

COVER STORY

Confronting Coercion

The possibility for collective action against China's economic coercion seems more likely than ever.

BY LUKE PATEY — FEBRUARY 6, 2022



Credit: Parker Song/[Getty Images](#)



The quiet, leafy street in a Copenhagen suburb was an unusual place to hang election posters. But despite the lack of vehicle or foot traffic, Thomas Rohden scaled a stepladder last October to fasten posters to trees and light posts with the goal of advertising one of his main campaign promises in the upcoming local election: ending cooperation with the People's Republic of China.

Rohden's posters sported an image of the Tibetan flag, and while they weren't likely to be seen by many potential voters, they were immediately noticed by Rohden's target audience: the Chinese embassy across the street. Rohden, 26, has emerged as a staunch critic of Beijing's policies in Tibet, Hong Kong and Xinjiang, and when the posters were mysteriously taken down only hours later, he told the media he had a strong suspicion the Chinese embassy was behind it.

The posters' removal, he said, brought China's interference in Danish democracy out in plain sight — an allegation that got Rohden far more attention than his Tibet posters ever would. Immediately, there were [calls](#) for Denmark's foreign ministry to summon the Chinese ambassador in protest. When Rohden later rehanging his election posters in front of the Chinese embassy, he says there were eight journalists in tow.

"Instead of telling people in Denmark that there is a clash of values with China, we need to show them," he told *The Wire*.

Despite the public outcry, Jeppe Kofod, Denmark's foreign minister, avoided any direct action against China, saying instead that the election poster incident was "worrying."

For [some](#), the tempered rebuke underscored Copenhagen's decade-long cautiousness towards publicly criticizing China, lest its exports to the world's second largest economy be affected. But while this strategy may have been tolerated at one point in time, the general public in Denmark has only recently begun to understand the full implications of kowtowing to Chinese economic coercion in years past.

When Hu Jintao paid a state visit in 2012, for instance, Copenhagen police [blocked and detained](#) pro-Tibet demonstrators from being seen by the Chinese president. An initial independent investigation launched by the Danish parliament placed much of the blame on the police force for the constitutional violations. But last year, a follow-up inquiry revealed that high-level foreign affairs [civil servants](#) likely knew, and even encouraged, the police to obstruct Danish citizens' freedom of expression in order to allow Hu Jintao to save face. During the visit, Danish companies [signed](#) billions of dollars in business and trade deals with Chinese partners.

"Denmark was really compliant in all senses because we had this scary picture in the background of what could happen," says [Martin Marcussen](#), professor at the University of Copenhagen, whose [research](#) demonstrates how Danish business and trade interests became hardwired into incentive structures in the Danish foreign service.

“ “ **Instead of telling people in Denmark that there is a clash of values with China, we need to show them.** ” ”

— *Thomas Rohden, activist and regional council member in Denmark*

After Denmark's prime minister met the Tibetan spiritual leader the Dalai Lama in 2009, for instance, China placed an informal freeze on Danish exports until Copenhagen signed a verbal note acknowledging Beijing's core interests. A year later, Beijing went after Denmark's neighbor, blocking Norway's salmon exports after Chinese democracy activist Liu Xiaobao was awarded the Nobel peace prize. "This shook the Danish system," says Marcussen. "It is when Denmark's Ministry of Foreign Affairs learned that they do not want to irritate the Chinese in any way."

It was the sight of Tibetan flags being ripped from the hands of demonstrators by Danish police that first motivated Rohden to question this logic.



Danish activist Thomas Rohden in front of the Chinese embassy in Copenhagen, where he hung election posters promising to end cooperation with the PRC. Credit: [Thomas Rohden/Twitter](#)

“I saw there was something not normal going on,” he says. “People were going crazy over a flag.”

