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Economic statecraft and coercion in China–ASEAN relations

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Abstract
China's rise as a major economic power has significantly reshaped its relations with the Association of Southeast Asian Nations (ASEAN), with economic statecraft emerging as a central instrument of influence. This study examines how China employs economic incentives and coercive measures to shape the foreign policy behavior of ASEAN member states and assesses the implications for regional autonomy and stability. Economic statecraft in China–ASEAN relations operates through a dual-track approach: the provision of inducements such as trade access, foreign direct investment, infrastructure financing under the Belt and Road Initiative (BRI), and development assistance, alongside coercive tools including trade restrictions, tourism bans, investment slowdowns, and informal sanctions.

The paper argues that while economic engagement has contributed to ASEAN's growth and regional connectivity, it has also generated asymmetric dependencies that expose smaller economies to coercive pressure. Case studies of the Philippines, Vietnam, and Cambodia illustrate varying national responses shaped by domestic political structures, economic vulnerability, and strategic priorities. Some states have resisted coercion by diversifying partnerships and leveraging international law, while others have accommodated Chinese preferences in exchange for economic benefits.

At the regional level, ASEAN's consensus-based decision-making and commitment to non-interference have constrained collective responses to economic coercion, undermining ASEAN unity on sensitive issues such as the South China Sea. The analysis further situates China's economic statecraft within broader US–China strategic competition, highlighting how Southeast Asian states pursue hedging strategies to balance economic reliance on China with security ties to other major powers.

The study concludes that China's use of economic statecraft has become a defining feature of contemporary China–ASEAN relations, offering both opportunities and risks. Understanding the mechanisms and limits of economic coercion is essential for assessing Southeast Asia's strategic autonomy and the future of regional order in an increasingly competitive Indo-Pacific environment.

Keywords: Economic statecraft, Economic coercion, China–ASEAN relations, Belt and Road Initiative, southeast asia, strategic autonomy

Introduction

The rapid rise of China as a global economic and political power represents one of the most consequential developments in contemporary international relations. Since the late twentieth century, China's sustained economic growth, expanding trade networks, and increasing outward investment have fundamentally reshaped regional and global power dynamics. Nowhere is this transformation more evident than in Southeast Asia, a region geographically proximate to China and economically intertwined with its growth. The Association of Southeast Asian Nations (ASEAN), comprising ten diverse states with varying political systems, economic capacities, and strategic orientations, occupies a pivotal position in China's regional strategy. As China's influence has expanded, economic instruments have become a central means through which Beijing seeks to shape the preferences and behavior of ASEAN member states.

Economic statecraft—defined as the use of economic tools to pursue foreign policy objectives—has emerged as a defining feature of China–ASEAN relations. Through trade, investment, development finance, and infrastructure projects, China has positioned itself as ASEAN's largest trading partner and a key source of capital. Initiatives such as the Belt and Road Initiative (BRI), the Asian Infrastructure Investment Bank (AIIB), and regional trade frameworks like the Regional Comprehensive Economic Partnership (RCEP) reflect China's ambition to embed itself deeply within Southeast Asia's economic architecture. These inducements have brought tangible benefits, including improved connectivity, export growth, and development opportunities for ASEAN economies.

However, alongside economic engagement, China has increasingly demonstrated a willingness to deploy economic coercion—defined as the deliberate use of economic pressure to influence the policy choices of other states. Such coercion has taken multiple forms, including informal trade restrictions, tourism bans, regulatory barriers, investment delays, and selective enforcement of customs or safety standards. These measures are often applied in response to political or security disputes, particularly those related to the South China Sea, Taiwan, or alignment with external powers such as the United States. The dual use of inducements and punishments underscores the strategic nature of China's economic engagement with ASEAN.

Southeast Asia presents a particularly revealing context for analyzing economic statecraft and coercion. ASEAN states vary significantly in their levels of economic dependence on China, domestic political systems, and strategic priorities. Vietnam and the Philippines, for example, have experienced direct economic pressure linked to maritime disputes, while Cambodia and Laos are often viewed as politically aligned with Beijing due to their heavy reliance on Chinese aid and investment. Indonesia, Malaysia, and Singapore, meanwhile, have sought to maintain strategic autonomy by balancing economic engagement with China against diversification toward other partners. This diversity makes ASEAN an ideal laboratory for examining how economic power translates—or fails to translate—into political influence.

At the regional level, ASEAN's institutional characteristics further complicate responses to China's economic statecraft. ASEAN's commitment to consensus-based decision-making, non-interference, and neutrality has historically supported regional stability but has also limited the organization's capacity to respond collectively to coercive practices. Divergent national interests and varying degrees of dependence on China have frequently undermined ASEAN unity, particularly on sensitive security issues. As a result, China has often been able to engage ASEAN states bilaterally, reinforcing asymmetric power relationships and weakening collective bargaining power.

