



The People's Republic of China's economic coercion in the Indo-Pacific

Edited by Gray Sergeant

EXECUTIVE SUMMARY

- The People's Republic of China (PRC) continues to use trade as a tool to coerce other countries if they criticise or support critics of the Chinese Communist Party (CCP), or refuse to acknowledge Beijing's expansionist territorial claims.
- Australia, Japan and Taiwan have each defied Beijing's economic coercion by diversifying markets, avoiding escalation and reinforcing partnerships. Canberra's commitment to free trade and use of international institutions, Japan's 'small yard, high fence' strategy and Taiwan's New Southbound Policy offer example solutions.
- The United Kingdom (UK) and other countries can mitigate any future Chinese economic pressure by strengthening economic security and proving their resilience. In doing so, His Majesty's (HM) Government would be wise to consult and learn from Indo-Pacific partners.



In April 2025, Li Qiang, Premier of the People's Republic of China (PRC), warned the European Union (EU) of the need for unity in the face of 'economic bullying' by the United States (US).¹ His counsel has come at a time when the world is indeed worried about the future of Washington's trade policy. Still, the charge of hypocrisy can be laid at Beijing's door.

In recent years, the PRC has used trade to coerce other countries. Typically, this has been in response to criticism of the ruling Chinese Communist Party (CCP), for example, in relation to their handling of the Covid-19 outbreak and pandemic or defiance of Beijing's expansionist territorial claims. This Explainer has invited three experts from Indo-Pacific countries to draw on the experiences of Australia, Japan and Taiwan respectively in this regard.

These countries are not alone. In 2016-2017, Beijing used its economic weight to put pressure on South Korea after Seoul decided to deploy Terminal High-Altitude Area Defence, an American anti-ballistic missile defence system, on its territory.² Beyond the Indo-Pacific region, Lithuania experienced a similar fate following its 2021 decision to open a 'Taiwan [not Taipei] Representative Office' in Vilnius.³

Nor is this tactic new for Beijing. As the case of Japan demonstrates, the PRC's weaponisation of trade goes as far back as 2010. Around this time too, Beijing began placing restrictions on Norwegian salmon after the Nobel Committee awarded the Chinese human rights activist Liu Xiaobo its peace prize.⁴

The three case studies in this Explainer detail why Beijing has taken the steps it has, and which sectors and products have been targeted. Each section also outlines how Canberra, Tokyo and Taipei have, in turn, responded to this challenge. Within each case study, there are also lessons for the United Kingdom (UK).

¹ 'China to work with EU to promote sound, steady development of relations – Premier Li', The State Council, 08/04/2025, <https://english.www.gov.cn/> (checked: 19/05/2025).

² Peter Harrell, Elizabeth Rosenberg and Edoardo Saravalle, 'Annex: Case Studies of Recent Instances of Chinese Economic Coercion over the Last Decade', *CHINA'S USE OF COERCIVE ECONOMIC MEASURES*, 2018, <https://www.jstor.org/> (checked: 19/05/2025).

³ Matthew Reynolds and Matthew Goodman, 'China's Economic Coercion: Lessons From Lithuania', Centre for Strategic and International Studies, 06/05/2022, <https://www.csis.org/> (checked: 19/05/2025).

⁴ Richard Milne, 'Norway sees Liu Xiaobo's Nobel Prize hurt salmon exports to China', *Financial Times*, 15/08/2013, <https://www.ft.com/> (checked: 19/05/2025).

Australia

By Robert Walker

In the face of rising US tariffs, Xiao Qian, Chinese Ambassador to Australia, recently published an offer to ‘join hands’ with Australia in defence of the multilateral trading system.⁵ Anthony Albanese, Prime Minister of Australia, provided a curt reply – ‘We’ll speak for ourselves’.⁶ Australia was not about to side with a country which had so recently weaponised trade against it.

It was only in December 2024 that the PRC finally lifted the last restrictions on Australian exports, marking more than four and a half years of unsuccessful economic coercion by Beijing.⁷ Australia’s government has demonstrated that resisting coercion is possible.