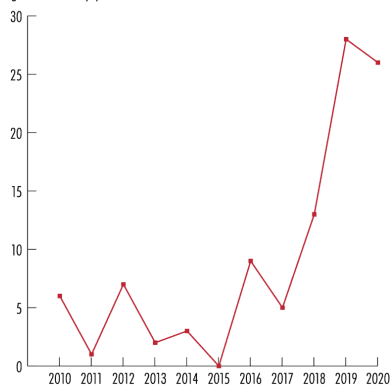
Rohden, who won his election in November to become a regional council member, is not alone in this realization. Across the Western world, momentum is building to push back against China’s economic coercion.

China, of course, is partly to blame for this reversal. For many years, it succeeded in scoring minor political victories with a subtle and selective brand of pressure. Countries from Norway to France quieted their criticism of China’s authoritarian politics and human rights record while brands from [Versace](#) to [American Airlines](#) apologized for crossing China’s various redlines.

“Small examples, yes,” noted Søren Espersen, a former chairman of the Danish parliament’s foreign policy committee, in a 2019 speech. “Yet if all the hundreds of these small examples are put together, it suddenly becomes quite a different story.”

Coercive Compulsion

Recorded cases of Chinese coercive diplomacy targeting foreign governments by year



Data: Australian Strategic Policy Institute ([ASPI](#))

Indeed, the aggregate of these small wins around the world added up to a big win for China.

Beijing was moving the needle and shaping the global discourse on its most dear core interests. But as many observers have [noted](#), China’s coercion has taken a new direction of late with its boisterous and bullying ‘wolf warrior diplomacy’ under President Xi Jinping.

Whereas Beijing’s coercive art form was once clearly distinguished by its narrow rather than broad strokes, bravado has taken over. A [study](#) by the Australian Strategic Policy Institute found that the intensity and frequency of China’s coercive diplomacy grew substantially from 2018 on. Over half the incidents of state-issued threats by China since 2010 took place in 2020 alone. Most recently, the small Baltic state of Lithuania is facing the consequences of China’s trade

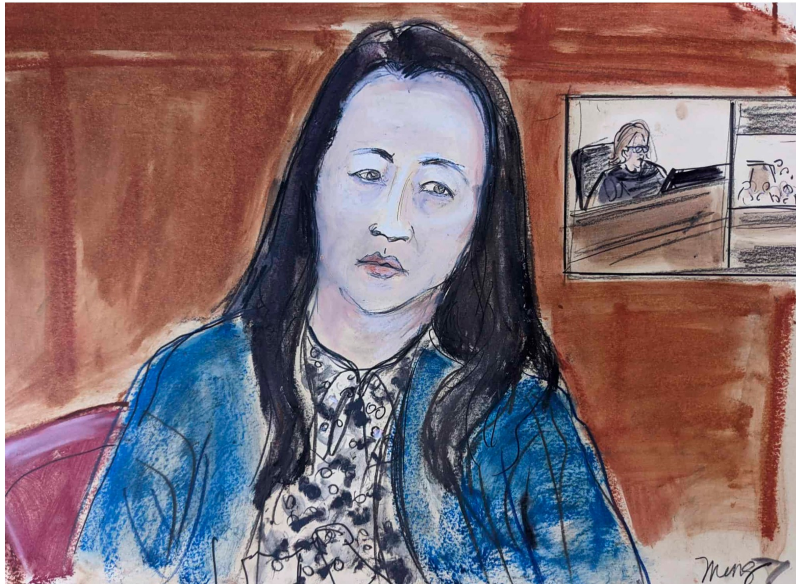
weapon over the [status](#) of Taiwan.

Beijing may have pushed too far. Not only are there people like Rohden, questioning if the trade-offs are worth it, but others are also noticing that facing China’s economic wrath holds less severe consequences than once imagined. Now, from a bipartisan bill in U.S. Congress to proposed new trade alliances, a collective response to counter China’s coercion efforts is emerging.

“Beijing is overstepping with the latest moves and is unnecessarily bringing up all sorts of different players against it,” says [Janka Oertel](#), Asia director at the European Council on Foreign Relations. “The collective leverage is currently still high, but it is also getting weaker as time passes.”