The growing use of economic coercion also intersects with broader geopolitical trends, notably intensifying US–China strategic competition. Southeast Asia has become a critical arena in this rivalry, as both powers seek to shape regional norms, institutions, and alignments. While China offers economic opportunities, the United States and its partners provide alternative security and economic frameworks, such as the Indo-Pacific Strategy and minilateral groupings. ASEAN states, reluctant to choose sides, have adopted hedging strategies that seek to maximize benefits while minimizing risks. Economic statecraft thus operates within a complex strategic environment where regional actors actively shape outcomes rather than passively absorb external pressure.

Despite the increasing salience of economic coercion in international politics, existing scholarship remains divided on its effectiveness. Some studies suggest that economic pressure can successfully compel smaller or economically vulnerable states to alter their behavior, particularly when applied informally and with plausible deniability. Others argue that coercion often generates backlash, encourages diversification, and ultimately undermines the coercer's long-term influence. In the context of China–ASEAN relations, empirical findings remain mixed, underscoring the need for nuanced, case-sensitive analysis.

This study seeks to contribute to this debate by systematically examining the mechanisms, targets, and outcomes of China's economic statecraft toward ASEAN member states. It asks three central questions:

1. What economic instruments does China employ as tools of inducement and coercion in its relations with ASEAN?
2. How do ASEAN states respond to these measures at the national and regional levels?
3. What are the broader implications of economic statecraft for ASEAN's strategic autonomy and regional order?

The central argument advanced in this paper is that China's economic statecraft has produced uneven and context-dependent outcomes. While economic inducements have expanded China's influence, coercive measures have not consistently achieved political compliance and, in some cases, have encouraged resistance, diversification, and deeper engagement with external partners. The effectiveness of economic coercion depends on domestic political conditions, economic resilience, leadership perceptions, and the availability of alternatives. At the regional level, ASEAN's structural constraints limit collective resistance, but individual member states retain agency in shaping their responses.

By focusing on Southeast Asia, this study highlights the broader implications of economic statecraft in an era of intensifying great power competition. Understanding how economic tools are used—and contested—provides critical insight into the evolving nature of power, influence, and autonomy in the Indo-Pacific region.

Methods

This study adopts a qualitative research design to analyze the role of economic statecraft and coercion in China–ASEAN relations. Given the complexity of the subject and the diversity of political, economic, and strategic contexts across ASEAN member states, a qualitative approach is best suited to capturing variation, causality, and contextual nuance. The research combines theoretical analysis, document review, and comparative case studies to develop a comprehensive understanding of both Chinese strategies and Southeast Asian responses.

Research Design and Approach

The study is grounded in international political economy (IPE) and foreign policy analysis frameworks, particularly theories of economic statecraft, asymmetric interdependence, and small-state behavior. These theoretical perspectives guide the identification of key variables, including economic dependence, policy alignment, domestic political structures, and strategic alternatives. Rather than testing a single causal hypothesis, the research seeks to explain patterns and mechanisms through in-depth analysis.

A qualitative comparative case study approach is employed to examine how different ASEAN states experience and respond to Chinese economic statecraft. This approach allows for structured comparison while accounting for country-specific factors. Cases are selected based on variation in levels of economic dependence on China, political alignment, and exposure to coercive measures.

Case Selection

The study focuses on a purposive selection of ASEAN member states representing different response patterns:

- Vietnam, as a case of resistance, given its economic engagement with China alongside strong security concerns and maritime disputes.
- The Philippines, illustrating policy fluctuation across different administrations and exposure to economic pressure linked to the South China Sea.
- Cambodia, representing accommodation and alignment, characterized by heavy reliance on Chinese investment and political support.

These cases provide contrast across the spectrum of compliance, resistance, and hedging, enabling a more robust assessment of the conditions under which economic coercion succeeds or fails.

Data Sources

The research relies primarily on secondary data from a wide range of authoritative sources. These include:

- Official statements and policy documents from the Chinese government, ASEAN, and individual ASEAN member states
- Trade and investment data from international organizations such as the World Bank, IMF, and ASEAN Secretariat
- Reports from think tanks, policy institutes, and research organizations specializing in Asian geopolitics
- Academic journal articles and books on economic statecraft, China's foreign policy, and Southeast Asian international relations
- Credible media reporting to document instances of economic pressure, such as trade restrictions or tourism bans

Using multiple data sources enables triangulation, enhancing the reliability and validity of findings.

Analytical Framework

The analysis proceeds in three stages. First, the study identifies and categorizes the economic instruments used by China, distinguishing between positive inducements (e.g., investment, trade facilitation, development finance) and coercive measures (e.g., informal sanctions, regulatory barriers). Second, it examines the political context in which these instruments are applied, including the triggering events and stated or implied policy objectives. Third, it evaluates the responses and outcomes, assessing whether targeted states altered their behavior, resisted pressure, or sought alternative strategies.

