and entities on their sanction lists. They also have the power to persuade other governments to impose financial sanctions within their jurisdictions. Multilateralizing sanctions through United Nations Security Council resolutions or other forms of negotiation have the potential to enlist other governments in sanction efforts. Governments do not always comply with Security Council resolutions, even though compliance is compulsory. Monitoring sanction violations is fraught with difficulty, and members of the UN Security Council have the ability to block and delay independent experts entrusted with checking compliance. Russia, for instance, has prevented expert teams from investigating compliance with sanction resolutions in the case of South Sudan, the Democratic Republic of Congo,

5 Peter Spiegel, Jay Solomon, and Joe Lauria, "Nations Agree on Iran Curbs," *Wall Street Journal*, May 18, 2010, https://www.wsj.com/articles/SB10001424052748704912004575252293191736482.

6 Jeffrey Goldberg, "The Obama Doctrine," *Atlantic*, April 2016, https://www.theatlantic.com/magazine/archive/2016/04/the-obama-doctrine/471525/.

7 Juan Zarate, "The New Geoeconomic Game," in Mark Leonard, ed., "Connectivity Wars," European Council on Foreign Relations, January 2016, 31–36, https://ecfr.eu/wp-content/uploads/Connectivity_Wars.pdf.

8 Juan Zarate, *Treasury's War: The Unleashing of a New Era of Financial Warfare* (New York: PublicAffairs, 2013).

9 Jeremy W. Peters, "U.S. Senate Passes Russian Trade Bill, With a Human Rights Caveat," *New York Times,* December 6, 2012, https://www.nytimes.com/2012/12/07/business/global/senate-passes-russian-trade-bill-with-conditions.html.

Russian President Vladimir Putin speaks during a news conference at the Second Belt and Road Forum for International Cooperation (BRF) in Beijing, China, 27 April 2019. Sergei Ilnitsky/Pool via REUTERS.

and the Central African Republic (CAR).[10] However, financial sanctions need not be multilateral in scope to be effective. If only the United States, the United Kingdom, and the European Union agree to impose financial sanctions, they still comprise a sufficient share of the global financial system to make sanctions bite. Moreover, the United States has the financial might to unilaterally enforce compliance by penalizing banks and financial institutions that do not comply.

Controversially, the United States enforces sanction compliance even if transactions take place outside the United States. Any party connected with the US financial system or using the US dollar is vulnerable to fines if they flout US sanctions; in some cases, no ties to the United States are required. In practice, only the United States exercises this kind of extraterritorial jurisdiction, though, in principle, the UK and the EU could also ask third parties outside their territorial jurisdictions to comply with their respective sanction regimes. The degree of success when attempting to ban financial transactions between targeted individuals, entities, and third parties depends on how sensitive third parties are to threats of suspended access to the sanctioning government's financial system or currency. Because most individuals and entities are enmeshed with the US financial system and dollar use is widespread, sensitivity to punitive US measures is generally high. Pleading guilty to violating the 1977 International Emergency Economic Powers Act and the Trading with the Enemy Act between 2004 and 2012, the French bank BNP Paribas was fined a staggering $8.9 billion for violating sanctions against Cuba, Iran, and Sudan.[11] Representing the largest fine ever delivered for sanctions violation, it signals how serious the United States is about enforcing sanctions compliance. The threat of hefty fines and/or being cut loose from the US financial system deters noncompliance. Third parties may, therefore, cease transactions with individuals and entities on a sanctions list before they are actually sanctioned. Only a few governments are capable of financially deterring noncompliance, and only the United states has chosen to implement financial and dollar

10 Michelle Nichols and Jonathan Saul, "Flouting U.N. Sanctions in Africa? No One Is Watching after Russian Move," Reuters, September 3, 2021, https://www.reuters.com/world/us/exclusive-flouting-un-sanctions-africa-no-one-un-watching-after-russia-move-2021-09-29/.

11 Nate Raymond, "BNP Paribas Sentenced in $8.9 Billion Accord over Sanction Violations," Reuters, May 1, 2015, https://www.reuters.com/article/us-bnp-paribas-settlement-sentencing/bnp-paribas-sentenced-in-8-9-billion-accord-over-sanctions-violations-idUSKBN0NM41K20150501.

deterrence. Enlisting participation extraterritorially, US financial deterrence is far reaching and highly contested, generating defensive moves discussed further below.

Secondary participants (third parties) do not have sanctioning powers. But, they have the power to extend the reach of primary sanctions by declining to interact with sanctioned individuals and entities, or by refusing to provide services that facilitate interaction with sanctioned parties. Because secondary participants—specifically, banks, financial institutions, and information platforms—operate within multiple jurisdictions, they have wide-ranging possibilities to frustrate financial transactions between targets and entities under the jurisdiction of governments that do not sanction the target. However, because they are profit motivated, they have no intrinsic interest in denying services to customers on a sanctions list. In order to restrict services, they need cues from primary actors. Anticipating inclusion on a sanctions list may be as powerful a deterrent as actually appearing on a sanction list.