If the pushback succeeds, Beijing’s longstanding success in coercing countries such as Denmark may become a thing of the past. If it fails, however, Beijing may see a free lane to escalate its coercion, bending decades of deepening economic ties with the West to its political will.

WHEN ONE DOOR CLOSES...



Courtroom sketch of Meng Wanzhou, CFO of Huawei, appearing via video before Brooklyn Federal Court Judge Ann Donnelly, September 2021. Meng agreed to a deal with the U.S. Justice Department that paved the way for her to return to China after nearly three years under house arrest in Canada, during which time two Canadian nationals were imprisoned under spurious charges in China. Credit: Elizabeth Williams/AP Photo

Perhaps more than any others, two recent examples show both the overstep as well as the limits of Beijing's economic coercion: Canada and Australia.

First, in early 2019, Beijing set its coercive sights on Canada after its arrest of Huawei executive Meng Wanzhou on an American warrant because of allegations that she had helped circumvent U.S. sanctions against Iran. Soon after, China [detained](#) two Canadian nationals, Michael Kovrig and Michael Spavor, on espionage charges that many considered spurious. Beijing then placed trade restrictions on Canadian agricultural exports in what some analysts viewed as a move meant to punctuate its displeasure with Canada decision to detain the Huawei executive. Chinese authorities claimed pests had infested Canada's [canola seeds](#), marred its pork in paperwork issues and imposed long delays on its soybean shipments.

The measures [spooked](#) Canadian industry. The United States makes up over two-thirds of Canada's trade, but at [7 percent](#) of the total, China is an important point of diversification.

"The bottom line is China is a big market that is getting wealthier," says [Graham Shantz](#), president of the Canada China Business Council, a private, non-profit business association with members ranging from major Canadian companies to universities and colleges. For Shantz, the rising purchasing power of Chinese consumers coupled with China's natural land constraints provide enormous opportunities for natural resource-rich Canada to capitalize on.

"As long as China chooses to remain open to international trade," he says, "there will be a real match with Canada as a reliable, non-political supplier of high quality agri-food and seafood."

But that openness was tested when Canadian canola was the main target in Beijing's firing line. Known by its golden-yellow flowers and used for vegetable oil, animal feed and biofuel, Canada is the world's largest producer of the oilseed crop and China the biggest consumer.

"If you're in the market of selling oilseeds, most of your oilseeds go to China," says [Brian Innes](#), executive director at Soy Canada, and formerly a vice president at the Canola Council of Canada. One expert report [estimated](#) that the Canadian canola industry lost as much as CDN\$2.35 billion (about \$1.8 billion) during the first year and a half of China's restrictions.

But once the dust cleared from the impact of China's trade weapon, the overall damage was not that severe. Between 2018 and 2020, [exports](#) from Canada to China fell by CDN\$2.9 billion, or 0.5 percent. The canola industry took the biggest hit, but the fungibility of global commodity trade softened the blow. In the 2019–2020 season, an estimated 55 [percent of the tonnage loss](#) from China's trade measures was offset by the redirection of canola seeds elsewhere.

Although China claimed Canada's canola was pest-infested, there were plenty of other buyers.

"The [pest] cases were made on a fig leaf of pretense that there was something wrong, but Canada's other customers saw the stuff as top quality," says [Charles Burton](#), a former diplomat and senior fellow at the MacDonald Laurier Institute.

There was a noticeable increase in seeds sent to the United Arab Emirates, for instance, where they were then crushed into oil for export to China. Canadian sales also rose in Europe and Bangladesh, filling the gap left by other canola exporters sending their seeds to the Chinese market.

Chinese purchases of Canadian canola products also didn't stop completely in early 2019, showing that there are holes in China's seemingly state-led, monolithic economic armor. Independent Chinese seed importers, which could more easily skirt Beijing's marching orders compared to their larger state-owned counterparts, made quiet but [steadily growing purchases](#) as the trade spat dragged on.

