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Countering Chinese Coercion

Multilateral Response to PRC Economic Pressure Campaigns

In recent years, China's rise has been accompanied by an increasingly belligerent use of its economic leverage to coerce states into avoiding or reversing political or military policies with which Beijing disagrees. Chinese actions have included government-backed popular boycotts, import restrictions, export restrictions, tourism restrictions, and threats of punishment against specific companies.¹ These measures have been threatened or instituted against several U.S. treaty allies (such as Australia, the Czech Republic, Japan, Lithuania, Norway, the Philippines, and South Korea) and partners (such as Mongolia and Taiwan) in response to a wide range of perceived slights. For example, after the Norwegian Nobel Committee awarded the Peace Prize to Chinese activist Liu Xiaobo in 2010, China held up Norwegian salmon imports through such measures as delayed food safety inspections.² Likewise, when Mongolia allowed the Dalai Lama to visit in 2016, China raised transportation fees on imports of copper and coal.³ A more concerted People's Republic of China (PRC) campaign occurred in 2016 and 2017, when South Korea lost an estimated \$15.6 billion after China imposed tourism restrictions after South

Korea deployed the U.S. Terminal High Altitude Area Defense (THAAD) system.⁴

These campaigns have had mixed success to date for China in altering the policies of the targeted states. In some cases, the economic effects of China's actions appear to have been less than China hoped; presumably, the targeted states saw the future benefits of complying with Chinese demands as limited. In other cases, China's leverage was strong, so the targeted state adjusted its policies.

Chinese pressure against Norway appears to be an example of lack of success. Although the Norwegian salmon industry did lose opportunities in China, much of the slack was taken up by exports to China through third countries and by increased purchases by third countries.⁵ Pressure against Prague in the Czech Republic is another case in which China's leverage was limited. One of China's threats was to limit the number of Chinese tourists, but given its high level of tourism already, Prague did not see that as much of a threat, preferring to see more sustainable tourism as a benefit to locally owned businesses.⁶

However, more-extensive Chinese campaigns—or campaigns against countries over which China has greater leverage—have not been so easily shrugged off. The Japanese economy was shaken by the Chinese decision in 2010 to cease exports of rare earth elements over the Japanese

detention of a Chinese fishing trawler captain, and the 2016–2017 pressure campaign against South Korea over the THAAD deployment noted earlier was costly.⁷ Furthermore, China's border closure against landlocked Mongolia following a visit of the Dalai Lama resulted in Mongolia promising to not invite the Tibetan Buddhist spiritual leader back.⁸

Left unaddressed, such pressure campaigns may create a chilling effect on state decisionmaking and sovereignty. Smaller states with more direct economic reliance on China may become increasingly hesitant to offend China and may decide to avoid policies in the first place of which they know Beijing will disapprove. During a feud with Sweden, China's ambassador to that country, Gui Congyou, suggested that China's guidance was in Sweden's interest, telling Swedish television, "It's like a 48-kilogram lightweight boxer who provokes a feud with an 86-kilogram heavyweight boxer, who out of kindness and goodwill urges the (smaller) boxer to take care of himself."⁹ This pressure against states near China, in particular, risks undermining broader U.S. efforts to sustain a "free and open Indo-Pacific" in which states are free to make their own decisions regarding their political and security arrangements.¹⁰

Despite frequent Chinese use of such economic coercion, affected states have generally been left to deal with the fallout themselves. In this Perspective, building on RAND's work on U.S. strategic competition with China and economic competition more generally, we propose an alternative: for the United States to take the overall lead in organizing multilateral responses to push back against Beijing's use of this tool.¹¹ In specific cases, major countries from an affected region may be better placed to lead a col-

Abbreviations

| | |
|-------|-------------------------------------|
| DoS | U.S. Department of State |
| EU | European Union |
| G-7 | Group of Seven |
| PRC | People's Republic China |
| THAAD | Terminal High Altitude Area Defense |

lective response effort. However, although many states, particularly those in the Indo-Pacific, have an interest in reducing the effectiveness and frequency of China's economic coercion, the United States is uniquely well-placed to lead a response, given its extensive set of alliance and partner relationships and the large size of its own economy.