Another way of increasing the breadth of sanctions is enlisting service providers essential for realizing financial transactions. On several occasions, the United States has used its clout to pressure the financial information provider Society for Worldwide Interbank Financial Telecommunication (SWIFT), which supplies the communications infrastructure required for banks to interact with each other. After the September 11 attacks on the United States, SWIFT secretly shared large amounts of confidential data on financial transfers with the Central Intelligence Agency (CIA) and other US agencies, flouting European privacy laws.[12] Three years later, in 2009, a data-sharing agreement was negotiated between the United States, the EU and SWIFT, though the European Parliament rejected it in 2010.[13] By 2012, SWIFT announced it would suspend financial-messaging services with Iranian banks sanctioned by the EU.[14] This extraordinary step followed the European Council's decision to discontinue messaging services to individuals and entities involved in Iranian nuclear development whose assets were frozen.[15] According to a review undertaken by SWIFT, forty-four Iranian banks and financial institutions used Swift more than two million times in 2010, demonstrating Iran's high dependence on the network.[16] Even as experts point to the risk of overusing SWIFT exclusion, the US-EU sanctions on Iran—and particularly their efforts to cut Iran off from SWIFT—are often put forward as the main reason for persuading Iran to negotiate new terms for peaceful nuclear development.[17] The effectiveness of severing ties to the SWIFT information network is due to the platform's importance for mediating financial flows. The platform connects eleven thousand financial institutions and businesses operating in more than two hundred countries, offering them the ability to safely share financial information.[18] As the JCPOA was concluded between China, France, Russia, the UK, the United States, Germany, the EU, and Iran in July 2015, the EU started removing its sanctions on Iran, including the regulation prohibiting Iranian banks from using SWIFT.[19] By 2016, Iranian banks were able to reconnect to SWIFT. But, in 2018, US sanctions against Iran were reinstated, and the United States managed to persuade SWIFT to comply with US sanctions by interrupting Iranian banks' financial-messaging services.[20]

12 Dan Bilefsky, "Data Transfer Broke Rules, Report Says," *New York Times,* September 26, 2006.

13 "SWIFT: European Parliament Votes Down Agreement With the US," European Parliament, press release, February 11, 2010, https://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+IM-PRESS+20100209IPR68674+0+DOC+XML+V0//EN.

14 "SWIFT Instructed to Disconnect Sanctioned Iranian Banks Following EU Council Decision," SWIFT, March 16, 2012, https://www.swift.com/insights/press-releases/swift-instructed-to-disconnect-sanctioned-iranian-banks-following-eu-council-decision.

15 "Council Elaborates EU Sanctions Against Iran," Council of the European Union, press release, March 15, 2012, https://www.europarl.europa.eu/meetdocs/2009_2014/documents/d-ir/dv/council_sanctions_15mar/council_sanctions_15march.pdf.

16 Rick Gladstone and Stephen Castle, "Global Network Expels as Many as 30 of Iran's Banks in Move to Isolate Its Economy," *New York Times,* March 15, 2012, https://www.nytimes.com/2012/03/16/world/middleeast/crucial-communication-network-expelling-iranian-banks.html.

17 Samantha Sultoon, *SWIFT Action Risks Unintended Consequences, Atlantic Council,* October 9, 2018, https://www.atlanticcouncil.org/blogs/new-atlanticist/swift-action-risks-unintended-consequences/.

18 "SWIFT Annual Review 2020," SWIFT, 2020, https://www.swift.com/swift-annual-review.

19 "Update: Iran Sanctions Agreement," SWIFT, January 17, 2016, https://www.swift.com/insights/press-releases/update_iran-sanctions-agreement.

20 Michael Peel, "Swift to Comply With US Sanctions on Iran in Blow to EU," *Financial Times,* November 5, 2018, https://www.ft.com/content/8f16f8aa-e104-11e8-8e70-5e22a430c1ad.

Financial Inducement

Inducements refer to rewards, such as the promise of an investment agreement without the threat of negative consequence. This alternative way of achieving foreign policy objectives through economic measures, thus, offers financial incentives. Persuading a government to stop pursuing specific policies or to enact policies that align with one's own preferred policies has obvious advantages over coercive influence attempts. Forcing governments to adopt policies they would not otherwise have enacted generates resentment and possible blowback. Even if a government adjusts its behavior, being coerced to modify one's behavior is unlikely to shift ideal policy preferences and commitments. Lasting constraints on unwanted behavior may require lasting coercion. For example, North Korea has been the target of financial coercion since the height of the Cold War. Financial sanctions have been imposed on Cuba and Egypt since the 1960s, and on Yemen and Somalia since the 1970s. Financial inducements offer an alternative to influencing other governments' policies using threats and punishment. Where ideological divides run deep, financial incentives may be just as ineffective as coercion. In other cases, they offer a more amicable and sustained path forward. Like coercive strategies, inducement strategies carry risks. A lasting sense of opportunity may require lasting inducements. In geoeconomics, coercion is more likely to be politically costly, whereas inducement is more likely to be economically costly. Over the long term, this relationship could reverse. If others are successful in reducing their dependence on governments possessing coercive tools, the economic costs of coercion are likely to be felt. If escalating rewards are required, the government attempting to win over allies or subvert the coercion of allies may start to feel exploited, or begrudge the moral hazard created by allies, suggesting there may be political costs associated with inducement as well.

Inducement Complementing Financial Coercion

The United States and the EU offer financial incentives to compel countries to adopt their preferred policies, in addition to coercive financial disincentives. The potency of US financial deterrence and dollar deterrence has privileged its use of financial coercion. When financial incentives are extended, they tend to be offered together with financial disincentives, not in lieu of them. For example, sustained financial sanctions on Egypt and Tunisia following the Arab Spring, the United States provided billions of dollars in debt relief and loans, and undertook initiatives to promote trade and investment with them.[21] The United States also complements and reinforces coercive financial measures by offering financial incentives to adversaries of countries it seeks to deter. For example, immediately following Russia's aggression against Ukraine, the United States both sanctioned Russia financially and substantially increased financial assistance to Ukraine. The EU has taken similar steps.

Subversive Inducement

As rising powers, China and Russia do not have the financial might—nor do they have currencies with sufficient international appeal—to financially deter countries through coercive diplomacy. Instead, they seek to broaden their networks by using financial inducements to gain allies. Sometimes they employ Washington's tactic of befriending their rivals' adversaries, particularly those enduring financial sanctions. The Sino-Russian rapprochement is itself an example of such a counterstrategy. But, their financial cajoling goes well beyond nurturing complicated ties with each other under the weight of US financial sanctions.