"The people who lobby on behalf of Canadian business often have a sky is falling attitude," says [Margaret McCuaig-Johnston](#), a senior fellow at the University of Ottawa, "but there are a lot of our resources that China needs."

While Canada's canola seed exports to China have not rebounded to pre-crisis levels, its total global sales reached [new heights in 2020](#).

"There has been an interesting transformation on thinking about China," says Innes, of Soy Canada. "China does dominate, and industry needs to sell to China. However, it is also important to cultivate markets elsewhere and be prepared when instability happens in China."

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A similar but more visible dynamic took place over 8,000 miles away in Australia. With Australia's decision to block Chinese telecommunications companies from its 5G mobile networks and the passing of new foreign interference laws, tensions between Australia and China were already simmering when, in April 2020, Canberra called for an independent investigation into the Covid-19 outbreak.

From Beijing's perspective, the repeated political affronts warranted a response. In the following months, Australia was hit by [an array](#) of Chinese trade measures: anti-dumping duties on its barley, export licenses revoked on beef producers, tariffs on wine, customs bans on lobster, copper, and other goods, and instructions given for Chinese importers to stop buying Australian cotton and coal.


“The Chinese have made explicit what everyone thought was implicit,” says [Jeffrey Wilson](#), the research director of the Perth USAAsia Centre, a think tank at the University of Western Australia that is devoted to building relations between Australia, the Indo-Pacific and the U.S. “Australia was a nail that had to be hammered down.”

Similar to Canada, [media warnings](#) in Australia painted a picture of impending doom. Australian industries faced tens of billions of dollars in losses. China is Australia’s largest trading partner, and between 2009 and 2019, Australia’s exports to China [grew three-fold](#) to around AU\$149 billion annually (\$110 billion). Buoyed mainly by sales of iron ore to fuel China’s construction industry, over 40 percent of Australian exports head to the Chinese market.

“Everything was China, China, China for our economy in a way it wasn’t for any other western democracy bar New Zealand,” says Wilson. “We got there earlier and larger and learned about the challenges and liabilities of the economic relationship with China before others.”


But even with more to lose, Australia’s worst-case scenario did not come to pass. Despite its assertive demeanor, China still maintains a “do no self-harm” approach to its economic coercion, which limits the detrimental consequences for its own economic growth.


“They haven’t touched iron ore. They haven’t touched liquid natural gas,” says [James Laurenceson](#), director of the Australia-China Relations Institute at the University of Technology Sydney. “Beijing has demonstrated an unwillingness to hurt Australia if that meant sustaining high costs itself.”

The inherent flexibility in international trade did the rest. Australian barley, coal, copper, and cotton headed to markets in India, Japan, Taiwan, Southeast Asia, and the Middle East — all with little loss in [price premium](#) .

“Many of the Australian exports hit by Beijing were relatively homogenous commodities sold in global markets,” explains Laurenceson. “Beijing’s actions then, quite literally, created opportunities for Australian exporters elsewhere.”

Similar to Canada’s canola being processed in the UAE, Australian industries found partial workarounds to barriers into the Chinese market. Targeted beef producers, for instance, sent their cattle to other Australian abattoirs, which still held export licenses. Australian [lobster](#) was initially rerouted through Hong Kong, though it is now facing a crackdown from local authorities on national security grounds.

The Australian wine industry, however, found little relief due to its high dependence on China and its [differentiated nature](#)  as a product. Some wine enters China through Hong Kong or is shipped in larger containers to avoid tariffs. Other companies elect to quite literally put new wine into old bottles, sourcing from California [to maintain](#) their brands in China.

But China’s choice of products to target has a deeper logic, mixing coercion with protectionism. The research of Scott Waldron at the University of Queensland [argues](#)  that China is keen not only to minimize costs on its own economy in targeting Australia, but also to benefit local industries. For example, by blocking out Australian competitors, Beijing opened space for domestic producers. And by restricting the flow of Australian barley, Chinese authorities advanced import diversification aims. Similarly, choosing Canadian



Shipments of lobster seized by customs authorities in Hong Kong, after being identified as a national security risk. Credit: Hong Kong Customs and Excise Department

canola seeds as a target fell in line with Beijing's drive to [diversify](#) its food suppliers by reducing dependencies on large suppliers.

