

Policy Brief No. 204 – June 2025

# Canada at Economic War: Being Outplayed by Beijing

Raquel Garbers

## Key Points

- The United States and its allies are being outplayed by Beijing. In failing to arrest China's economic warfare against them, they have de facto subsidized their own downfall.
- Beijing's economic attacks have shifted the balance of military power away from the United States. China has secured control over critical supply chain choke points, eroded Western industrial capacity, pre-positioned attack assets in Western systems and erased the technology gap on which deterrence depends.
- The United States has decided to fight back. Allies that provide defence assets secured against Beijing's economic warfare will be powerful players in the new world order.
- Canada must make radical changes to defend itself. The wrong choices will see China aggress us, allies bypass us and the United States treat us as a dangerous liability to be forcefully managed.

---

## Introduction

The Chinese Communist Party (CCP) is waging a highly sophisticated campaign of aggression against the United States and its allies. To advance its preferred strategy of “winning without fighting,” it is leveraging its growing military power to openly harass and intimidate other states while simultaneously intensifying its *below-threshold* attacks on their political, economic and social systems. Intended to strike below the threshold that, if crossed, would provoke a target state to defend itself, Beijing's below-threshold attacks are deliberately crafted to hide its fingerprints; obscure its intent; exploit human weakness (greed, fear and so on); and make progress only in small steps (each of which is in itself seemingly inconsequential). Insofar as its use of traditional military coercion and below-threshold attacks together succeed over time in manipulating, corrupting and coercing foreign states — including at the expense of their own national interests — Beijing is effectively ensuring that they will not (or cannot) fight back.

---

## About the Author

**Raquel Garbers** is a CIGI visiting executive from the Department of National Defence (DND), where she held the role of director general, strategic defence policy, since April 2018. She is also a visiting practitioner with the US Department of Defense (Daniel K. Inouye Asia-Pacific Center for Security Studies). Raquel served as the principal architect of Canada's new defence policy, *Our North, Strong and Free*; led the policy development process for developing election transition materials for new incoming governments; and represented Canada on the team that led the US-led multilateral initiative Partnership for IndoPacific Industrial Resilience. In her time at DND, she also held the position of deputy director general, international security policy. In this position, she spearheaded the development of advice on Canada's strategic defence posture with allies/partners and accompanied the minister of national defence and chief of the defence staff on international engagements as their principal policy advisor. Her areas of specialty include strategic military effects, geopolitical assessment and grey zone conflict. She is a frequent speaker on international affairs.

While the CCP's below-threshold attacks leverage all instruments of national power — diplomatic, information, military and economic — it is especially active in its economic attacks as it understands the symbiotic relationship between economic and military power: in today's highly integrated global order, economic activities give it easy access to the money, resources, technologies and industrial power it needs to build the coercive military strength that, in turn, backstops its economic (and other below-threshold) attacks.

The CCP's economic warfare has played an important role in shifting global power away from the United States, with the result that full-spectrum war between the world's major powers is no longer unimaginable. Put simply, the military and economic power gap that the United States and its allies rely on to deter hot war has been eroded. And as deterrence erodes, the risk of hot war grows (be it by accident or by design).

Against this backdrop, the United States faces a stark choice: make radical reforms at breakneck speed to fight back against the CCP's "winning without fighting" strategy, or prepare to live in a world where aggressive authoritarian states call the shots. The United States has chosen to fight back, leaving its allies to face their own stark dilemma: how to ready themselves for a new global era defined by the growing risk that China's economic warfare will trigger a hot war, and by the United States' mounting determination, with many knock-on implications, to arrest that risk.<sup>1</sup>

---

## The Game

All states leverage their economic power to change the calculations and activities of other states in ways that advance their national interests. As in the world of espionage, however, responsible states generally respect established norms regarding the conduct and limits of what is de facto routine statecraft. Hostile states — China chief among them — do not (see Box 1).

While there is no standard definition of economic warfare, contrasting responsible state behaviours

---

<sup>1</sup> The preceding section draws from two CIGI policy briefs by the author. See Garbers (2025a, 2025b).

### Box 1: Beijing and Economic War

Whereas responsible states use routine, competitive economic statecraft, Beijing wages economic war. It uses non-routine strategies and tools, often in covert and illegal ways; embeds its economic attacks in broader hostile campaigns; and weaponizes its entire society (scientists, businesses and private citizens alike are all compelled to serve as proxy agents in Beijing's economic wars).

with those of Beijing makes clear the difference. Beijing is perhaps best known for leveraging non-routine strategies and tools, often in ways that are covert or illegal (for example, it makes foreign companies' market access conditional on agreeing to joint ventures with Chinese companies that, in turn, steal their intellectual property [IP]). Less well-known is Beijing's preference for embedding its economic attacks in its broader basket of hostile activities (for example, when it uses trumped-up reasons to impose punishing import restrictions on states that have offended its sensibilities, it simultaneously spreads disinformation excusing its economic coercion). And at its most insidious, the CCP's economic warfare weaponizes all sectors of Chinese society to execute its attacks: scientists are compelled to steal foreign IP for the benefit of the intelligence services; companies are forced to buy foreign assets coveted by the military; and cultural organizations are put to work advancing the regime's foreign political interference activities. No sector or person is safe from being weaponized by the CCP, and insofar as China is an authoritarian state, compliance with its economic warfare program is non-negotiable.