China initiated its Belt and Road Initiative (BRI) in 2013, extending financial aid and loans—first in Africa, then in Asia, and South and Central America. Promises of financial rewards are tied to China's broader geopolitical ambitions in Asia and globally. Sometimes this connection is explicit, with Chinese expectations of a strategic reorientation, as in the case of Bangladesh, or changes in the financial recipient's political allegiance, as in the case of Panama. With the BRI, China became a major lender to Bangladesh, with development assistance rising significantly in 2018 on the heels of their 2016 strategic partnership.[22] Worried about Bangladesh's loyalty amid speculation about its participation in the Quad Plus group (the Quadrilateral Security Dialogue between the United States, Japan,

21 Jay Solomon and Adam Entous, "Power Shifts on Foreign-Policy Team," *Wall Street Journal,* May 19, 2011, https://www.wsj.com/articles/SB10001424052748703509104576331231393526442.

22 FHM Humayan Kabir, "China's Lending to Bangladesh Surges," *Financial Express,* January 30, 2021, https://www.thefinancialexpress.com.bd/economy/chinas-lending-to-bangladesh-surges-1611975747.

Australia, and India), China warned Bangladesh of "substantial damage" to their bilateral relationship should it join or participate.[23] While Bangladesh resisted the quid pro quo, China certainly clarified its political expectations. Panama is another case in point. Prior to Panama's BRI ties with China, its government favored diplomatic relations with Taiwan. Shortly before becoming the first North American country to publicly endorse the BRI, Panama changed its diplomatic status to favor relations with China rather than relations with Taiwan.[24] To help navigate Pakistan's currency crisis and, more broadly, to support the China-Pakistan Economic Corridor (CPEC), a key element in China's BRI project, China stepped in with billions of dollars in loans to Pakistan.[25]

In the Middle East, China continues to court Syria, and has not participated in financial sanctions since the onset of the Syrian civil war in 2011. Instead, the Chinese government has invested in the Syrian oil sector and pledged financial assistance to the tune of $15 billion since 2015. While participating in Syria's reconstruction presents lucrative economic opportunities, broader geopolitical interests are at stake, as China seeks to carve out ancient pathways linking the Far East to Europe via the Near East. Syria is not the only country in the Middle East sanctioned by the United States that receives financial support from China; Lebanon, Palestine, and Yemen also receive it. While Western financial sanctions provide an opportune moment to strengthen political ties with these countries, they are not the only cause of China's financial loans and aid toward them.

Both China and Russia have geostrategic interests in the Middle East. More closely tied to Syria than China, Russia allied militarily with Syria during the civil war. For long-standing ideological and geopolitical reasons, Russia has a vested interest in propping up the Bashar al-Assad regime. On the other hand, Russia's military support has secured firsthand access to Syrian reconstruction contracts.[26] Opposing the 2019 Caesar Act authorizing secondary sanctions on foreign individuals and entities with business ties to Syria, the Russian government has proposed to widen and deepen their bilateral economic relationship.[27] As the United States ramped up pressure on Egypt for its human-rights violations and military and economic relationship with North Korea, Russia stepped in with financial loans to Egypt.[28] Both China and Russia have maintained close ties with Iran, in spite of continued US financial sanctions, after multilateral sanctions were lifted in 2016. Russia has been candid about helping Iran bypass US sanctions, extending billions of dollars in loans to develop railways and gas-fueled power plants, and harmonizing domestic financial systems for trade facilitation.[29] As recently as this year, China invested $400 billion in Iran, in exchange for securing oil supplies through Iranian pipelines.[30] In July 2018, as the row between the United States and Turkey was heating up over the 2016 arrest and detention of Pastor Andrew Brunson, who was accused of having links with participants in the 2016 coup attempt—the state-owned Industrial and Commercial Bank of China (ICBC) disbursed a multimillion-dollar loan package to Turkey.[31] In August 2018, the US government imposed financial sanctions and raised tariffs against Turkey for

23 Nilotpal Bhattacharjee, "China's Warning to Bangladesh on the Quad," *Diplomat,* May 18, 2021, https://thediplomat.com/2021/05/chinas-warning-to-bangladesh-on-the-quad/.

24 Pepe Zhang, *Belt and Road in Latin America: A Regional Game Changer? Atlantic Council,* October 8, 2019, https://www.atlanticcouncil.org/in-depth-research-reports/issue-brief/belt-and-road-in-latin-america-a-regional-game-changer/.

25 "China Lends $1 Billion to Pakistan to Boost Plummeting FX Reserves—Sources," Reuters, June 30, 2018, https://www.reuters.com/article/us-pakistan-china-loans/china-lends-1-billion-to-pakistan-to-boost-plummeting-fx-reserves-sources-idUSKBN1JQ0TV.

26 "Russia's Eye on Syrian Reconstruction," Carnegie Endowment for International Peace, January 31, 2019, https://carnegieendowment.org/sada/78261.

27 "Syria Seeks Russian Investment as U.S. Sanctions Hammer Economy," Reuters, September 7, 2020, https://www.reuters.com/article/us-syria-russia-fm-meetings-lands/syria-seeks-russian-investment-as-u-s-sanctions-hammer-economy-idUSKBN25Y0YX.

28 Gardiner Harris and Declan Walsh, "U.S. Slaps Egypt on Human Rights Record and Ties to North Korea," *New York Times,* August 22, 2017, https://www.nytimes.com/2017/08/22/us/politics/us-aid-egypt-human-rights-north-korea.html.

29 "Iran Seeks Fresh Russian Finance," Economic Intelligence, November 28, 2019, https://country.eiu.com/article.aspx?articleid=498746833&Country=Iran&topic=Economy&subtopic=Forecast&subsubtopic=External+sector.