To do so, we propose that the United States help establish a multilateral mechanism through informal consultations, an existing body, or the creation of a new entity consisting of willing partners to monitor and respond to Chinese economic pressure that undermines the operations and values of the international, rule-based system. This multilateral grouping could then undertake some or all of the following options, which could be tailored to fit China's coercive efforts:

1. ***Publicly denounce China's actions and call for an end to such behavior.*** Such a statement could be issued for most, if not all, cases of Chinese economic coercion. This could be done quickly and would be almost costless.
2. ***Retaliate economically against China.*** Options include imposing travel or tourism restrictions, tariffs, or outright bans on exports from China. These measures could require legislation; however, in the United States, they might be allowable under existing law or executive order. Putting together a multilateral package of retaliatory actions could be time consuming because it would depend on the group's ability to agree on a response. In addition, there could be domestic implications if any actions ended up decreasing revenue or boosting costs to U.S. consumers and businesses.

3. ***Support the victim through economic assistance.*** Options include subsidizing or increasing purchases of the nation's affected goods, directly compensating the targeted nation with lost revenue, or other actions. As with retaliating against China, the multilateral mechanism would likely be selective in deciding when to economically support the victim, given the costs of doing so. The direct financial cost of this option would depend on how China's actions affected the target country, how members of the multilateral mechanism decide to support the targeted nation, and how the cost of action is divided among the cooperating countries. The target country need not be made whole, but compensation should be large enough that the country will be able to retain its preferred policy choice and avoid bowing to Chinese pressure. As with retaliation, implementing this course of action would depend on the mechanism's ability to agree on the response and to share costs. If the United States and other members already have in place the enabling legislation, regulations, and funding to support the multilateral mechanism's actions, the response could be immediate once the action has been chosen. This type of action could garner opposition in the United States because the public could see it as the use of taxpayer dollars on behalf of citizens of rich countries (which it often would be) rather than the use of taxpayer dollars for domestic needs. This opposition would depend on how much money is given and how publicized the move is; there is little domestic opposition to international aid, although people

often overestimate the amount and say it should be cut back.¹²

In the remainder of this Perspective, we provide additional details on the multilateral mechanism, then assess the implementation requirements, potential benefits, and potential costs and risks of these different options. We do so because all new policies have costs and benefits. The likeliest benefits are a defense of the rules-based international economic system from which the United States benefits, protection of and support for U.S. allies and partners, strong signaling to these allies and partners that they can count on the United States, and the potential deterrence of future Chinese efforts to employ such coercion. However, U.S. domestic taxing power and international influence are not unlimited. Money spent and attention provided for one purpose will necessarily mean less money spent and less attention provided for another purpose. In addition, there may be indirect consequences, such as retaliation or a countering mechanism organized by China. Finally, there may be recurring costs to international coordination, building in an additional expenditure obligation over the long term. After describing the options and their benefits, costs, and risks, we conclude with recommendations regarding which efforts appear to be most promising for U.S. policymakers to pursue.¹³

Establishing the Multilateral Response Mechanism

For a policy response to China's economic coercion to reach a high level of effectiveness and sustainability, the involvement of substantial numbers of U.S. allies and

partners is essential. The United States responding to PRC economic pressure targets independently would likely be less effective in imposing costs on China and would be more expensive for the United States.

The mechanism could be established within an existing grouping, such as the North Atlantic Treaty Organization, or through the establishment of a new body, committee, or working group among a coalition of willing partners.¹⁴ A reasonable set would include the United States, the European Union (EU), Japan, the United Kingdom, Australia, and Canada; such a grouping would include all members of the Group of Seven (G-7) leading economies, although G-7 EU members Germany, France, and Italy could be included as separate members of the mechanism. The EU and G-7 countries all have significant economic relations with China and global economic weight. Additional countries could include South Korea, which has deep economic relations with China, and India, which may be emerging as an Indo-Pacific counterweight to China.