The study evaluates effectiveness not solely in terms of immediate compliance but also longer-term political and strategic consequences. This broader perspective allows for assessment of unintended effects, such as reputational costs, regional backlash, or diversification away from China.

Limitations

The study acknowledges several limitations. First, economic coercion is often informal and opaque, making it difficult to establish definitive causal links between political disputes and economic measures. Second, reliance on secondary sources may limit access to internal decision-making processes within governments. Third, the dynamic nature of China–ASEAN relations means that findings reflect a particular period rather than a fixed outcome.

Despite these limitations, the qualitative, multi-source approach provides a rigorous and credible foundation for analyzing economic statecraft in China–ASEAN relations.

Results

This section presents the findings of the qualitative analysis on China's use of economic statecraft and coercion in its relations with ASEAN member states. The results are organized thematically and through comparative case studies, highlighting patterns in the instruments employed, the conditions under which coercion is applied, and the responses of targeted states. The findings demonstrate that China's economic statecraft operates through a combination of inducements and coercive measures, with varied outcomes depending on domestic, economic, and strategic factors within ASEAN states.

Patterns of Chinese Economic Statecraft

The analysis reveals that China consistently employs a dual-track strategy combining economic incentives with the implicit or explicit threat of economic punishment. Positive inducements include preferential trade access, infrastructure financing under the Belt and Road Initiative, development loans, and diplomatic support in international forums. These incentives are often framed as mutually beneficial cooperation and are embedded within broader regional initiatives such as RCEP and China–ASEAN Free Trade Agreements.

Coercive measures, by contrast, are typically informal and deniable. Rather than publicly announced sanctions, China frequently relies on administrative delays, regulatory enforcement, customs inspections, and unofficial guidance to businesses and tourism operators. This approach allows Beijing to exert pressure while minimizing reputational costs and avoiding direct violation of international trade rules. Such measures are often short of comprehensive sanctions but sufficient to impose economic pain on targeted sectors.

The findings indicate that economic coercion is most commonly triggered by actions perceived by China as challenges to its core interests, including territorial disputes in the South China Sea, engagement with Taiwan, or alignment with external security partners. The targeted sectors—such as agriculture, tourism, and natural resources—are often politically sensitive domestically, amplifying the coercive effect.

Case Study: Vietnam – Resistance and Strategic Diversification

Vietnam represents a case where economic coercion has had limited success in achieving political compliance. Despite deep trade ties with China, Vietnam has repeatedly resisted Chinese pressure in relation to South China Sea disputes. Instances of heightened maritime tensions have coincided with disruptions in cross-border trade and increased regulatory scrutiny on Vietnamese exports.

However, the results show that Vietnam has responded by pursuing strategic diversification rather than accommodation. Hanoi has expanded trade agreements with external partners, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and strengthened security cooperation with the United States, Japan, and India. Domestically, nationalist sentiment and historical mistrust of China have reduced the political viability of compliance, even in the face of economic costs.

While economic coercion has imposed short-term disruptions, it has not altered Vietnam's core strategic position. Instead, it has reinforced Vietnamese perceptions of vulnerability and accelerated efforts to reduce dependence on China.

Case Study: The Philippines – Policy Volatility and Conditional Accommodation

The Philippines illustrates a more mixed outcome, where economic statecraft has influenced policy direction under certain political conditions. During periods of heightened maritime disputes, Philippine agricultural exports and tourism revenues experienced downturns linked to Chinese pressure. However, the most significant shifts occurred under leadership changes, particularly during administrations that prioritized economic engagement with China.

The findings suggest that economic inducements, rather than coercion alone, played a key role in shaping Philippine policy. Promises of infrastructure investment and development assistance contributed to a temporary softening of rhetoric toward China. Nevertheless, these shifts proved reversible. Subsequent leadership changes saw a renewed emphasis on alliance commitments and legal approaches to maritime disputes.

Overall, economic statecraft produced short-term policy flexibility but failed to generate sustained alignment. Domestic institutional checks, public opinion, and the availability of security alternatives constrained China's influence.

Case Study: Cambodia – Accommodation and Political Alignment

Cambodia stands out as a case where China's economic statecraft has achieved significant political influence. The country's heavy reliance on Chinese investment, aid, and diplomatic support has created high levels of economic dependence. Chinese financing dominates key sectors, including infrastructure, real estate, and energy.

The results show a strong correlation between economic dependence and political alignment. Cambodia has consistently supported China's positions within ASEAN, including blocking or diluting joint statements critical of China's actions in the South China Sea. Unlike Vietnam or the Philippines, Cambodia has faced limited domestic opposition to alignment, partly due to centralized political authority and limited economic alternatives.