30 Farnaz Fassihi and Steven Lee Myers, "China, with $400 Billion Iran Deal, Could Deepen Influence in Mideast," *New York Times,* March 27, 2021, https://www.nytimes.com/2021/03/27/world/middleeast/china-iran-deal.html.

31 "China's ICBC to Loan $3.6 Billion for Turkey's Energy and Transport, Albayrak Says," *Daily Sabah,* July 26, 2018, https://www.dailysabah.com/economy/2018/07/26/chinas-icbc-to-loan-36-billion-for-turkeys-energy-and-transport-albayrak-says.

its refusal to release Brunson.[32] During the first weeks of the chaos, which saw the Turkish lira tumble some 20 percent, President Recep Erdogan received reassurances from China, Russia, and Germany, and a promise of $15 billion from Qatar.[33]

Defensive Counterstrategies

Financial sanctions and inducements aim to achieve a particular foreign policy objective and cultivate the relationships required to realize foreign policy goals, using either negative or positive incentives. Such initiatives are met with counterstrategies to defend the national interest. This may involve direct retaliation on the part, or on behalf, of the target, neutralization efforts, or more comprehensive steps to foster independence. Retaliatory moves are intended to return harm for harm, in the hope of persuading the other party to stop inflicting further harm. Neutralization seeks to prevent the harm while preserving economic interactions. Financial independence seeks to contain the harm, by severing economic interactions. The primary goal behind financial independence is not to deliver harm, though terminating economic interactions is likely to inflict some damage. In this geoeconomic game, governments cannot afford to remain passive. To preserve command over policy, they seek to evade the constraints of financial sanctions by responding economically or geopolitically, and to reduce their vulnerability by raising autonomy. Coercive financial sanctions are more likely to trigger defensive moves, though geostrategic designs encouraged through financial inducements also elicit defensive reactions.

Retaliation

Most countries do not retaliate against financial sanctions, especially not US financial sanctions. However, Iran, Russia, North Korea, and Turkey have tried to inflict direct harm on the United States for imposing financial sanctions on them. In 2012, before the JCPOA was negotiated, Iran is alleged to have resorted to a massive distributed denial-of-service (DDoS) campaign against US banks. Using botnets, a network of Internet-connected devices, Iranian hackers flooded the US banking system, with the goal of disrupting financial services.[34] Fearing similar cyberattacks by other targets of US financial sanctions, the United States issued a new executive order with roots in the International Emergency Economic Powers Act. Considering "significant malicious cyber-enabled activities" a national emergency, the order allows the Treasury Department to impose financial sanctions to combat large-scale cyberattacks that threaten US national security. US financial sanctions against North Korea, for its cyberattack against Sony Pictures in January 2015, were a precursor to this legal development.[35]

After the Obama administration condemned Russia's invasion in Crimea by targeting Bank Rossiya, the preferred bank of Russian officials, President Vladimir Putin vowed an "asymmetrical" response, imposing retaliatory travel and financial sanctions on six US lawmakers and three White House officials.[36] The late Senator John McCain put his finger on the limited bite Russia's counterstrategy would have on the United States, saying, "While I'm disappointed that I won't be able to go on vacation to Siberia this summer I am honored to be on this list."[37] Russia's retaliatory move also included bans on imported food, burning of nineteen thousand tons of smuggled food, and a consideration of foreign medicine bans, a proposal that resurfaced when Ukraine sanctions were extended in 2018.[38] As with these attempts, Russia's other efforts to reciprocate US harms have tended to punish Russian citizens at least as much as US citizens. Russia's response to US sanctions imposed under the aforementioned Magnitsky Act was to forbid US citizens from adopting children

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32 "Treasury Sanctions Turkish Officials with Leading Roles in Unjust Detention of U.S. Pastor Andrew Brunson," US Department of Treasury, press release, August 1, 2018, https://home.treasury.gov/news/press-releases/sm453.

33 Matt Clinch, "China Backs Turkey to Overcome Its Economic Crisis," CNBC, August 17, 2018, https://www.cnbc.com/2018/08/17/china-backs-turkey-to-overcome-its-economic-crisis.html.

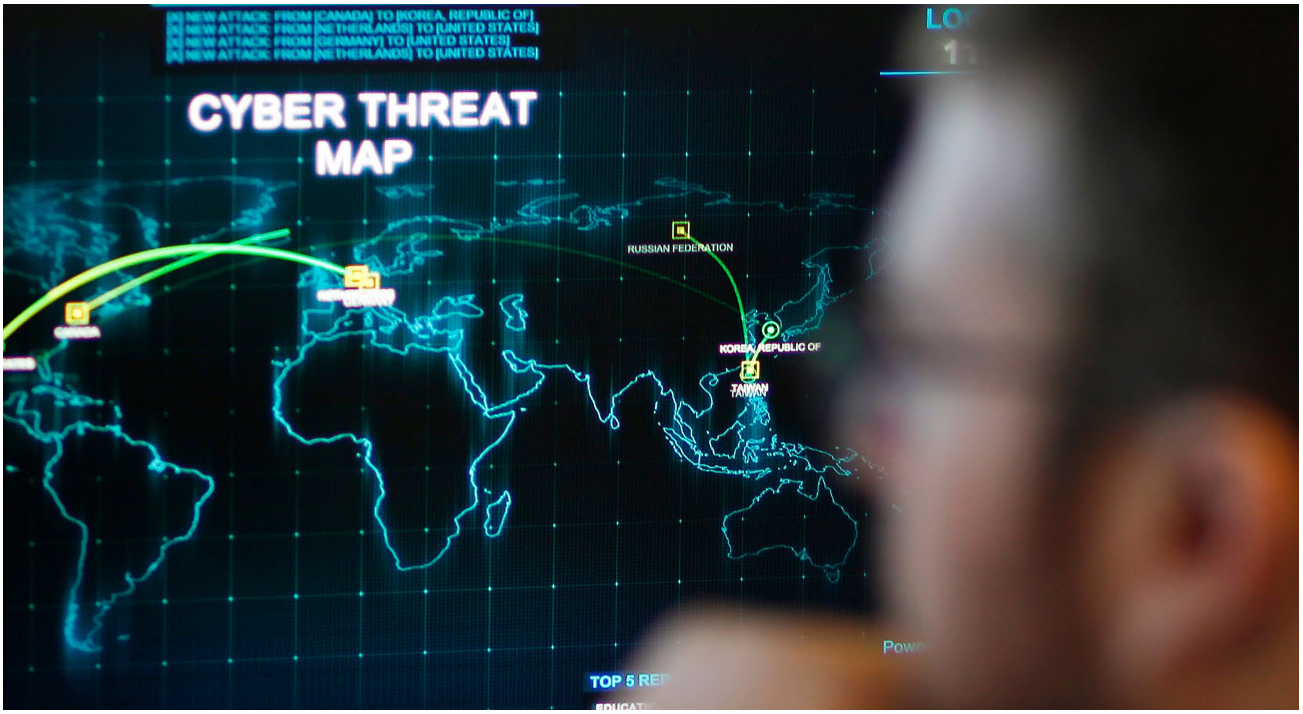
34 Nicole Perlroth and Quentin Hardy, "Bank Hacking Was the Work of Iranians, Officials Say," *New York Times,* January 9, 2013.