---

## The Playbook

The CCP's economic warfare playbook — its strategies and tactics — took hold in Western countries at the end of the Cold War, when foreign policy and economic elites claimed that hyper-interdependence would save the world from another war between the major powers and pave the path to

riches. Enchanted by this fantasy, the United States and its allies made two fateful errors: they let their militaries fall into relative decline and they opened their economies to hostile states. The hostile states — China chief among them — seized the opportunity to embed themselves inside Western systems and set to work using theft, espionage, sabotage, bribery, extortion and a cauldron of manipulative market practices to amass the economic and military power they needed to undercut American power and the global order it secured (Garbers 2025c).

The CCP's economic warfare includes plays for both its home and away games. In its 2023 report, *National Security is Economic Security*, the Business Council of Canada noted that China's domestic playbook includes manipulating currency values to give state champions an unfair price advantage in foreign markets; requiring foreign firms to transfer their advanced technologies to China's state champions as a prerequisite to accessing the Chinese market; and showering state champions with massive industrial subsidies to allow them to engage in unprofitable activities that wipe out foreign competitors (piracy, dumping and so on) (Business Council of Canada 2023). The CCP's equally comprehensive away game includes creating and leveraging debt traps to secure rights over foreign assets; evading export controls to acquire controlled goods and know-how; and gaining access to/control over dual-use technologies and other strategic assets through malign foreign direct investments, loans, research collaborations, and rights and licensing agreements. In all cases, Beijing reinforces its predatory economic practices with a catalogue of administrative and regulatory abuses, spurious lawsuits, cyberattacks, espionage campaigns and political interference activities (including activities designed to co-opt foreign elites and silence would-be foreign critics).

Already serious, the damages caused by Beijing's economic warfare accelerated to the breaking point after China joined the World Trade Organization (WTO) in December 2001. Rather than live up to its commitment to implement economic reforms aligned with the rules and norms underpinning free and fair trade between member states, the CCP instead set about systematically violating both the rules and spirit of the WTO (US Trade Representative 2025). And just as China's illegitimate behaviours accelerated its rise, they simultaneously played a pivotal role in the United States' corresponding decline. Within

just two decades of China joining the WTO, the United States found itself facing serious trade impacts; slowed economic growth; a hollowed-out manufacturing sector; lost technology advantages; and serious social decay (lost jobs, stagnant wages and devastated communities) (Carlson 2025).

While the United States' decline is not due solely to China's predatory behaviours, the damages wilfully caused by China are unrivalled:

- The United States' annual goods deficit with China is greater than with all 32 members of the European Union combined (US\$295 billion for China compared to US\$236 billion for the European Union in 2024).<sup>2</sup>
- China leads the charge in hoovering hundreds of billions of dollars out of the United States every year through counterfeit goods production, pirated software and theft of trade secrets (estimated losses from all causes valued at US\$225–\$600 billion/year).<sup>3</sup>
- Unlike the United States' other top trading partners, China has been diligently redirecting its (often ill-gotten) profits into building-up its military power for the very purpose of contesting the United States. Making matters worse, the damage done by China's economic warfare against the United States has been magnified by its identical attacks on the United States' key military and economic allies, Canada included.

By enabling Beijing to upend the global order through its aggressive industrial policies and other predatory economic practices — which together make up its economic playbook — globalization delivered precisely the opposite of what the foreign policy and economic elites had promised. The hostile states are more dangerous than they would have been. The United States and its allies are weaker than they should have been. The authoritarians are not pacified, and the risk of war is higher. In failing to check China's economic warfare, the United States and its allies have been de facto subsidizing their own downfall. They are being outplayed by Beijing.

<sup>2</sup> See <https://ustr.gov/countries-regions/china-mongolia-taiwan> and <https://ustr.gov/countries-regions/europe-middle-east/europe/european-union>.

<sup>3</sup> See [www.fbi.gov/file-repository/china-exec-summary-risk-to-corporate-america-2019.pdf](https://www.fbi.gov/file-repository/china-exec-summary-risk-to-corporate-america-2019.pdf).

