

China Persists in Sanctioning U.S. Defence Giants

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By Alessandra De Martini

Tensions Between the U.S. and China Keep Rising

Relations between the United States and China have been strained for a few years now, but tensions have increased in recent months due to several geopolitical events. One of them was the visit to Taipei by Speaker of the US House of Representatives Nancy Pelosi last July, underpinning the United States' support for Taiwan's status. The current US Administration continues to adhere to the one China policy, as most other countries in the world do.

In response, over the summer, Beijing increased the number of aggressive military exercises around the islands of the South China Sea, although China's expert Dean Cheng of Heritage Foundation argued they were "likely pre-planned for months" (Cheng, 2022).

Lately, Beijing appears to have at least partially aligned with Western thinking by calling on Russia to end the war in Ukraine as soon as possible, yet friction with Washington has been enhanced by Biden's latest statement regarding Taiwan's sovereignty. In fact, China was strongly dissatisfied and resolutely opposed to Biden's comment (Reuters, 2022), when the President of the US declared that US forces would defend Taiwan in the event of a Chinese invasion.

New Sanctions for Raytheon and Boeing Defense

Last September, Beijing announced new sanctions against the CEOs of Raytheon Technologies and Boeing Defence, two US defence giants, if they were to proceed with the sale of weapons to Taiwan worth a total of \$1.1 billion. A spokesperson for the Chinese Foreign Ministry justified the decision claiming that the arms sales gravely undermine China's sovereignty and security interests, and severely harm China-US relations and peace and stability in the Taiwan Strait (Ferran, 2022). Additionally, according to Beijing, the US' sale of weapons to China's Taiwan region violates the one-China principle included in the three China-US joint communiqués (Cheng, 2022).

On top of this, the Biden administration has also recently approved a series of potential sales, including more than \$665 million in advanced radar-related tech primarily made by Raytheon and more than \$350 million in Harpoon missiles and equipment made by Boeing (Giuliani, 2022).

China is not unusual in issuing such threats and sanctions to U.S. arms companies and lobbying to influence U.S. policy. Nevertheless, in the past, such deterrents had been mostly symbolic. Specifically, similar cases had already occurred in 2010, 2015, and 2019 against Raytheon and Boeing Defence (Tiktu, 2022).

In particular, in June 2021 the Chinese Communist Party (CCP) passed the Anti-Foreign Sanctions Law, allowing Chinese authorities to enact countermeasures on entities they believed to be harmful. Accordingly, the CCP can release a restriction on trade or cultural exchange designed to penalize a company or country at any time. This law has made it more common for China to use sanctions against nations – particularly to the U.S and their allies - that disagree with CCP's policy decisions.

U.S. – Taiwan relations

Although the United States doesn't have official diplomatic ties with Taiwan, they are bound by the Taiwan Relations Act (TRA) to provide the island with defence articles and services in such quantity as may be necessary to enable Taiwan to maintain sufficient self-defence capabilities (Public Law 96th Congress, 1979). The purpose of the document is to reduce the existential threats facing Taiwan by increasing the risks and costs of China taking the island by force. The US President and Congress ultimately decided about the nature and quantity of defence services that may be provided. Despite the strategic ambiguity of this bilateral relationship, the Taiwan Policy Act of 2022 designated the island as a Major Non-NATO Ally (The Taiwan Policy Act of 2022, 2022).

After Biden declared support for Taiwan in the event of an unprecedented Chinese attack (Biden, 2022), Taipei entered into an \$83 million contract with the American Institute of Taiwan to substitute its standard Patriot Advanced Capability 2 (PAC-2) and PAC-3 Guided Enhancement Missiles (GEM) with missiles with a longer range (Giuliani, 2022). The United States also pledged to provide anti-ship cruise missiles, land attack cruise missiles and coastal defence systems.

What Will the Consequences Be?

Firstly, the CCP is focused on expanding international trade relations and therefore has no interest in harshly punishing its partners. One of the consequences would be alienating potential new allies and closing profitable markets. Specifically, the United States is an important trade partner, as China – US trade ties have greatly intensified since their strategic competition has increased in the last few years. However, as China's economic power increases, sanctions are becoming more prominent in the country's international relations. For this reason, the interests of Raytheon, Boeing and Lockheed Martin as well as other civilian and military firms in the Chinese market cannot be underestimated. In fact, while U.S. exports to China are not particularly significant, the revenues of military as well as other sectors in trade in China are noteworthy.

Secondly, sanctions rarely have immediate effects. In fact, usually the impacts are visible only after a long period of time and they are not such drastic.

Thirdly, it must also be considered that often “sanctions on other significant powers [...] generally do not work because countries can usually diversify to get around them” (Huang, 2022).

Therefore, it can be assumed that China’s sanctions will not meaningfully alter Washington’s behaviour. Instead, they may risk worsening the public sentiment towards the CCP’s policies. Accordingly, China makes use of sanctions and threats as soft power instruments rather than employing radical military actions. Moreover, sanctions may also be interpreted by the national public opinion as a signal of strength against foreign pressure against the CCP (Huang, 2022). Therefore, the main consequences of Chinese government sanctions seem to be directed to the domestic audience rather than having considerable implications for foreign relations.

However, it is worth mentioning that an escalation into a trade war or even into an armed conflict may happen regardless of the multiple economic and diplomatic ties among the twos.

Overall, it is unclear so far what impact these new sanctions will have on US-China relations and their respective allies in the short-term. The ongoing conflict in Ukraine involvement, maritime disputes in the Indo-Pacific, and a potential Chinese attack on Taiwan will be crucial elements in the analysis of US-China tensions and the implementation of further sanctions on US military industries.

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