For the United States, the first step in establishing the multilateral mechanism would be an interagency process, likely led by the U.S. Department of State (DoS) and including the U.S. Department of the Treasury and the U.S. Trade Representative, among other agencies involved in U.S. economic policy. DoS would then need to activate diplomatic channels to identify willing partners. If there is tension in the relationships from other sources, the United States may need to decide whether to compromise in other areas to facilitate greater enthusiasm for the multilateral mechanism. The United States may need to enact enabling legislation or regulations, particularly for the authority to

use money in support of the body, committee, or working group.

Once established, the group would then have to determine its mission and what types of pressure that mission might include. It will also need to determine whether to set up a permanent secretariat or staff or whether to coordinate without a fixed institutional base, as the G-7 operates. Either way, the United States would need an agency lead, likely DoS. Furthermore, the group will also need to determine whether to name China specifically as an offender that spurred the creation of the body, how costs will be shared, and the division of tasks among members.¹⁵

The cost of establishing this multilateral mechanism would initially be small because it would use existing diplomatic and bureaucratic channels. However, once established, financial resources may be needed up front to establish a budget for future action. Potential expenditures for policies implemented by the mechanism could be very large, depending on the extent to which the group of countries will want to fully reimburse the target for losses.

Such a multinational group could be established in less than a year, although it could take longer if U.S. legislation or foreign legislation were needed. Establishing this kind of multinational grouping is unlikely to generate substantial domestic controversy or opposition in the United States. The open question is the likelihood that international partners will want to participate. Most U.S. allies and partners—and even the United States—have conflicted relationships with China, valuing the economic benefits that trading with China brings but being concerned about potential security threats.¹⁶ For example, in a landmark 2019 document, the European Commission noted that China was “simultaneously, in different policy areas, a

cooperation partner . . . and a systemic rival.”¹⁷ Getting European countries on board may be challenging, although the EU and its members have been evolving toward a harder line on China.¹⁸ In addition, convincing U.S. allies and partners to participate may require increased forbearance on the part of the United States regarding policy actions it may take against those same partner countries, such as steel and aluminum tariffs that were instituted in 2018 but were then modified into mutually agreed restraints in 2021.¹⁹

In fact, recent measures by the EU, the United Kingdom, and Australia suggest that these and other U.S. allies might be amenable to a coordinated approach to Chinese economic pressure. In November 2021, Lithuania allowed the opening of a representative office from Taiwan under the name “Taiwan,” rather than “Taipei.” China took this as a violation of its one-China policy by recognizing Taiwan as a separate entity. It instituted a trade embargo in all but name, and then a secondary embargo, disallowing imports of goods from third countries that had used inputs from Lithuania. In response, the EU instituted a support package for affected firms and filed a case against China at the World Trade Organization.²⁰ Further responding to several instances of coercion, the European Commission in December 2021 published a proposed anticoercion instrument.²¹ In addition, other countries have supported Lithuania, with the United Kingdom joining the World Trade Organization case and Australia saying it would increase cooperation with Lithuania to counter Chinese pressure.²²

Creating such a multilateral mechanism could lead China to seek to create its own such institution to counter the economic pressure applied by the United States and its allies and partners. In fact, China already helps countries

facing U.S. sanctions.²³ However, other countries joining it to counter the economic actions of the United States and its allies and partners could also face countering actions by Western alliance countries, and these countries remain collectively a far more inviting market than China.²⁴

Implementation Requirements for the Three Options

Implementing each of the options described earlier would then have different additional requirements.

Publicly Denounce PRC Economic Coercion

Moving to the escalation ladder of responses, a joint public statement would be the simplest action to implement and would involve only multilateral coordination. A joint public denouncement of PRC economic coercion would not even necessarily require the establishment of the multilateral mechanism mentioned earlier. The United States could use existing diplomatic means and channels to issue such a joint statement, although a statement issued through the mechanism could have greater effect.

