

Opinion

Nancy Qian

The Best Way for China to Make Its Economy Sanctions-Proof

True self-sufficiency is impossible. Rather than putting up more walls, Beijing should be looking to integrate itself even more deeply into global supply chains.



China depends on food imports. *Photographer: STR/AFP/Getty Images*

By Nancy Qian

April 1, 2022, 7:00 PM CDT

The devastating sanctions imposed on Russia by Europe and the United States have surely given leaders in Beijing pause. They were already taking steps to insulate the Chinese economy against similar punishment. Now they are likely to redouble efforts to make China more self-sufficient and thus, presumably, sanctions-proof.

In fact, they'd be wiser to do the opposite – to integrate more deeply with Western economies rather than detach from them.

Perhaps with enough money and effort, China might one day be able to wean itself off

advanced Western microchips. Meanwhile, the size and diversification of its economy should cushion, if not completely offset, any cutoff from Western financial markets. In one critical area, however, achieving self-sufficiency simply isn't possible.

More from

Bloomberg
Opinion

Why Covid Saw Fewer Fender-Benders But More Traffic Deaths

Cheating Is Part of Baseball, Says MLB. A Federal Court Agrees

The Ocean Is Coming for Homes. That's Not Priced In.

The Fed Should Brace for a Hard Landing

China's biggest vulnerability is food – the commodity most critical to political stability. Since ancient times, the Chinese have believed that food shortages are a sign that the ruler has lost the Mandate of Heaven. Even China's paramount revolutionary leader Mao Zedong stepped down from his position as State Chairman in 1959 in the face of the Great Chinese Famine, which lasted until 1961.

China has been a net importer of food ever since that calamity, when somewhere between 22 million and 45 million people perished. The country's population and per capita food consumption has only increased in the intervening years. Today, China has 380 million more citizens who each consume around 110 pounds more meat per year than in the 1980s. National grain consumption tripled from 125 million metric tons in 1975 to 420 million tons in 2018.

Recognizing its growing reliance on food imports, the Chinese government has begun building up stockpiles to historically high levels. According to data from the U.S. Department of Agriculture, China is expected to account for 69% of the globe's maize

reserves in the first half of crop year 2022, 60% of its rice and 51% of its wheat.

But even such enormous stocks would sustain China's population for only 18 months. They might help smooth consumption over a few years of bad harvests. But they could not meet the gap in imports if U.S.-allied nations cut off China indefinitely. More than 70% of China's food imports come from Brazil, the U.S., Canada, Australia, New Zealand, Indonesia, Thailand, Hong Kong, Argentina and France.

While the Chinese government is trying to boost domestic agricultural production, the potential is limited: China has only 0.21 acres of arable land per person, less than one-fifth of the 1.16 acre per person in the U.S.

Fortunately for China, achieving self-sufficiency is neither the only nor the best way to fortify against a prolonged conflict with the West.

A smarter strategy would be to deepen integration with Western countries and make it too costly for them to sever ties. Already in 2020, China represented the third-largest export market for the U.S. and its largest source of imports. China is also the European Union's fifth-largest export market and second-largest source of imports. Isolating China would be far harder than cutting ties to Russia, which has an economy less than one-tenth the size.

The U.S.-China trade war gives a sense of the potential costs, in the context of a much smaller reduction in trade. Even before the latest inflation surge, tariffs had raised prices of imported goods, lowering aggregate real income in both the U.S. and China. A broader and longer-lasting reduction in trade would cause additional economic suffering from the loss of jobs in export sectors. If China were even more deeply integrated into global supply chains, those costs would rise further.

China's size and technological progress means that there is still room to increase trade with both the U.S. and Europe, as well as their key partners such as Japan, Canada,

Mexico and Turkey. The question will be how to overcome suspicions in countries wary of growing too dependent on China.

Opinion. Data. More Data. Opinion. Data. More Data. Opinion. Data. More Data.

Get the most important Bloomberg Opinion pieces in one email. Get the most important Bloomberg Opinion pieces in one email. Get the most important Bloomberg Opinion pieces in one email.

Enter your email

Please enter a valid email address

By submitting my information, I agree to the [Privacy Policy](#) and [Terms of Service](#) and to receive offers and promotions from Bloomberg.

Part of the answer lies in the economics. Trading with China not only fortifies the Chinese against Western sanctions, it also insulates other countries against political conflicts with Beijing. If the economic relationship is big and important enough, a deterioration would have negative consequences for both sides. That's why China has been mindful not to let spats with countries such as Japan and Australia spill over too far.

Another part of the answer may emerge from Ukraine. China won't compromise on what it sees as core issues such as Hong Kong and Taiwan. But helping to bring about a peaceful end to the war would benefit China as much as the West. This would be a unique opportunity for China to rebuild a more collaborative relationship with the U.S. and Europe, and to improve its image globally.

Even such cooperation would not eliminate Western suspicions entirely. Future trade with China is likely to be more calculated, with more government involvement. The rhetoric may be less friendly and more strategically oriented.

But the economic fundamentals are clear. Deeper economic ties are the best way for

China to protect its own interests. By making any conflict more costly for everyone, they should also protect the West against Chinese hostility. Such a peace may be uneasy but it would at least be sustainable – and it's the best way to preserve the economic well-being of ordinary Chinese, Americans and Europeans.

This column does not necessarily reflect the opinion of the editorial board or Bloomberg LP and its owners.

To contact the author of this story:

Nancy Qian at nancy.qian@kellogg.northwestern.edu

To contact the editor responsible for this story:

Nisid Hajari at nhajari@bloomberg.net

[Terms of Service](#) [Do Not Sell My Info \(California\)](#) [Trademarks](#) [Privacy Policy](#)

©2022 Bloomberg L.P. All Rights Reserved

[Careers](#) [Made in NYC](#) [Advertise](#) [Ad Choices](#) [Help](#)