Overall, however, thanks to Beijing's strategic restraint and new buyers for many of Australia's exports, the damage done by a full year of Chinese trade restrictions amounted to [under AU\\$1 billion](#), according to the Australian Treasury. This was a drop in the ocean of Australia's total exports of almost AU\$440 billion.

THE PUSHBACK



Staffers inaugurate the opening of Lithuania's newly established Taiwan Representative Office in Vilnius, Lithuania, November 2021. Credit: [Taiwan Ministry of Foreign Affairs](#)

Bouyed by the resilience of Canada and Australia, and fed up with being bullied, many observers say the possibility for collective action against China's economic coercion is more likely than ever.

"China is only one-sixth of the world economy," says Wilson, of Perth USAAsia Centre. "It can be deterred."

Nowhere is this conversation more pressing at the moment than in the European Union, which recently announced its plan to sue China in the World Trade Organization over its blockade of Lithuania, or "discriminatory trade practices." After Lithuania opened a [Taiwanese representative office](#) in its capital Vilnius last November, Beijing cut off exports from Lithuania and, in a move resembling [America's targeting](#) of Chinese tech companies in global supply chains, demanded multinational corporations no longer source goods from the Baltic state in their China-linked global production processes.

Although Lithuania's exports to China are minuscule, Germany, Beijing's largest trading partner in the EU, has blue-chip companies active in the targeted supply chains. Some companies have found ways to circumvent China's new measures by [reclassifying](#) Lithuanian inputs in their exports to China, but Germany's most powerful business lobby, the Federation of German Industries, [expressed](#) deep concern for the disruption. It both criticized Lithuania for being "out of step" with EU policy and called out China's move as a "devastating own goal," placing pressure on Berlin and other EU capitals to react.

"There is a realization in Berlin that status quo policies will not be good enough to secure German and European interest under the conditions of enhanced systemic rivalry with China," says Janka Oertel, at the European Council on Foreign Relations. "With the informal approach to multinational companies and their supply chains, the issue has become

a European one, which cannot be ducked.”

Europe’s response, so far, is the WTO lawsuit, but [Ketian Zhang](#), an assistant professor at George Mason University, warns that China’s tactics often drag out formal disputes in the WTO since they avoid a paper trail, cite sanitary reasons for banning imports, or freeze investment deals rather than suspending them altogether.

“China’s way of using sanctions makes it harder for the target to react or at least seek legal mechanisms,” she says.

Even if the target wins its case, settling disputes through the WTO is not a silver bullet, says [Wendy Cutler](#), vice-president at the Asia Society Policy Institute. “In the best of worlds the WTO process eats up a year or two,” she says. “Chinese coercive actions start eating away at a country from day one.”

“ China is only one-sixth of the world economy... It can be deterred. ”

—*Jeffrey Wilson, research director of the Perth USAsia Centre*

Partly to address these challenges, the EU is also taking steps to act autonomously against economic coercion efforts. In December, the EU’s executive branch, the European Commission, proposed a new anti-coercion instrument, which would allow it to impose tariffs, ban imports, and block investments of countries engaging in economic coercion against the EU and its member states.

The United States is also considering a bill to expand and expedite its anti-coercion options. The bipartisan Countering China Economic Coercion Act, which was introduced in October, hopes to establish an interagency task force that would consult with both the private sector as well as allies in order to respond to China’s coercive economic measures.

“With every indication that economic coercion is not going away,” says Cutler, “the creation of the proposed government-wide task force is a useful step in developing effective responses.”

Experts note that effective responses to economic coercion can involve a number of tools, including offering financial support to the targets, diversifying trade partners, and preparing mitigation strategies for targeted industries. But more formal trade alliances are also being floated as [an option to deter](#) Chinese coercion.