Joint statements have considerable precedent. For example, in May 2022, the G-7 countries and the EU issued a statement underscoring “grave concern” about the way China was managing the selection of the chief executive of Hong Kong and called the revised process part of a “steady erosion of political and civil rights and Hong Kong’s autonomy.”²⁵ What would be different with this type of response is that it would focus on actions of economic coercion rather than on issues of human and political rights,

security, nonproliferation, or other matters of international cooperation and disagreement.

The Hong Kong statement also underscores that, whatever action the United States and its allies take, China is likely to respond, at least with statements of its own. In this case, the next day, the Foreign Ministry spokesperson noted that the statement amounted to “hypocrisy, double standards and the plots to contain China by destabilizing Hong Kong” and that China was committed to developing “sound democracy that suits Hong Kong’s reality.”²⁶

Retaliate Economically Against China

Retaliating against China for its actions would be relatively costly, difficult, and time consuming to implement. This option may benefit from establishing the multilateral mechanism first. The sanctions against Russia following its February 2022 invasion of Ukraine show that strong economic actions can be taken within existing structures, but a new structure may help with a consistent, long-term approach. The menu of retaliatory options is vast, but two defensible options would be to put together (1) a package of actions similar to those that China had taken, or (2) a package of options that cost China as much as it was costing the target country, in relative terms.

If a multilateral group were to be established, the larger the multilateral group, the more important and difficult coordination would be. The multilateral body would likely be more selective in deciding when to retaliate economically against China (as opposed to issuing public statements denouncing China) and likely would not retaliate against China in every case. Retaliating economically against China—by limiting movement of people or goods

to or from China to member states, for example—would require member states to be willing to bear some economic costs. The United States and member states may also encounter domestic resistance from their respective business or other local groups—such as from the travel or tourism industry, which may be affected by decreasing numbers of PRC tourists—against limiting certain types of transactions, interactions, or activities with China.

Economically Support the Victim

Implementing this option would likely be as difficult as retaliating against China. This would involve the same type of coordination as retaliation, and countries would likely want to be selective.

Under this option, the multilateral mechanism could directly compensate the targeted nation for its lost revenue. Alternatively, in a case in which China barred imports of a product, for example, the member nations could subsidize the purchase of the affected goods by purchasers in their own countries to encourage consumption. Compared with the other two options, this could be the most expensive. It could involve more direct costs, although the costs would depend on the method and extent of support. However, the cost would be no greater than the economic effect on the targeted nation, and the members of the multilateral mechanism would shoulder the costs together.

Previous examples of China's economic pressure provide insight into how expensive this option could be.²⁷ The Prague Philharmonic Orchestra lost “several million crowns” (an estimated \$100,000) after China canceled its tour.²⁸ China's actions were much more costly for Norway; the cooling of Norway-China relations cost Norway

\$780 million to \$1.3 billion in exports, according to one estimate.²⁹ Other financial losses incurred as a result of China's economic coercion include the Houston Rockets losing \$20 million after the Rockets' general manager tweeted support for the Hong Kong protesters in 2019, with an overall loss in the “hundreds of millions” to the U.S. National Basketball Association.³⁰ As noted earlier, South Korea lost an estimated \$15.6 billion in 2016–2017 after China imposed tourism restrictions after South Korea's deployment of the THAAD system.³¹ It is unlikely that the multilateral body would want to spend billions of dollars on this policy option, but member nations could be willing to pool together a portion of the costs to aid the victim.

Potential Benefits

The three options would benefit the United States and the international community by increasing the costs to China if Beijing decided to economically pressure other countries, thereby reducing the attractiveness to China of such policies. If the United States were to inspire other countries to act as a group, it could signal continued U.S. leadership of the Western alliance and the international rules-based system. Such support would also empower allies and partners to stand firm in their positions, and these positions are likely to be supportive of U.S. goals and values. Finally, acting collectively against China could help reduce China's influence over vulnerable countries and the international system more broadly.