During the Covid-19 pandemic in April 2020, Scott Morrison, then Prime Minister of Australia, called for an independent investigation into the origins of the virus outbreak in the PRC.⁸ This incensed Chinese government authorities, who framed the proposal as politically motivated. In what was widely viewed as a retaliatory move, the PRC began to impose both formal and informal restrictions on Australian exports beginning in May 2020.⁹

Various methods were used, including anti-dumping duties, phytosanitary and biosecurity breaches, and informal bans on Australian products. Targeted products included barley, wine, coal, lobster, cotton, copper and timber.¹⁰

These measures impacted goods trade valued at around AU\$25 billion in 2019 (approximately £12.1 billion in 2025) – roughly 1.3% of Australia’s Gross Domestic Product (GDP).¹¹ Despite these restrictions, Australia’s aggregate trade with the PRC continued to increase in value, and the targeted industries leveraged access to global markets to divert products elsewhere, offsetting most of the losses.

Specific goods such as wine and lobsters were negatively impacted, but the macroeconomic impacts were negligible.¹²

⁵ Xiao Qian, ‘There is no winner in a tariff war and protectionism benefits no one’, *The Sydney Morning Herald*, 10/04/2025, <https://www.smh.com.au/> (checked: 19/05/2025).

⁶ Matthew Knott and Rob Harris, ‘Australia rejects China offer after Trump escalation, reopens free trade talks with EU’, *The Sydney Morning Herald*, 10/04/2025, <https://www.smh.com.au/> (checked: 19/05/2025).

⁷ Giulia Interesse and Yi Wu, ‘China-Australia Economic Ties: Trade, Investment, and Latest Updates’, China Briefing, 20/12/2024, <https://www.china-briefing.com/> (checked: 19/05/2025).

⁸ ‘Coronavirus: China rejects call for probe into origins of disease’, BBC News, 24/04/2020, <https://www.bbc.co.uk/> (checked: 19/05/2025).

⁹ Su-Lin Tan, ‘China’s restrictions on Australian beef, barley seen as retaliation for support of coronavirus investigation’, *South China Morning Post*, 12/05/2020, <https://www.scmp.com/> (checked: 19/05/2025).

¹⁰ Elena Collinson and Thomas Pantle, ‘Australia-PRC trade and investments development: A timeline’, University of Technology Sydney, 08/11/2021, <https://www.uts.edu.au/> (checked: 19/05/2025).

¹¹ Roland Rajah, ‘The big bark but small bite of China’s trade coercion’, *The Interpreter*, 08/04/2021, <https://www.lowyinstitute.org/> (checked: 19/05/2025).

¹² Alan Beattie, ‘Australia offers timely lessons in resisting Chinese trade coercion’, *Australian Financial Review*, 10/02/2022, <https://www.afr.com/> (checked: 19/05/2025).



The PRC limited the targeted industries to those it felt were peripheral to its central economic interests (overlooking liquefied natural gas and iron ore exports). It also targeted commodities only, and those where global markets were extensive and deep. This allowed Chinese importers to shift suppliers readily with minimal cost. Conversely, Australian producers redirected exports easily.

A liberal, open trade policy cultivated over decades provided Australia with a foundation of economic resilience.

Access to global markets allowed firms to be responsive to shifting demand conditions. It also meant that the Australian government did not feel compelled to retaliate, which could have led to escalation, deepening animosity and further costs to the Australian economy. Instead of retaliatory sanctions, the Australian government's response was threefold:

1. **Denying the PRC's coercion was successful:** By repeatedly stating publicly that the Australian government would not succumb to economic pressure, Australia demonstrated a willingness to resist, revealing coercion to be futile.¹³
2. **Lodging formal trade restrictions within World Trade Organisation dispute architecture:** Engaging in official channels of trade dispute arbitration allowed Australia to appeal publicly to a formal and official process to which the PRC had previously agreed.¹⁴ This drew further international attention, provided legitimacy to Australia's grievances and eventually paved the way for negotiations.
3. **Shifting the political rhetoric surrounding the bilateral relationship:** Australia's 2022 federal election saw a new government effectively start to de-escalate rhetoric without bowing to pressure from Beijing.¹⁵ Reduced bilateral tensions allowed robust engagement on the removal of trade restrictions. This combination of actions demonstrated the political resolve of the Australian government in resisting coercion.