35 Ellen Nakashima, "U.S. Establishes Sanctions Program to Combat Cyberattacks, Cyberspying," *Washington Post,* April 2, 2015, https://www.washingtonpost.com/world/national-security/us-to-establish-sanctions-program-to-combat-cyberattacks-cyberspying/2015/03/31/7f563474-d7dc-11e4-ba28-f2a685dc7f89_story.html.

36 Carol E. Lee, Gregory L. White, and Jared A. Favole, "U.S., Russia Trade Sanctions Over Crimea," *Wall Street Journal,* March 21, 2014, https://www.wsj.com/articles/SB10001424052702303802104579451142166356328.

37 Ibid.

38 Vladimir Kara-Murza, "Russia Sanctions the West—Hurting Its Own Citizens," *Washington Post,* April 25, 2018, https://www.washingtonpost.com/news/democracy-post/wp/2018/04/25/russia-sanctions-the-west-hurting-its-own-citizens/.



A FireEye information analyst works in front of a screen showing a near real-time map tracking cyber threats at the FireEye office in Milpitas, California, December 29, 2014. FireEye is the security firm hired by Sony to investigate last month's cyberattack against Sony Pictures. Picture taken December 29. REUTERS/Beck Diefenbach (UNITED STATES - Tags: BUSINESS SCIENCE TECHNOLOGY CRIME LAW).

from Russia.[39] President Putin may have been deliberately vague when promising an asymmetrical reaction to US sanctions, leaving open the possibility of retaliating in the geopolitical theater. Following sanctions in 2014, this is precisely what the United States feared, anticipating Russia would break with the United States on Iran nuclear talks and deny US passage on Russian soil, jeopardizing US supply lines.[40]

Turning a geoeconomic issue into a geopolitical issue is exactly what North Korea did. Launching missiles, Pyongang retaliated against US financial sanctions under Section 311 legislation, targeting a Macau bank connected with North Korea.[41] According to Juan Zarate, former assistant secretary for terrorist financing, North Korea's bet was effective in so far as the State Department persuaded the Treasury Department to remove Section 311 action against North Korea.[42] Zarate further notes that the United States lifted the sanctions against North Korea, even though China's central bank refused to facilitate the clearing of North Korea's financial transactions in Macau.[43] If economic statecraft triggers geopolitical cross-retaliation, its promise of more peaceful economic conflict resolution is at risk.

Financial Independence

Fostering greater financial and currency autonomy can either seek to neutralize financial coercion, blunting such coercive attempts while remaining engaged, or to evade financial coercion by disengaging and creating alternative arrangements. The first form of pushback could draw on legal frameworks to directly counteract financial coercion, as the EU and China have done with blocking statutes against US secondary sanctions. The second form of resistance is diversification and, in some cases, a more comprehensive long-term

39 Ibid.

40 Lee, et al., "U.S. Trades Sanctions With Russia."

41 Zarate, *Treasury's War.*

42 Ibid.

43 On the one hand, the People's Bank of China sought to avoid any connection with North Korea once it became a Section 311 designee. On the other hand, Beijing promised to assist North Korea with lifting the Section 311 sanctions.

strategy for escaping economic pressure. Larger states will seek to develop financial and currency alternatives to dominant systems, particularly the dollar-centered US financial system. For the most part, these two strategies for achieving greater financial autonomy will be directed toward the center country. Countries in the core cannot be financially coerced. They pursue another form of financial independence. Security-motivated financial decoupling seeks to counter the geopolitical ambitions rivals' financial inducements are designed to advance. Defending national security interests, Western countries, including Japan and India, increasingly deny foreign-investment opportunities which can benefit rivals militarily and play into their geopolitical strides. The principal vehicles for denying security-enhancing investments are delisting and investment screening.

Legislative Pushback: Blocking Statutes

Blocking statutes aim to reduce the reach of US financial deterrence. They were first developed by EU countries and Canada to oppose the 1996 Helms-Burton Act, under which the United States imposed extraterritorial sanctions against Cuba, and the Iran-Libya Sanctions Act, which authorized third-party penalties. Recently, China enacted its own blocking statute. Such legislation explicitly prohibits companies under a country's jurisdiction from complying with extraterritorial sanctions adopted in foreign jurisdictions, notably in the United States.