Publicly Denounce PRC Economic Coercion

A united messaging campaign could affect China's public image internationally and send two messages, one of unity among Western democracies and the other that the Western democracies question China's ability to take a role in international leadership. However, China has been little affected by public statements regarding its detentions of its Uyghur minority, interference in Hong Kong, and other actions, so this would likely be a small cost to China.

China could respond by appealing to countries that are economically dependent on it or are sympathetic and could provide a counter message. For example, when representatives of 22 advanced democracies wrote a letter to the UN Human Rights Council condemning China's actions regarding the Uyghur minority, representatives of 37 countries wrote a response praising China. Among these 37 countries were a variety of majority-Muslim countries, including Egypt, Pakistan, Syria, and Saudi Arabia; various anti-Western governments signed as well, including Cuba and Venezuela.³²

Retaliate Economically Against China

Direct retaliation can prove the costliest to China, especially if politically important companies or sectors are targeted. Such retaliation would show China not only that its economic pressure is an instrument it needs to wield more carefully—or not at all—but also that small countries (frequently the targets of Chinese pressure) matter in international affairs.

Retaliation in the form of sanctions, tariffs, travel bans, or other actions could cause China to seek a face-saving opportunity to back down but could also lead China to increase its actions, to escalate by retaliating against the countries instituting these measures, or to do nothing. If it continued or expanded its coercive behavior, Beijing would be trying to achieve the original goal at a higher cost. But if China ceased its pressure on the targeted country, China might not be able to achieve its objectives. It is also possible, given international pushback, that China might resort to providing positive incentives to these countries to achieve its goals, which would likely be an additional cost to China.

Overall, China's response is difficult to predict because there are examples of China modifying behavior in response to sanctions or the threat of sanctions.³³ There are also clear examples of PRC retaliation—China retaliated in response to the trade measures that the Trump administration instituted starting in 2018, matching tariff increases with tariff increases.

Economically Support the Victim

Subsidizing the targeted nation would empower it to stand firm in response to China and would decrease the likelihood that the target would make concessions. If the concessions the target would have made to China go against U.S. or Western interests, such a policy could also have consequent benefits to the United States. Supporting the targeted nation could also give it time and resources to find new markets for its products or services or otherwise adjust in a way that could lead to a more-permanent delinking from China.

Direct support would also send a strong message by showing that the United States and its allies and partners are willing to expend resources that could otherwise be spent on other policy priorities. All spending involves setting priorities, and this would demonstrate that countering China's economic coercion would be a priority. On the opposite side, this effort is unlikely to impose many costs on China. As a result, China is less likely to retaliate or respond as negatively against member states.

Although assistance in the face of Chinese economic coercion would be a new policy, assistance to populations facing difficult circumstances is not. In some ways, this option would be similar to the already well-established practice of humanitarian assistance and disaster relief.³⁴ It could also be seen as akin to an International Monetary Fund program in response to an economic emergency, such as that instituted in response to the coronavirus 2019 pandemic.³⁵ Instead of aiding people suffering from war, natural disaster, or an unexpected economic crisis, it would aid countries suffering from a coercive economic action.

Potential Costs

The costs of the different actions vary but are likely to be most significant if the multilateral group retaliates against China. For any of the three possible actions, China could respond by expanding its economic pressure against the nation of interest. For example, China could have restricted all Norwegian seafood products, not just salmon, or could have restricted another of Norway's top exports. Such a response could compel the United States and other members to expand or escalate their response, thus increasing the costs of the action to United States and others. China

could also realign its tools to target members of the multilateral group instituting the action. This likely would be more costly for China and more difficult if the number of countries in the multilateral group were large. If there were only a few countries, China would selectively retaliate against those it considers most likely to defect. Facing direct retaliation, the United States and other members could escalate further or retreat, thus losing face. They could also subsidize or support each other. Once again, more countries in the group could mean more support to each other, spreading out the support costs. Finally, as noted above, China could assemble a group of countries to counter economic pressure actions taken by the United States and its allies and partners.