So, what lessons can be taken from Australia's resistance to Beijing's economic coercion?

1. **The multilateral trading system was central.** Australian firms were able to redirect exports readily, and international institutions provided a legitimate pathway for the government to pursue grievances and negotiate a settlement.

¹³ 'Australian PM Scott Morrison on China tensions: Country won't trade values in response to "coercion"', *The Straits Times*, 11/06/2020, <https://www.straitstimes.com/> (checked: 19/05/2025); Angus Grigg and Michael Smith, 'Scott Morrison keeps cool on China', *Australian Financial Review*, 15/05/2020, <https://www.afr.com/> (checked: 19/05/2025); Amanda Hidge and Will Glasgow, "First step to better Beijing ties", *The Australian*, 08/07/2022, <https://www.theaustralian.com.au/> (checked: 19/05/2025).

¹⁴ 'Summary of Australia's involvement in recent disputes before the World Trade Organisation', Australian Government Department of Foreign Affairs and Trade, No date, <https://www.dfat.gov.au/> (checked: 19/05/2025).

¹⁵ Richard McGregor, 'China-Australia thaw reveals limits of Beijing's economic coercion', *Nikkei Asia*, 25/10/2023, <https://asia.nikkei.com/> (checked: 19/05/2025).



2. **The speed at which Australian firms re-entered the Chinese market also indicates that the benefits of trading with the PRC outweigh the risks.**¹⁶ Of course, trade diversion may not always be straightforward.¹⁷ The PRC's avoidance of self-harm is well documented, but Beijing could engage in greater self-harm by targeting non-commodity sectors or critical commodities.¹⁸ The recent trade war with the US reveals that Beijing is capable of such actions.¹⁹ Related is that the choice to forgo retaliatory measures seems vindicated and widely applicable. Almost all targeted jurisdictions did not retaliate to recent US tariffs, and were given a temporary reprieve, while the PRC did so and is now embroiled in a trade war.²⁰
3. **Strong public commitments to resisting coercion also seem effective.** Political resilience can galvanise public perceptions and provide a credible commitment mechanism to discourage the aggressor.²¹
4. **Finally, countries should de-escalate where possible.** This complements public pronouncements of resistance, and helps to stabilise relations without acquiescing to demands. Continued engagement eventually allows for negotiations when tensions subside.

These lessons from Australia's experience of economic coercion will serve any country well.

The PRC remains Australia's largest trading partner, largest source of international students and the origin of an important diaspora community. It also represents a serious security threat to Australia. For these reasons, the bilateral relationship will remain central to Australian foreign policy going forwards.

¹⁶ Sandra Fulloon, 'Australian winemakers were hit by China's tariffs. This Lunar New Year, things are changing', SBS News, 29/01/2025, <https://www.sbs.com.au/> (checked: 19/05/2025).

¹⁷ James Laurenceson, 'Australia's luck in handling Chinese trade coercion', University of Technology Sydney, 18/08/2021, <https://www.uts.edu.au/> (checked: 19/05/2025).

¹⁸ Richard McGregor, 'China-Australia thaw reveals limits of Beijing's economic coercion', *Nikkei Asia*, 25/10/2023, <https://asia.nikkei.com/> (checked: 19/05/2025).

¹⁹ Chad Bown, 'Trump's trade war timeline 2.0: An up-to-date guide', Peterson Institute for International Economics, 29/04/2025, <https://www.piie.com/> (checked: 19/05/2025).

²⁰ 'World leaders, markets react to Trump's tariff "pause" and 125 per cent levy against China', SBS News, 10/04/2025, <https://www.sbs.com.au/> (checked: 19/05/2025).

²¹ 'China: economic partner or security threat', Lowy Institute, 2024, <https://poll.lowyinstitute.org/> (checked: 19/05/2025).

