



COUNTERING ECONOMIC COERCION: TOOLS AND STRATEGIES FOR COLLECTIVE ACTION

WASHINGTON, D.C.—Economic coercion has become one of the most pressing and growing challenges on the international scene today, which has raised concerns about the potential damage to global economic growth, the rules-based trading system, and international security and stability. Compounding this issue is the difficulty faced by governments worldwide, particularly small and mid-sized nations, in effectively responding to such measures.

In light of this challenge, Asia Society Policy Institute (ASPI) hosted an online discussion “[Countering Economic Coercion: Tools and Strategies for Collective Action](#),” on February 28th moderated by **Wendy Cutler**, ASPI Vice President; and featuring **Victor Cha**, Senior Vice President for Asia and Korea Chair at the Center for Strategic and International Studies; **Melanie Hart**, Senior Advisor for China and the Indo-Pacific in the Office of the Under Secretary of State for Economic Growth, Energy, and the Environment; **Ryuichi Funatsu**, Director for Economic Security Policy Division at the Ministry of Foreign Affairs of Japan; and **Mariko Togashi**, Research Fellow for Japanese Security and Defense Policy at the International Institute for Strategic Studies.

The following questions were discussed:

- How can countries work together to address the challenge of economic coercion, and how can the strategy of collective economic deterrence be implemented in this context?
- How can countries overcome their fear of retribution from China and work collectively to overcome fear against its coercive measures?
- Can tariffs effectively address economic coercion, and what other tools are available?

- What role can international institutions, such as WTO, OECD, and G7, play in preventing and countering economic coercion?

Collective Economic Deterrence

Victor Cha acknowledged the gravity of the issue and its detrimental implications. He said, “Chinese economic coercion is a real problem and it’s not just a threat to the liberal trading order. It’s a threat to the liberal international order,” and added, “They’re forcing countries either to make choices or not make choices about things that have nothing to do with trade. They have to do with things like democracy in Hong Kong, human rights in Xinjiang, a whole variety of different things.” Citing his recent publication in [Foreign Affairs](#) magazine, he advocated for the need to deter such coercion, and introduced the strategy of “collective resilience,” which involves recognizing many countries that are subject to China’s economic coercion also export items to China on which it is highly dependent. Cha argued that a threat of collective action, such as “an Article 5 for collective economic action,” could potentially raise the cost and deter “Chinese economic bullying and Chinese weaponization of interdependence.” However, he also acknowledged that the political feasibility of such an action would be challenging.

Melanie Hart explained that economic coercion scenarios and military conflicts are different contexts, and economic coercion often occurs in “a gray zone,” adding, “They are by design not transparent. They are by design hidden.” Given that Beijing rarely publicly acknowledges its use of trade measures as a weapon and instead uses obfuscation tactics, she reiterated that it is important to bring transparency and expose these tactics. Hart also highlighted that the ideal scenario is one in which everyone is more resilient and can pivot to new trading partners and markets, making economic coercion “a non-event.”

Efforts to Counter Economic Coercion

Melanie Hart shared the views of the U.S. government that Washington considers economic coercion as a threat to national security and the rules-based order. She added that the U.S. has been increasing supply chain diversification and providing rapid support to allies and partners facing economic coercion, as seen in the recent U.S. assistance to Lithuania. She noted the bipartisan support in the U.S. Congress for addressing this issue, and stated that tariffs may not be the best solution. Hart suggested that the ideal approach would involve a coordinated effort by various nations, but the response may vary depending on the specific goods or markets involved. Therefore, she argued that the focus is on finding the best fit for each situation, rather than relying on a one-size-fits-all approach.

Mariko Togashi discussed Japan's experience with economic coercion from China over rare earth minerals, and pointed out that Japan was able to diminish its reliance on China from 90% to 60% in around 10 years through technology development. However, she also acknowledged that 60% dependence is still a considerable obstacle to overcome. Togashi emphasized the importance of diversification, financial support, and knowledge sharing to prevent economic coercion. While highlighting Japan's focus on achieving strategic autonomy and indispensability to increase leverage and decrease dependence on other countries, she argued that achieving complete strategic autonomy is impossible for any country, necessitating a collective response, and commented, "Country level effort is of course important, but given the limitations, I think achieving strategic autonomy with like-minded countries is critical."

Addressing Economic Coercion at G7

Ryuichi Funatsu shared the Japanese government perspective, noting that the topic will be one of the important items to be discussed at the G7 Leaders' Meeting, chaired by Japan this year. Funatsu quoted G7 Leaders' Communique language on economic coercion from 2022, "We will increase our vigilance to threats, including economic coercion, that

are meant to undermine global security and stability. To this end, we will pursue enhanced cooperation and explore mechanisms to improve assessment, preparedness, deterrence, and response to such risks, drawing upon best practice to address exposure both across and beyond the G7," and said that Japan will take this language as guideline to make progress this year. He also mentioned the role of international organizations like the OECD in "raising international awareness," and cited ASPI's 2021 report titled, "[Responding to Trade Coercion](#)," which suggested that the OECD develop an inventory of coercive measures and to establish a database for greater transparency.

In response to what the panelists wish to see as a result from this year's G7 Summit, **Victor Cha** said, "a discussion about a strategy that complements or supplements impact mitigation and resilience that looked at how G7 members could cooperate in terms of signaling some form of collective economic deterrence," by identifying China's high dependence on luxury and intermediary strategic items. **Mariko Togashi** echoed that she hopes to see further development and discussion of collective action, and stressed the significance of acknowledging the differences in economic and industrial structures among countries to find common ground and ascertain the extent of compromises they are willing to make.

CONCLUSION

The panelists unanimously recognized the need for urgent action to cope with China-led economic coercion and called for a collective response. They suggested a coordinated effort among nations that involves increasing resilience and supply chain diversification, promoting transparency, and exploring the possibility of collective economic deterrence. The panelists also emphasized the need for a tailored response that considers the unique circumstances of each situation, rather than relying on a uniformed approach, and agreed that international and regional groupings can play a crucial role. Looking ahead, the panelists saw the upcoming G7 Summit as an opportunity to further examine strategies for a collective response against economic coercion.