Publicly Denounce PRC Economic Coercion

Public denouncement would have low costs to the United States because China would be unlikely to take much in the way of concrete actions other than to make a public statement or rally other countries to take public positions in support of China.

Retaliate Economically Against China

In addition to the costs to the United States and its allies and partners discussed earlier, retaliating economically against China would reduce economic efficiencies. Restricting imports from China or raising tariffs, for example, makes products from China more expensive; outright banning PRC imports forces consumers to purchase other, more-expensive or lower-quality goods. Such costs

would be passed on to consumers in the United States and the other member countries. The combined response of the United States and its partners would be directly proportional to China's action, but because the cost is split among the coalition, the cost for each of the members would be lower than that for China.

The United States could also face more-nebulous costs, depending on the reactions of other states. Other states may claim that the United States is being hypocritical with such behavior, given that the United States uses a variety of economic and diplomatic tools abroad. The cost of this for the United States would be low, especially if the action that receives the criticism is executed multilaterally. Countries could also explicitly support China or contribute to China's pressure against the targeted country. For example, other countries may also choose to restrict imports from the targeted country. This would make the response of the United States and all those in the multilateral group more expensive and would increase the pressure on the nation without China exerting additional costs. However, another nation joining China in such a pressure campaign would likely be rare.

Economically Support the Victim

The direct costs to the United States, allies, and partners are likely to be higher for this option, given the need to provide resources to the targeted state. The indirect costs are likely to be more moderate, given the lower potential for PRC response or retaliation. However, there may also be domestic political costs as voters and interest groups see national resources directed away from the home country and toward the country that is on the receiving end of Chi-

nese pressure. There could also be heightened future costs if such support comes to be expected by either the targeted states or other members of the multilateral mechanism, increasing the resources required to consistently counter Chinese coercive efforts over the long term.

Conclusion

China's efforts to use its economic leverage to shape the political and strategic decisions of other countries have highlighted a lack of coordination and solidarity among U.S. allies and partners. Although U.S. security commitments make clear that the United States and, in some cases, other states as well will respond to military pressure or coercion against U.S. allies, Chinese actions over the past decade have demonstrated that Beijing believes it can threaten U.S. allies and partners economically one at a time without concern over triggering a broader response. Chinese economic coercion against U.S. allies and partners has had a mixed record of success to date but still represents an important tool in Beijing's efforts to reshape the international system to be friendlier to Chinese interests.

To better counter these Chinese tactics, this Perspective has explored how the United States might enlist its allies and partners to respond to such measures by establishing a multilateral mechanism with three different types of choices for response (Table 1).

Implementing such a mechanism would likely be feasible, and the benefits of doing so would generally outweigh the costs and risks, although this could vary depending on the types of collective responses the group of U.S. allies and partners undertook.

TABLE 1
 Evaluation of the Establishment of a
 Multilateral Mechanism to Respond to
 Economic Pressure Targets

| Option | Implementation Feasibility | Benefits | Costs |
|---|----------------------------|----------|--------|
| Publicly denounce PRC economic coercion | Feasible | Low | Low |
| Retaliate economically against the PRC | Somewhat feasible | High | Medium |
| Economically support the victim | Somewhat feasible | Medium | Medium |

All three of the options could be implemented, although with varying degrees of ease. Issuing a joint public statement would likely be the easiest option to implement, although it may often take involved negotiations to agree on the precise wording. Implementing joint retaliation against China would require agreement among several countries to institute measures that might prove costly to their home economies through China's reaction, but there are precedents. Both the United States and the EU have instituted sanctions on China for its human rights abuses against the Uyghur population in Xinjiang.³⁶ Economic support to the victim country would require the United States and its allies and partners to provide genuine, and potentially costly, economic benefits. Depending on the scale of assistance required, many might be reluctant, but there is something of a parallel precedent in the aid rounds held for Syria, in which countries pledged assistance, and the larger the membership in the multilateral mechanism, the lower the requirements for individual members.³⁷

Of the three options, retaliation against China would likely have the strongest effect because it would make China's economic pressure costly to itself. Issuing a public statement would likely have the weakest effect. Supporting the target country could neutralize China's efforts but would not directly increase costs for China and could therefore have less of a deterrent effect on future Chinese pressure campaigns.