This legislative tool became a point of contention in transatlantic relations when the United States promised to reinstate sanctions on Iran as of early August 2018, following its withdrawal from the JCPOA. Anticipating US sanctions on third parties that continued to do business with Iran, the EU updated its 1996 "blocking statute." These laws place companies and regulators in a difficult bind. If US sanctions prohibit third-parties from doing business with certain sectors, threatening penalties and interrupted access to the US financial market and US dollars, firms often find it in their best economic interests to comply with US sanctions. Blocking statutes pit firms' pecuniary incentives against legal incentives to comply with regulations where they reside. For European regulators, this poses a thorny choice between acting in the firm's best interest or enforcing the blocking statute.

China announced its own blocking statute in early January 2021. On the surface, Chinese rules are stricter than EU rules, offering the possibility to seek compensation for adverse consequences resulting from third-party compliance with extraterritorial legislation. Yet, even China's blocking provisions offer affected firms some respite by not mandating compliance under all possible circumstances.

Financial and Currency Alternatives

Smaller players do not have sufficient clout to influence the structure of the current financial system in any meaningful way. They have no independent effect on alternative financial arrangements. The only strategy available to them is to diversify away from dollar and US-based finance wherever they can. Bigger players—the EU, China, and Russia—have the means to introduce systemic change, and sometimes have an interest in doing so. Individually and jointly, they have sought to undercut dollar dependence, the basis for dollar deterrence, and an essential ingredient for US financial deterrence.

As one might expect, the biggest diversification efforts have come from the countries hardest hit by financial sanctions—both multilateral sanctions and, especially, US and EU sanctions. Given that the United States is both capable of delivering the most devastating financial blows and the most frequent user of financial coercion, efforts have primarily been directed toward building financial independence from the United States.

China and Russia have both vowed to crush the United States' coercive financial power. Together, they have pledged to upend dollar hegemony and reform the global financial system, which allows the United States to constrain them financially.[44] They have pursued three paths. First, they have started to settle their bilateral trade in currencies other than the dollar. Second, they have tried to boost the renminbi's role as an international currency. For China, this has meant providing renminbi access to more than thirty countries by signing bilateral swap agreements with them and, as of 2014, launching a central bank digital currency. China is preparing for its sovereign digital currency to be used in settling cross-border economic flows, potentially offering faster, more cost-effective, transactions, which could

44 Fassihi and Myers, "China, With $400 Billion Iran Deal, Could Deepen Influence in Mideast."

introduce competition for dominant international payments systems.[45] Both China and Russia have scaled back dollar use for investment purposes, decelerating US Treasury purchases. Because Russia is in no position to internationalize its currency, it has instead supported China's currency internationalization by holding more renminbis. Third, they have been coordinating to create alternative payments and financial-communications systems to privilege currencies other than the US dollar for cross-border trade and investment flows.

Even US allies have sought greater independence from the US-based financial system as a result of sanctions disputes. Not as a result of being targeted by US sanctions, but due to different understandings of the possibilities and limits of financial sanctions, particularly in the case of sanctions on Iran. The EU's opposition to the third-party sanctions imposed by the United States after leaving the JCPOA pushed the EU to find alternative ways to engage Iran economically. For example, a "special purpose vehicle" (SPV) was created to continue trading with Iran in spite of US secondary sanctions. More boldly, in an attempt to derail the coercive power of US financial sanctions, former German Foreign Minister Heiko Maas suggested an alternative to SWIFT clearing, privileging euros over of US dollars.

Security-Motivated Financial Decoupling

Countries at the core of the financial system also have concerns regarding their financial independence, particularly as financial integration conflicts with their security interests. Decoupling firms from stock exchanges and preventing mergers and acquisitions, they deny investment opportunities and respond to security threats that could have wider geopolitical ramifications. While investment denial could occur for many reasons, the examples below focus on delisting and divestment triggered by investment screening to protect security interests.

Delisting

The 2020 Holding Foreign Companies Accountable Act (HFCAA) passed by US Congress authorizes the delisting of foreign companies from US stock exchanges if they do not fulfill US audit requirements within a three-year window. The bill modifies the 2002 Sarbanes-Oxley Act by targeting Chinese government control of listed companies, and is a direct response to China's Securities Law preventing foreign inspection of audits on national sovereignty and security grounds.[46] So far, most US delistings of Chinese companies have not been driven by national security concerns, but reflect regulatory concerns related to securities fraud.[47] In a few cases, however, the forcible removal of Chinese companies from US stock exchanges has been security motivated.

A month after the passage of the 2020 HFCAA, the Trump administration passed Executive Order 13959, precluding securities trades that provide investment benefits to companies associated with the Chinese military.[48] The order targets China's "national strategy of Military-Civil Fusion," a centralized strategy said to enlist Chinese companies in advancing China's military edge.[49] Shortly after the proclamation of the order, on the last day of 2020, three Chinese companies—China Telecom Corporation Limited, China Mobile Limited, and China Unicom (Hong Kong) Limited—were delisted from the New York Stock Exchange (NYSE).[50] The delisting occurred so quickly after President Trump's order because the Department of Defense had been mandated to determine and publish a list of communist Chinese military companies already included under Section 1237 of the 1999 Strom Thurmond National Defense Authorization Act (NDAA). This list complements

45 Julia Friedlander, *Testimony before the U.S. House of Representatives Committee on Financial Services Subcommittee on National Security, International Development and Monetary Policy*, *Atlantic Council,* July 27, 2021, https://financialservices.house.gov/uploadedfiles/hhrg-117-ba10-wstate-friedlanderj-20210727.pdf.

46 Jeremy Mark, *Delist or Not Delist: A $2.2 Trillion US-China Auditing Dispute, Atlantic Council,* February 25, 2021, https://www.atlanticcouncil.org/in-depth-research-reports/issue-brief/delist-or-not-delist-a-2-2-trillion-us-china-auditing-dispute/.

