CAN CHINA TURN INFLUENCE INTO LEADERSHIP?

by

Lei Xie

As globalization fragments into competing blocs, interdependence is no longer a neutral feature of the world economy. It has become a source of geopolitical competition.

The latest rounds of U.S. export controls on advanced semiconductors, Europe's "de-risking" agenda, and growing tensions over clean-energy supply chains all point to the same reality: the networks that once connected the global economy are increasingly being treated as instruments of power.

For more than four decades, China's economic transformation depended on deep integration with the global economy. Access to foreign markets, investment, technology, and supply chains helped turn China into the world's second-largest economy and one of the most influential actors in international affairs. Yet the same interdependence that generated China's power has also become a source of vulnerability. Export controls, sanctions, investment restrictions, and geopolitical fragmentation have convinced Beijing that economic integration can no longer be taken for granted.

China's rise has been deeply embedded in global interdependence. As that interdependence has become a source of vulnerability, Beijing has sought to make it more governable through a combination of resilience-building, institutional activism, and calibrated coercion. China has learned that in a fragmented world, power alone is insufficient. To protect its interests, it must make interdependence governable. But doing so ultimately requires legitimacy, something material power cannot easily buy.

This insight helps explain a central feature of Chinese statecraft that is often misunderstood. China is not withdrawing from globalization, nor is it simply seeking to overturn the existing international order. Instead, Beijing is attempting to reduce its vulnerabilities while increasing its influence over the rules, institutions, and networks that structure global interaction.

Interdependence as Power and Vulnerability

China's rise is inseparable from globalization. Its economic transformation was not achieved outside the international system but through deep integration into it. Participation in global value chains, export-led industrialization, and technology diffusion were central to its development model.

This embeddedness is crucial. As Manuel Castells argues in his account of the Network Society, power in global systems is increasingly exercised through centrality within networks rather than formal hierarchy. China's position at the center of global manufacturing, trade, and infrastructure networks has therefore become a key source of structural influence.

Yet centrality also generates exposure. Unlike earlier industrial powers that consolidated their dominance before full integration into globalized production systems, China rose within a highly interdependent order. The deeper its integration, the greater its exposure to external leverage.

This vulnerability is now more visible. Export controls, sanctions regimes, investment screening, and "de-risking" strategies have reinforced Beijing's perception that interdependence is no longer neutral. It can be strategically weaponized.

From Beijing's perspective, this creates a structural dilemma. Decoupling would undermine the foundations of China's growth model, yet continued dependence exposes it to external constraints it cannot fully control. The central challenge is therefore no longer simply the accumulation of power, but the governance of vulnerability under conditions of deep interdependence.

Governing Vulnerability: The Defensive Track

One response has been the internalization of risk.

Over the past decade, China has pursued a broad agenda of technological self-reliance, industrial upgrading, and supply-chain resilience, often framed as "dual circulation." The aim is to strengthen domestic demand and indigenous innovation capacity while maintaining selectively managed external engagement.

This has been accompanied by a growing legal and regulatory toolkit designed to mitigate external pressure. Instruments such as the Rules on

Counteracting Unjustified Extraterritorial Application of Foreign Legislation and Other Measures and the Regulations on Outbound Investment reflect a broader effort to defend strategic autonomy and contest external regulatory reach.

At the same time, China has tightened controls over critical technologies and strategic resources, increasingly treating supply chains as instruments of national security. The effect is not full decoupling but managed interdependence: reducing exposure while preserving systemic participation.

These measures are often interpreted externally as assertive or protectionist. Yet they can also be understood as defensive adaptations to systemic uncertainty. They reflect not a rejection of interdependence, but an effort to stabilize it on more controllable terms.

Governing Vulnerability: The Institutional Track

Defensive restructuring alone is insufficient. Managing vulnerability also requires shaping the rules that govern interdependence itself. This is where China's growing international institutional activism becomes central.

China's engagement in multilateral institutions—including the UN system, BRICS expansion, and climate governance platforms—signals an effort to influence the frameworks through which global interdependence is structured. Parallel initiatives such as the Global Governance Group further articulate Beijing's attempt to define principles of global cooperation.

At the normative level, these initiatives emphasize sovereignty, development, non-interference, and multipolarity. In official diplomacy, China presents itself as a defender of the UN-centered order while seeking to correct perceived imbalances in representation and authority. Importantly, this is not primarily a project of institutional replacement. It is a strategy of institutional re-interpretation: reshaping how existing rules are understood, applied, and operationalized.

This approach is also instrumental. Stable institutions serve three strategic functions for China: they reduce transaction costs in an uncertain environment, provide predictable channels for dispute management, and create structured arenas for influence that do not rely on coercion. Institutional engagement, in this sense, is not only normative but also a form of governance strategy for interdependence itself.