Finally, in terms of costs, a joint statement would likely have the lowest costs, beyond the diplomatic friction required to forge a consensus position. Retaliating economically against China would generate a more substantial set of potential costs, including economic disruptions and inefficiencies from the actions taken against China and potential geopolitical pushback if other states were to take China's side in an escalating dispute, although we assess the prospects for the latter to be limited. Economically supporting the victim would likely have more-direct economic costs, albeit attenuated with a larger membership in the mechanism, but also lower potential for broader geopolitical costs or retaliation.

To date, responses to China's economic pressure have largely been ad hoc. However, efforts to economically coerce other states are likely to continue as a key element of PRC policy, especially if China continues to grow faster than the world economy and becomes more economically important on an absolute and relative basis. Accordingly, U.S. efforts to build a more coordinated response among its allies and partners appear to be worth closer consideration.

Notes

- ¹ Peter Harrell, Elizabeth Rosenberg, and Edoardo Saravalle, *China's Use of Coercive Economic Measures*, Center for a New American Security, 2018.
- ² “Norway Feels Sting of China’s Nobel Anger,” *Cape Cod Times*, May 6, 2011.
- ³ Elizabeth Shim, “China Raises Fees on Shipments from Mongolia After Dalai Lama Visit,” UPI, December 2, 2016.
- ⁴ “THAAD Row with China Costs S. Korea Dear: Report,” Yonhap News Agency, September 15, 2017.
- ⁵ Bjørnar Sverdrup-Thygeson, “Norway and China: Crime and Punishment,” in Bjørnar Sverdrup-Thygeson, ed., *Dragon in the North: The Nordic Countries’ Relations with China*, Norwegian Institute of International Affairs, 2016.
- ⁶ Marc Santora, “The Broken Promise of a Panda: How Prague’s Relations with Beijing Soured,” *New York Times*, November 23, 2019.
- ⁷ Mary Hui, “Japan’s Global Rare Earths Quest Holds Lessons for the US and Europe,” Quartz website, April 23, 2021; Keith Bradsher, “Amid Tension, China Blocks Vital Exports to Japan,” *New York Times*, September 22, 2010.
- ⁸ “China Says Hopes Mongolia Learned Lesson After Dalai Lama Visit,” Reuters, January 24, 2017.
- ⁹ “Chinese Official in Hot Water After Branding Sweden ‘Light-weight,’” Euronews website, January 19, 2020.
- ¹⁰ Executive Office of the President, National Security Council, *Indo-Pacific Strategy of the United States*, February 2022.
- ¹¹ Christopher Paul, James Dobbins, Scott W. Harold, Howard J. Shatz, Rand Waltzman, and Lauren Skrabala, *A Guide to Extreme Competition with China*, RAND Corporation, RR-A1378-1, 2021; Howard J. Shatz, *Economic Competition in the 21st Century*, RAND Corporation, RR-4188-AF, 2020.
- ¹² Lily Wojtowicz and Dina Hanania, “Americans Support Foreign Aid, but Oppose Paying for It,” Chicago Council on Global Affairs, November 14, 2017.
- ¹³ Other states may argue that the United States and its allies and partners also use economic coercion, so countering China’s coercion in

this manner could be viewed as hypocritical. Without discounting the potential resonance of this argument for states that are not supportive of U.S. goals, we would highlight some distinctions. The Western powers generally institute their economic pressure campaigns quite differently from how China does. The United States, for example, bases its actions in domestic laws, regulations, and executive orders and publicly states both the economic pressure action and the purpose. In contrast, China relies on more opaque methods, such as food safety inspections or mass protests that are designed to obscure the motivation for the policy. These methods give China a degree of deniability and more leeway to cause damage (Paul et al., 2021). In addition, U.S. coercive actions are generally directed at behaviors that tend to be outside international norms, such as terrorism, weapon proliferation, and human rights violations; China’s are often directed at behaviors that are respected as normally exercised by sovereign states but that may be politically embarrassing or otherwise inconvenient for China. U.S. messaging around the establishment of the multilateral mechanism would do well to emphasize the rules-based nature of the initiative.