Japan

By Athena Tong

Japan has faced significant instances of Chinese economic coercion over the past decade. The 2010 incident near the disputed Senkaku/Diaoyu Islands, when the PRC suspended rare earth mineral exports to Japan following the detention of a Chinese fishing trawler captain, threatened Japan's high-tech manufacturing sector and exposed critical supply chain vulnerabilities.²²

More recently, the PRC and Hong Kong restricted Japanese seafood imports after Japan's release of treated Fukushima wastewater. The PRC's response included not only economic measures, but also a coordinated disinformation campaign. The Taiwan FactCheck Centre identified numerous false claims on Chinese social media designed to inflame anti-Japanese sentiment.²³ This ban contradicted the International Atomic Energy Agency's assessment that the water discharge plan met international safety standards.²⁴

Japan has developed a three-dimensional strategy to address these challenges while balancing security concerns with economic pragmatism:

1. **Institutional and legislative reforms:** The Economic Security Promotion Act of 2022 serves as the cornerstone, creating mechanisms to secure critical goods, prevent technology outflows and build resilient supply chains. It defines economic security as 'ensuring security through integrated implementation of economic measures'.²⁵ Japan has established dedicated government bodies, including the Economic Security Unit within the National Security Secretariat, and introduced a security clearance system, demonstrating commitment to protecting sensitive information amid intensified technological competition.²⁶ The system for ensuring stable provision of specified essential infrastructure services has expanded to include port and harbour transportation in April 2025.²⁷

²² Shiro Armstrong, 'Economic Security in Japan: Evolution, context and emerging questions', Research Institute of Economy, Trade and Industry (RIETI), 12/2024, <https://www.rieti.go.jp/> (checked: 19/05/2025).

²³ Koichiro Ishida, 'Chinese sites awash with fake news on water release programme', *The Asahi Shimbun*, 02/09/2023, <https://www.asahi.com/> (checked: 19/05/2025); '【錯誤】 網傳「日本核污染黑水大量排入大海」?' ['Error: Internet claims "Japan's nuclear contaminated black water is discharged in large quantities into the sea"?'], 台灣事實查核中心 [Taiwan FactCheck Centre], 28/08/2023, <https://tfc-taiwan.org.tw/> (checked: 19/05/2025).

²⁴ 'Fukushima Daiichi ALPS Treated Water Discharge', International Atomic Energy Agency, No date, <https://www.iaea.org/> (checked: 19/05/2025).

²⁵ Shigeaki Shiraishi, 'Japan's Economic Security Policy: Current Status and Challenges', Konrad-Adenauer-Stiftung Foundation Office Japan, 26/07/2024, <https://kas-japan.or.jp/> (checked: 19/05/2025).

²⁶ Ibid.

²⁷ '経済安全保障推進法の特定社会基盤役務の安定的な提供の確保に関する制度について' ['System for Ensuring Stable Provision of Specified Essential Infrastructure Services under the Economic Security Promotion Act', Government of Japan, 13/05/2025, <https://www.cao.go.jp/> (checked: 19/05/2025).



2. **Supply chain resilience and domestic capacity:** Following the rare earth minerals crisis, Japan reduced dependencies on critical Chinese imports through alternative sourcing, domestic production and strategic stockpiling, drastically reducing the dependency rate from almost 90% in 2010 to 60% in 2023.²⁸ Japan diversified its rare earth supplies through relationships with Australia, India and Vietnam, while also investing in recycling technologies.²⁹ It has adopted a ‘small yard, high fence’ approach – identifying truly critical technologies requiring protection while maintaining beneficial economic engagement with the PRC in non-sensitive areas.³⁰ Furthermore, the Ministry of Economy, Trade and Industry announced plans to expand the scope of economic security protections to include undersea cables, satellites, rockets, fusion energy and nuclear power components.³¹
3. **International partnerships and multilateral engagement:** Japan has strengthened international cooperation with like-minded partners through ‘friendshoring’ via frameworks such as the Indo-Pacific Economic Framework and critical minerals agreements with allies.³² Specific examples include Japan’s partnership with Australia on rare earth minerals,³³ and collaboration with the US on semiconductor supply chains.³⁴ As well as this, recent high-level meetings with Dutch leaders focused on deepening security and economic cooperation, particularly in semiconductor manufacturing.³⁵ Simultaneously, Japan has maintained regional economic integration through mechanisms such as the Regional Comprehensive Economic Partnership, which includes the PRC. This dual-track approach develops resilient supply chains with trusted partners while preserving important economic relationships.