47 Ibid.

48 "Addressing the Threat from Securities Investments that Finance Communist Chinese Military Companies," Executive Office of the President, November 12, 2020, https://www.federalregister.gov/documents/2020/11/17/2020-25459/addressing-the-threat-from-securities-investments-that-finance-communist-chinese-military-companies.

49 Ibid.

50 "NYSE to Commence Delisting Proceedings in Securities of Three Issuers to Comply With Executive Order 13959," Intercontinental Exchange, December 31, 2020, https://ir.theice.com/press/news-details/2020/NYSE-to-Commence-Delisting-Proceedings-in-Securities-of-Three-Issuers-to-Comply-with-Executive-Order-13959/default.aspx.

A sign indicating digital yuan, also referred to as e-CNY, is pictured at a shopping mall in Shanghai, China May 5, 2021. REUTERS/Aly Song.

the broader blacklist held by the Bureau of Industry and Security (BIS). The BIS blacklist targets entities from China, Bulgaria, France, Germany, Hong Kong, Italy, Malta, Pakistan, Russia, and the United Arab Emirates who are said to flout US national security and foreign policy interests.[51] Seeking to counter the adverse consequences for companies figuring on these lists, the Chinese government shot back with an "unreliable entities list" of its own in late 2020, targeting any foreign individual or entity jeopardizing China's sovereignty, security, or development interests.

Investment Screening and Divestment

The Committee on Foreign Investment in the United States (CFIUS) examines whether foreign investment in the United States, particularly mergers and acquisitions, poses national security risks. Screening processes and the very concept of national security were broadened through the 2007 Foreign Investment and National Security Act (FINSA). FINSA developed in response to a company owned by Dubai's government, Dubai Ports World, attempting to purchase the businesses operating several US ports. The act broadened the understanding of national security, as well as the scope and oversight of foreign-investment probes. Under the Trump administration, CFIUS was updated to include the newly created Foreign Investment Risk Review Modernization (FIRRMA) committee, prioritizing review of foreign investments dealing in advanced technologies that could have security implications. The interpretation of national security risks became more elastic to include data-privacy issues for US citizens, as evidenced by the probe into TikTok and the executive order against the company, which was removed under the Joseph Biden administration.

Concerns about foreign investment in the United States is not a new phenomenon, but specific concerns about Chinese foreign investment began under the Obama administration. President Obama was the first to make use of Section 721 of the Defense Production Act of 1950 to reverse a business deal since 1990, when President George H. W. Bush used the provision to prevent a Chinese space-technology firm from buying a US manufacturing firm.[52] Twenty years later, in 2012,

51 "Rules and Regulations," *Federal Register,* 85.

52 Rachelle Younglai, "Obama Blocks Chinese Wind Farms in Oregon over Security," Reuters, September 28, 2012, https://www.reuters.com/article/us-usa-china-turbines/obama-blocks-chinese-wind-farms-in-oregon-over-security-idUSBRE88R19220120929.

President Obama stopped Chinese-owned company Ralls, based in the United States, from acquiring wind turbines close to a US Naval Weapons Systems Training Facility.[53] In 2016, President Obama prevented Chinese chipmaker Fujian Grand Chip Investment Fund from acquiring Aixtron, a German manufacturer specializing in chemical materials used as semiconductor inputs for missile systems. Citing national security reasons, the United States scuttled the takeover of another company, Lattice, producing dual-purpose semiconductors, and the Chinese Canyon Bridge Fund, in 2017.[54] In defense of its technological leadership, and to prevent China from advancing its position in the market for fifth-generation technology (5G), the United States blocked the acquisition of US chipmaker Qualcomm by Asian chipmaker Broadcom in 2018. In some cases, investment-screening procedures have deterred ownership transfers before official US decisions were made, as when US company Xcerra, specializing in testing equipment for semiconductors, declined its proposed sale to China's Integrated Circuit Industry Investment Fund.[55] Currently, in 2021, the United States is weighing whether to ban the sale of South Korean Magnachip to Chinese Wide Road Capital, in order to prevent China from acquiring its semiconductor technology.[56] While most of the CFIUS' investigations have involved the national security implications of technology transfers to China, the CFIUS has also thwarted acquisition of sensitive technologies relevant for the semiconductor industry by US allies. In 2017, the CFIUS averted German Infineon's take-over of Wolfspeed, a subsidiary of the US-based semiconductor firm Cree, suggesting the United States aims to preserve military leadership at all costs.[57]

In addition to blocking acquisitions extraterritorially, the United States offers preferential screening treatment to countries adopting similar practices, in order to ensure technologies with national security implications do not fall into rival hands.[58] As a result, other countries have initiated their own investment-screening processes. The EU adopted a common framework for investment screening in 2019, but does not prohibit investment based on national security concerns. These provisions came in the wake of German concerns following the 2016 purchase of German robotics maker Kuka by a Chinese firm. Close US allies the UK, Japan, and Germany revamped and strengthened their investment-screening procedures in 2020, making them more closely resemble US procedures. Reforms are under way in other countries as well—notably in India.[59]

Concluding Remarks

Economic statecraft, the use of economic means to achieve foreign policy goals, carries the promise of substituting more peaceful economic means for more violent militarized ones. The United States' efforts to pause its heavy military engagement following a tumultuous start to this millennium was a likely driver of the intensified use of financial sanctions during the Obama administration, and carried on during the Trump administration. Similar to the calls to rein in US military overextension in order to preserve US lives and economic stature, pressure is now gathering to wind down the use of financial sanctions to preserve US dollar hegemony and associated financial hegemony. Both the United States and the EU, however, are likely to continue using financial sanctions as a foreign policy tool, and targeted countries are likely to continue resisting financial coercion. Some of their counterstrategies,

53 Ibid.; "Order Signed By the President Regarding the Acquisition of Four U.S. Wind Farm Project Companies by Ralls Corporation," White House, press release, September 28, 2012, https://obamawhitehouse.archives.gov/the-press-office/2012/09/28/order-signed-president-regarding-acquisition-four-us-wind-farm-project-c.