¹⁴ For example, the United States proposed the Creating an Environment for Nuclear Disarmament Initiative in 2018, which features several working groups on disarmament issues. See Shannon Bugos, “CEND Establishes Two-Year Work Program,” Arms Control Association website, January–February 2020.

¹⁵ In some cases, U.S. actions aimed at China name China, such as potential actions to increase the transparency of Chinese companies registered on U.S. securities exchanges; see Donald J. Trump, “Memorandum on Protecting United States Investors from Significant Risks from Chinese Companies,” White House, June 4, 2020. In other cases, the United States institutes general rules that may differentially affect China but do not name it, such as the recent reforms to the Committee on Foreign Investment in the United States embodied in the Foreign Investment Risk Review Modernization Act of 2018. For a summary of these reforms, see Stephanie Zable, “The Foreign Investment Risk Review Modernization Act of 2018,” *Lawfare* blog, August 2, 2018.

¹⁶ For example, the U.S. business community has generally supported the main goals of U.S. policy since 2017 countering China but has disagreements with the methods and still sees opportunity there. See Bonny Lin, Howard J. Shatz, Nathan Chandler, Cristina L. Garafola, Eugeniu Han, Andy Law, King Mallory, and Zev Winkelman, *Bridging the Gap: Assessing U.S. Business Community Support for U.S.-China Competition*, RAND Corporation, RR-A1417-1, 2022.

- ¹⁷ European Commission, *EU-China—A Strategic Outlook*, March 12, 2019.
- ¹⁸ For discussions of this evolution, see Noah Barkin, “Watching China in Europe—June 2022,” German Marshall Fund of the United States, June 1, 2022, and Noah Barkin, “Watching China in Europe—April 2022,” German Marshall Fund of the United States, April 6, 2022.
- ¹⁹ Marin Weaver, “Section 232 and 301 Trade Actions in 2018,” U.S. International Trade Commission, 2019; Office of the United States Trade Representative, “U.S.–EU Arrangements on Global Steel and Aluminum Excess Capacity and Carbon Intensity,” fact sheet, October 31, 2021. Note that other members might also need to compromise on their actions against the United States if they sought U.S. cooperation on a response to China’s economic coercion.
- ²⁰ The description of the precipitating event and the EU’s response is drawn from Matthew Reynolds and Matthew P. Goodman, “China’s Economic Coercion: Lessons from Lithuania,” Center for Strategic and International Studies, May 6, 2022.
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About This Perspective

This Perspective documents research and analysis conducted as part of a project entitled *Winning the Competition with China*, sponsored by U.S. Army Pacific. The purpose of this project was to analyze and evaluate U.S. policy options that could assist the United States in its strategic competition with China.

This research was conducted within RAND Arroyo Center's Strategy, Doctrine, and Resources Program. RAND Arroyo Center, part of the RAND Corporation, is a federally funded research and development center (FFRDC) sponsored by the United States Army.

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Acknowledgments

We are indebted to numerous current and former colleagues for their insights and support in the development of this work, including, most notably, Bonny Lin, Mary Kate Adgie, Michael S. Chase, James

Dobbins, Christian Curriden, Soo Kim, Kristen Gunness, and Jennifer Kavanagh. We would like to thank U.S. Army Pacific, particularly Rod Laszlo, for its guidance, encouragement, and support. We would also like to thank Molly Dunigan, director of RAND Arroyo Center's Strategy, Doctrine, and Resources program, for her advice and support in the development of this Perspective. Michael Mazarr and Craig Bond provided valuable reviews that substantially improved the document.

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