---

## The Payoff

As a central pillar in its campaign to displace the United States as the world's dominant power, the CCP's economic warfare is designed to advance three mutually reinforcing lines of effort: overturn the US-led global economic system by corrupting the existing architecture and establishing alternative institutions/initiatives subordinate to its political whims (such as the Belt and Road Initiative and the Asian Infrastructure Development Bank); reinforce the full range of China's below-threshold attacks, from election interference and cyberattacks to disinformation campaigns and transnational repressions; and amass economic and military power by gaining access to (or control over) foreign states' sensitive technologies and other strategic assets (that is, natural resources, sensitive sites and critical infrastructures/networks) (Garbers 2025b).

While Canada is affected by all three categories of economic warfare, its ability to position and defend itself in the rising geopolitical era will be most directly impacted by whether it makes the reforms needed to meaningfully contest CCP attacks targeting its critical technologies and assets. In a world readying itself for sustained intense competition between the major powers — if not war — states that generate defence inputs and capabilities secured against the CCP's economic warfare (sabotage, espionage, theft and coercion) will be powerful players in the new geo-economic constellations that are already replacing the failing institutions of the last global order (including the WTO, the World Economic Forum and the UN system, among others).

The military effects that flow from Beijing's economic warfare on the United States and its allies are dangerously underappreciated. They include:

- securing a lock on critical choke points in military supply chains (from critical minerals to semiconductors and transportation networks), which, in turn, denies the United States and its allies the ability to produce certain weapons;
- shifting global manufacturing/industrial power to China, which, in turn, prevents the United States and its allies from ramping up and sustaining military production at scale;
- accessing sensitive Western technologies and innovation ecosystems (and related IP,

data and know-how), and driving foreign competitors into financial distress, which, in turn, erases the tech gap that the United States and its allies rely on to deter hostile states from waging war against them and, worse still, positions the People's Liberation Army (PLA) to leapfrog ahead of the Western allies; and

- pre-positioning CCP assets to execute sabotage and espionage operations on the critical infrastructures, sectors and supply chains relied on by the armed forces of the United States and its allies, which, in turn, prevents them from reliably equipping, communicating, mobilizing, moving and fighting.

Efforts by some allies to strengthen aspects of their economic security regimes have not arrested Beijing's progress. In too many cases, the reforms are at best half measures, leaving gaps to be exploited within and between control areas (that is, gaps in lax investment controls can be exploited, just as incoherence between a strict investment regime but a lax export control system can be exploited). Where motivated, Beijing can also exploit gaps between national regimes, cobbling together the elements of a sought-after technology, for example, by targeting various allies' respective weak spots: the IP from A, the physical good from B and the technical skill to reverse engineer the physical good/indigenize the IP from C. Absent strong harmonized controls across the breadth of a shared innovation ecosystem, Beijing will always have the upper hand. It is for this reason — above all others — that allies with stand-alone/sub-standard regimes will be left outside the new America-led geo-economic structures that will fuel future economic and military power. In a globalized world where economic warfare is the first phase of total war, collective defence begins with iron-clad unity to shut down Beijing's economic warfare.

---

## The Canada Play

Sensing opportunity in the chaotic shift from the post-Cold War order to the new geopolitical era, China and its strategic partners — Russia, Iran and North Korea — are seeking to exploit tensions between the United States and its allies, created in part by the United States' unanticipated and jarring approach to resetting its relations with allies and adversaries alike. As the allies navigate this new reality, their approach must be anchored in

a more serious appreciation of China's economic warfare. When an allied state allows the CCP to compromise the integrity of its trade and investment regimes, steal its IP and data, corrupt its decision makers, compromise its democratic processes and harass its citizens, it surrenders its sovereignty and makes itself an unreliable and unwanted partner in a more dangerous world (Garbers 2025d). Where its negligence gives the PLA access to sensitive military technologies and other strategic assets essential to warmaking, its failure to shut down Beijing's attacks makes it something much worse still: actively complicit in bringing the world back to the brink of hot war.

Canada stands among the most exposed allies on the frontlines of the world's most consequential geopolitical contest. Its natural resources, strategic Arctic geography and deep interconnectedness with the United States make it both a high-value target to Beijing and an indispensable partner to the United States. Insofar as geography alone dictates that the United States cannot secure itself against China if Canada is offside, Canada will face ever growing (and non-negotiable) demands from the United States to do more to combat the full spectrum of threats posed by Beijing (Garbers 2025c).

To defend itself against attacks from China and reset its relations with the United States on terms that mitigate potential American overreach, Canada must adopt a realistic foreign policy mindset and take bold action. It must be honest with Canadians about the world as it is, expose Beijing's long history of attacks on Canada and shut down the dangerous recurring fantasies peddled by Beijing's "friends" about the rewards to be reaped from striking new partnerships with the CCP. It must counter Beijing's unrelenting efforts to attack Canada and — through us — the United States, and it must be honest about its inescapable co-dependency with the United States. We need the United States just as it needs us: North America is a singular attack surface.