The Limits of a Material-First Strategy

The success of this dual strategy—domestic resilience and external institutional shaping—rests on a critical assumption: that material power and institutional participation can gradually generate legitimacy.

China's structural influence is undeniable. It is central to global supply chains, infrastructure financing, renewable energy manufacturing, and critical mineral processing. In several domains of the energy transition, it is already indispensable. Yet influence is not equivalent to leadership. Durable leadership in international systems depends not only on material capacity and institutional presence but also on legitimacy, trust, and voluntary acceptance of authority. These are socially constructed foundations of power that cannot be derived from structure alone.

Here, China's strategy encounters constraints. Despite its expanding institutional footprint, many states remain uncertain about its long-term intentions and normative vision. While China's emphasis on sovereignty and development resonates widely across parts of the Global South, it has not coalesced into a comprehensive normative framework capable of generating deep, sustained consensus across the international system.

As a result, China's influence continues to rest disproportionately on material mechanisms: trade dependence, infrastructure financing, industrial integration, and technological centrality. These generate compliance and leverage, but not necessarily legitimacy.

Why Coercion Persists

This structural limitation helps explain China's continued reliance on selective coercion. Beijing is aware that indiscriminate coercion would undermine the benefits of interdependence. Accordingly, coercive tools are typically reserved for issues framed as core interests—most notably Taiwan, maritime sovereignty disputes, and regime-security concerns.

However, the boundary of "core interests" has gradually expanded. Economic security, technology competition, and supply-chain resilience are increasingly incorporated into this strategic framing.

This produces a hybrid governance logic. Institutional engagement operates alongside calibrated coercion, with material leverage deployed where institutional influence is insufficient to shape outcomes. The result is not inconsistency but a layered strategy of interdependence management—one that reflects both China's growing capabilities and the limits of its normative authority.

Conclusion: Can China Govern Interdependence?

The central question is no longer whether China is revising or preserving the international order. Beijing's goal is not isolation from globalization, but a version of globalization that is less vulnerable to external pressure and more accommodating of Chinese interests.

China's strategy increasingly combines internal resilience-building with external institutional engagement. Together, these approaches aim to reduce exposure while increasing influence over the rules that structure global interaction.

Yet this strategy faces a challenge that material power alone cannot solve. China's influence is undeniable. It is central to global manufacturing, infrastructure development, renewable energy production, and critical mineral processing. In many sectors, countries have little choice but to engage with China. Beijing has become indispensable to the functioning of the global economy.

But influence is not the same as leadership. Leadership requires more than economic weight or institutional presence. It depends on legitimacy: the willingness of others to accept leadership as beneficial, predictable, and broadly aligned with shared interests. Historically, major powers have exercised durable leadership not simply because they possessed superior capabilities, but because others viewed their leadership as legitimate.

This helps explain another feature of China's external behavior: the continued coexistence of institutional engagement and selective coercion. Beijing understands that excessive coercion would undermine the very interdependence on which its influence depends. Yet where persuasion proves insufficient and legitimacy remains limited, material leverage becomes an attractive fallback option.

The result is a distinctive model of power. China increasingly seeks to shape global affairs through networks, institutions, supply chains, and standards rather than through outright domination. It is attempting to govern interdependence rather than escape it.

Whether that effort succeeds will depend not only on China's ability to accumulate power, but on its ability to convert power into legitimacy. That is a far more difficult task.

Markets can create dependence. Infrastructure can generate influence. Institutions can expand reach. But none of these automatically produce the trust that sustainable leadership requires.

In that sense, the debate about China is ultimately a debate about the future of the global order itself. As interdependence becomes more contested, the most consequential question is not which country possesses the greatest material capabilities, but which can build the broadest confidence in the rules, norms, and institutions that govern shared vulnerability.

China has already demonstrated that it can become indispensable. The question that will shape the next phase of international politics is whether it can become broadly accepted as legitimate. The distance between influence and leadership may prove to be the most important measure of power in the twenty-first century.

For Western policymakers, this means that competition with China is not simply a contest of economic or military capabilities. It is also a contest over who can offer the most credible framework for managing interdependence. Over time, the most enduring influence is likely to belong to the actor that earns trust, secures consent, and is viewed as a legitimate steward of the international system.

Lei Xie is a Senior Specialist working at E3G, focusing on engagement with China and Asia. Lei offers a seasoned perspective on how environmental science meets public policy. She has authored books including China's International Transboundary Rivers: Politics, Security and Diplomacy of Shared Water Resources (Routledge, 2018) and a monograph, Environmental Activism in China (Routledge, 2009). Lei holds a PhD in Environmental Science from Wageningen University, an MPhil from the Chinese University of Hong Kong, and a BA from Peking University.