54 "Statement on the President's Decision Regarding Lattice Semiconductor Corporation," US Department of the Treasury, press release, September 13, 2017, https://www.treasury.gov/press-center/press-releases/Pages/sm0157.aspx.

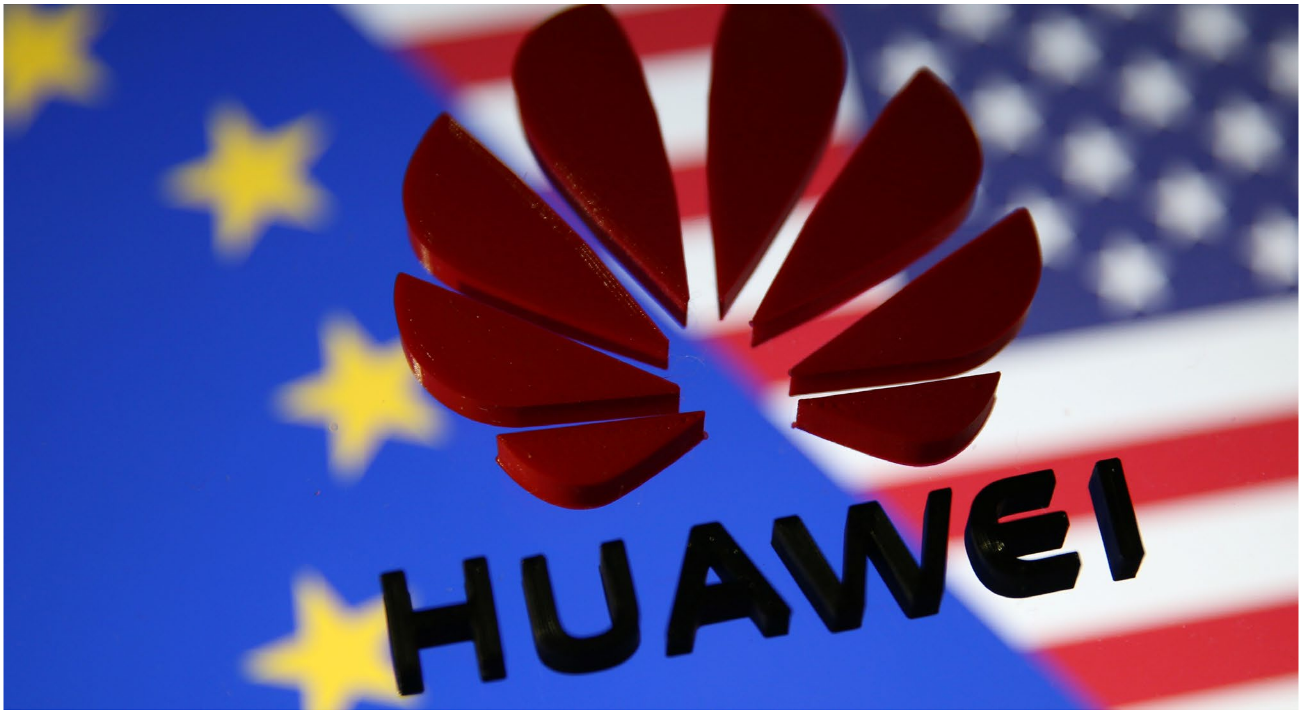
55 Raymond Zhong, "U.S. Blocks a Chinese Deal Amid Rising Tensions Over Technology," *New York Times,* February 23, 2018, https://www.nytimes.com/2018/02/23/technology/china-microchips-cfius-xcerra.html.

56 J. Tyler McGaughey, "CFIUS Is Preparing to Block China from Acquiring Magnachip Semiconductor Corporation," Winston & Strawn LLP, September 2, 2021, https://www.mondaq.com/unitedstates/terrorism-homeland-security-defence/1107626/cfius-is-preparing-to-block-china-from-acquiring-magnachip-semiconductor-corporation.

57 Christoph Steitz and Liana B. Baker, "Infineon, Cree Warn U.S. Might Block Wolfspeed Deal," Reuters, February 8, 2017, https://www.reuters.com/article/uk-cree-m-a-infineon-technol-idUKKBN15O053.

58 John Kabealo, *The Growing Global Alignment in Regulating Chinese Trade and Investment, Atlantic Council,* June 8, 2021, https://www.atlanticcouncil.org/blogs/the-growing-global-alignment-in-regulating-chinese-trade-and-investment/.

59 Ibid.



A 3D printed Huawei logo is placed on glass above displayed EU and US flags in this illustration taken January 29, 2019. REUTERS/Dado Ruvic/Illustration.

notably geopolitical cross-retaliation in the form of missile launches, are deliberate attempts to reestablish security competition as the primary venue for geopolitical competition, posing real bargaining dangers. Threat points of a more economic nature exist as well. The push toward greater financial independence by countries seeking to evade financial coercion as well as the financial decoupling of countries possessing financial prowess suggests the long era of economic interdependence may be in peril. Ironically, despite privileging economic statecraft over military statecraft, this new geoeconomic game—unless carefully managed—may usher in a more menacing, less prosperous, future.

ABOUT THE AUTHOR

Dr. Carla Norrlöf is a nonresident senior fellow with the Atlantic Council's GeoEconomics Center. Her research is on theories of international cooperation with a special focus on great powers particularly US hegemony in the areas of money, trade and security. Norrlöf is also associate professor of Political Science at the University of Toronto, senior fellow at Massey College, and a research associate with the Graduate Institute of International Studies (Geneva). She is the author of America's Global Advantage, Dollar Hegemony, and Hegemony and Inequality.

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1030 15th Street, NW, 12th Floor,
Washington, DC 20005

(202) 463-7226, www.AtlanticCouncil.org