Canada will not define the new world order, but it can define its place within it. Doing so begins with ditching its 1990s legacies — its foreign policy, economic models, national myths and military capabilities must all be radically reformed for the new world order. The alternative is to leave ourselves evermore exposed.

If Canada does not act, China will aggress us. The allies will bypass us. And the United States will treat us as a dangerous liability to be forcefully managed.

---

## Works Cited

- Business Council of Canada. 2023. *Economic Security is National Security: The Case for an Integrated Canadian Strategy*. [www.thebusinesscouncil.ca/report/economic-security-is-national-security/](http://www.thebusinesscouncil.ca/report/economic-security-is-national-security/).
- Carlson, Tucker. 2025. “Bob Lighthizer: Everything You Need to Know About Trump’s Tariffs and Fixing America’s Working Class.” *The Tucker Carlson Show*, March 19. YouTube, 1:36:52. [www.youtube.com/watch?v=p0IUh8kNSqY](https://www.youtube.com/watch?v=p0IUh8kNSqY).
- Garbers, Raquel. 2025a. *Canada at Economic War: Setting the Scene*. CIGI Policy Brief No. 194. Waterloo, ON: CIGI. [www.cigionline.org/publications/canada-at-economic-war-setting-the-scene/](http://www.cigionline.org/publications/canada-at-economic-war-setting-the-scene/).
- . 2025b. *Canada at Economic War: The 360-Degree Threat*. CIGI Policy Brief No. 199. Waterloo, ON: CIGI. [www.cigionline.org/publications/canada-at-economic-war-the-360-degree-threat/](http://www.cigionline.org/publications/canada-at-economic-war-the-360-degree-threat/).
- . 2025c. “Canada: the indispensable nation or U.S. protectorate?” *The Hill Times*, March 24. [www.hilltimes.com/story/2025/03/24/canada-the-indispensable-nation-or-u-s-protectorate/454152/](http://www.hilltimes.com/story/2025/03/24/canada-the-indispensable-nation-or-u-s-protectorate/454152/).
- . 2025d. “Raquel Garbers: Welcome to the post-America world.” *National Post*, February 9. <https://nationalpost.com/opinion/welcome-to-the-post-america-world>.
- US Trade Representative. 2025. *2024 Report to Congress on China’s WTO Compliance*. January. <https://ustr.gov/sites/default/files/files/reports/2025/2024USTRReportCongressonChinaWTOCompliance.pdf>.

---

## About CIGI

The Centre for International Governance Innovation (CIGI) is an independent, non-partisan think tank whose peer-reviewed research and trusted analysis influence policy makers to innovate. Our global network of multidisciplinary researchers and strategic partnerships provide policy solutions for the digital era with one goal: to improve people's lives everywhere. Headquartered in Waterloo, Canada, CIGI has received support from the Government of Canada, the Government of Ontario and founder Jim Balsillie.

---

## À propos du CIGI

Le Centre pour l'innovation dans la gouvernance internationale (CIGI) est un groupe de réflexion indépendant et non partisan dont les recherches évaluées par des pairs et les analyses fiables incitent les décideurs à innover. Grâce à son réseau mondial de chercheurs pluridisciplinaires et de partenariats stratégiques, le CIGI offre des solutions politiques adaptées à l'ère numérique dans le seul but d'améliorer la vie des gens du monde entier. Le CIGI, dont le siège se trouve à Waterloo, au Canada, bénéficie du soutien du gouvernement du Canada, du gouvernement de l'Ontario et de son fondateur, Jim Balsillie.

---

## Credits

Managing Director and General Counsel **Aaron Shull**  
Director, Program Management **Dianna English**  
Manager, Publications **Jennifer Goyder**  
Graphic Designer **Sepideh Shomali**

Copyright © 2025 by the Centre for International Governance Innovation

The opinions expressed in this publication are those of the author and do not necessarily reflect the views of the Centre for International Governance Innovation or its Board of Directors.

For publications enquiries, please contact [publications@cigionline.org](mailto:publications@cigionline.org).



The text of this work is licensed under CC BY 4.0. To view a copy of this licence, visit <http://creativecommons.org/licenses/by/4.0/>.

For reuse or distribution, please include this copyright notice. This work may contain content (including but not limited to graphics, charts and photographs) used or reproduced under licence or with permission from third parties. Permission to reproduce this content must be obtained from third parties directly.

Centre for International Governance Innovation and CIGI are registered trademarks.

67 Erb Street West  
Waterloo, ON, Canada N2L 6C2  
[www.cigionline.org](http://www.cigionline.org)