“To prevent the weaponization of trade we have to stick together,” says [Guy Saint-Jacques](#), Canada’s ambassador in Beijing from 2012 to 2016. “Having an alliance of the U.S., Australia and Canada on agricultural goods would send a message to China, and our industries may very well go along with it because it would mean more reliability in trade.”

Former Danish prime minister and NATO chief Anders Fogh Rasmussen recently supported the well-travelled idea of establishing an [‘Economic Article 5’](#) to blunt China’s use of coercion. This may rally political spirits, but trade experts are widely skeptical that a global alliance of like-minded states supporting each other when one faces Chinese economic pressure will work. Even if the political will is found, the private sector may not always go along. After all, just as Australian farmers are looking to [capitalize](#) on Canada’s lost canola seed exports to



Former Danish PM and NATO chief Anders Fogh Rasmussen supported an ‘Economic Article 5’ to blunt China’s use of coercion. Article 5 of NATO’s founding treaty stipulates that an attack against

China, American coal exports are [filling the gap](#) in the Chinese market left by the Australians being shut out.

one ally is considered an attack against all allies.
Credit: Magnus Fröderberg/norden.org

“The economics of this are completely unsurprising, but the point is if Washington won’t, or can’t, stop its producers from taking advantage, then there’s next to zero chance that other capitals will,” argues Laurenceson.

Still, Wilson, of the Perth USAsia Centre, says a more informal coalition could be beneficial. Despite the possibilities to resist and circumvent China’s measures, pushback is useful to counteract any demonstrational effect its coercion, such as on Lithuania, may have on countries with less of a threshold to withstand the pressure. As part of a larger study with Cutler and other experts on [responding to coercion](#), Wilson backs naming and shaming to bring more cases out into the open, sharing information between targeted countries, and supporting smaller countries in WTO litigation.

“There are acts of solidarity among a coalition that could send a message to China that we see what is going on and we will respond collectively,” he says.

Zhang, however, notes that any such efforts should be relatively “[quiet](#)” since over-reactions may force Beijing into a corner and escalate tensions further.

“It is an action-reaction chain,” says Zhang. “From the Chinese government perspective, it is responding to outside actions it sees as interfering in its domestic politics on Xinjiang or Hong Kong. China needs to save face, but the same logic holds true for its counterpart, too.”

Indeed, Rohden says he won his election, in part, because voters in Denmark want to do more to save face. Between the removal of political posters in front of the Chinese embassy and now the situation with Lithuania, he says, “internal pressure is building” for more action.

“It can be hard to do so on Tibet,” he admits, “but Lithuania is an EU matter. It is an attack on our ally. We should be speaking up much more about pressure from China.”



Luke Patey is a senior researcher at the Danish Institute for International Studies and Lead Senior Research Fellow at Oxford University’s Institute for Energy Studies. He is author of [How China Loses: The Pushback Against China’s Global Ambitions](#). His work has been published in *The New York Times*, *Financial Times*, *The Guardian*, *The Hindu*, *Foreign Affairs* and *Foreign Policy*. [@LukePatey](#)

● COVER STORY



Pole Position

BY EYCK FREYMAN

In public, Chinese diplomats and climate negotiators deny that they see any link between climate change and geopolitics. But there is a deeply cynical consensus within China's academic and policy communities that climate change creates geopolitical opportunities that China can exploit — and must exploit before its rivals do. Greenland was the proof of concept for this strategy. And it caught the U.S. flat-footed.

● THE BIG PICTURE



Transsion's Triumph

BY GARRETT O'BRIEN

A look at Transsion's monumental growth, unique marketing strategies and future growth potential.

● Q & A



Jörg Wuttke on China's Self-Destruction

BY ANDREW PEAPLE

The EU Chamber of Commerce in China president talks about China's self-inflicted problems; how he gets away with being so outspoken; and why he believes in China's comeback gene.



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