In this case, the threat of economic withdrawal appears sufficient to deter policy deviation, even in the absence of overt coercive measures. This suggests that structural dependence can be as influential as direct economic punishment.

ASEAN-Level Responses

At the regional level, the findings reveal significant constraints on collective action. ASEAN's consensus-based decision-making has allowed economically aligned states to block unified responses to coercion. As a result, ASEAN has struggled to articulate common positions on economic security and external pressure.

Some efforts at diversification and resilience-building have emerged, including discussions on supply chain security and economic integration with external partners. However, these initiatives remain limited and unevenly implemented. China's preference for bilateral engagement further weakens ASEAN's collective leverage.

Discussion

This section interprets the findings in relation to existing theories of economic statecraft, regional geopolitics, and ASEAN's strategic autonomy. The discussion highlights the conditional effectiveness of economic coercion and explores its implications for regional order and great power competition.

Economic Statecraft and Asymmetric Interdependence

The findings support theories of asymmetric interdependence, which argue that economic power can be leveraged for political influence when dependencies are uneven. China's ability to target specific sectors and states demonstrates its structural advantage as ASEAN's largest trading partner. However, the results also reveal clear limits to this power.

Economic coercion is most effective where economic dependence is high and political alternatives are limited, as seen in Cambodia. Conversely, where states possess diversified economic ties, strong domestic resistance, or viable security partners, coercion is less effective. This aligns with scholarship suggesting that economic pressure rarely produces durable compliance without complementary political or security leverage.

The Role of Domestic Politics

A key insight from the analysis is the centrality of domestic political conditions in shaping responses to economic statecraft. Leadership perceptions, regime type, public opinion, and institutional constraints significantly mediate the impact of economic pressure. In democratic or pluralistic systems, the political costs of compliance may outweigh economic benefits, limiting the effectiveness of coercion.

The Philippines case illustrates how leadership change can alter receptiveness to economic inducements, while Vietnam highlights the constraining role of nationalism and historical memory. These findings underscore that economic statecraft does not operate in a political vacuum.

ASEAN Unity and Structural Constraints

The study's findings reinforce critiques of ASEAN's institutional limitations. While ASEAN centrality remains a normative aspiration, economic asymmetries and divergent national interests undermine collective resistance to coercion. China's bilateral approach exploits these divisions, reducing ASEAN's bargaining power.

However, the findings also suggest that ASEAN's weakness is not purely institutional but structural. The diversity of economic development levels and strategic priorities among member states makes unified responses inherently difficult. This raises questions about the future viability of ASEAN-led regionalism in an era of intensified great power competition.

Implications for US–China Strategic Competition

China's use of economic statecraft must be understood within the broader context of US–China rivalry. The findings indicate that coercive economic practices may undermine China's long-term influence by encouraging hedging and diversification. States subjected to pressure often seek external partners, thereby expanding the strategic footprint of rival powers.

Rather than compelling alignment, coercion may accelerate regional polarization and instability. For ASEAN states, this dynamic reinforces the importance of strategic autonomy but also increases the difficulty of maintaining neutrality.

Long-Term Consequences for Regional Order

The study suggests that while economic statecraft offers China short-term leverage, its long-term effectiveness is uncertain. Persistent coercion risks eroding trust, damaging China's regional image, and prompting counterbalancing behavior. For ASEAN, managing economic dependence while preserving policy autonomy will remain a central challenge.

Ultimately, the findings point to a regional order characterized by contested influence, strategic hedging, and uneven alignment. Economic statecraft will continue to shape China–ASEAN relations, but its outcomes will depend as much on Southeast Asian agency as on Chinese power.

Conclusion

This study has examined the role of economic statecraft and coercion in China–ASEAN relations, demonstrating that economic power has become a central instrument through which China seeks to shape regional behavior and strategic outcomes. The findings show that China employs a dual-track strategy combining economic inducements with coercive measures, leveraging asymmetric interdependence to exert influence over Southeast Asian states. However, the effectiveness of such strategies varies considerably across cases.

While economic dependence and limited alternatives have enabled political alignment in some states, particularly Cambodia, other ASEAN members have demonstrated resilience and agency. Vietnam and the Philippines illustrate how domestic political factors, nationalism, leadership change, and access to alternative partners can constrain the impact of economic coercion. At the regional level, ASEAN's institutional norms and internal divisions limit collective responses, allowing China to pursue bilateral strategies that weaken ASEAN unity.

The study concludes that economic coercion offers China short-term leverage but does not consistently translate into long-term political compliance. In some cases, coercive practices have encouraged diversification, hedging, and deeper engagement with external powers, thereby undermining China's strategic objectives. Understanding the conditional effectiveness and unintended consequences of economic statecraft is essential for assessing the future of ASEAN's strategic autonomy and the evolving regional order in an increasingly competitive Indo-Pacific environment.

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