²⁸ 日刊工業新聞 [Nikkan Kogyo Shimbun], ‘中国からの輸入に依存...レアアース、経済安保強化へ「国産化」推進を’ [‘Dependence on imports from China...Promoting domestic production of rare earths to strengthen economic security’], ニューススイッチ [Newswitch], 22/03/2025, <https://newswitch.jp/> (checked: 19/05/2025); Tatsuya Terazawa, ‘How Japan solved its rare earth minerals dependency issue’, World Economic Forum, 13/10/2023, <https://www.weforum.org/> (checked: 19/05/2025).

²⁹ Jeremy Chih-Cheng Chang and Min-yen Chiang, ‘Japan’s Grand Geopolitical Strategy on the Semiconductor Industry’, Peter Chow (ed.), *Technology Rivalry Between the USA and China* (Cham, Switzerland: Palgrave Macmillan, 2025).

³⁰ Daisuke Kawai, ‘Reinventing Japan’s Economic Security: Balancing Interdependence with Strategic Technology’, The National Bureau of Asian Research, 27/01/2025, <https://www.nbr.org/> (checked: 19/05/2025).

³¹ Karin Kaneko, ‘METI may list undersea cables and satellites as critical for economic security’, *The Japan Times*, 16/04/2025, <https://www.japantimes.co.jp/> (checked: 19/05/2025).

³² Satoshi Inomata, ‘Friend-Shoring Reconsidered’, Research Group on the International Trading System led by the Japan Economic Foundation, ‘Recommendations for Restoration of a Rules-Based International Trading System’, 31/01/2025, <https://www.jef.or.jp/> (checked: 19/05/2025).

³³ ‘Securing Supply of Heavy Rare Earths to Japan with Additional Investment to Lynas’, Sojitz Corporation, 07/03/2023, <https://www.sojitz.com/> (checked: 19/05/2025).

³⁴ ‘JETRO and NY CREATES, US Semiconductor R&D Organisation, Signed a Memorandum of Understanding on the Strategic Partnership in the Semiconductor Industry – Strengthening Efforts to Form Semiconductor Ecosystems around Japan through Multifaceted International Collaboration’, JETRO, 09/12/2024, <https://www.jetro.go.jp/> (checked: 19/05/2025).

³⁵ ‘Japan, Netherlands leaders agree to deepen security, economic ties’, *Kyodo News*, 21/04/2025, <https://english.kyodonews.net/> (checked: 19/05/2025).

As the UK navigates its post-Brexit relationship with the PRC amid growing economic security concerns, Japan's experience offers several valuable lessons:

1. **Institutional preparedness matters.** Japan's dedicated economic security bodies and legislation provide a model for developing coordinated governmental approaches to vulnerabilities.
2. **The 'small yard, high fence' philosophy demonstrates the importance of targeted interventions rather than broad decoupling.** Focusing protective measures on truly critical technologies enhances security without sacrificing economic engagement. However, Britain should note ongoing debates about the effectiveness of this approach, as seen in recent US policy shifts.³⁶ Critics argue that narrowly targeted restrictions may be circumvented through third countries, as demonstrated by Chinese artificial intelligence (AI) company DeepSeek's reported ability to access advanced chips despite export controls. This suggests that the UK may need more robust monitoring mechanisms and multilateral coordination to implement such targeted measures effectively.
3. **International partnerships provide leverage.** Japan's success in diversifying supply chains has relied heavily on deepening relationships with like-minded countries. Britain should consider how its international relationships might enhance economic resilience.
4. **Japan's experience underscores the value of balancing economic and security imperatives.** Rather than viewing these as contradictory, Japanese policy makers have sought complementary approaches to enhancing security while preserving economic dynamism. This balanced perspective offers an instructive framework for UK policy makers navigating similar challenges in an era of intensifying geopolitical competition.

³⁶ Sonal Varma and Si Ying Toh, 'Asia Economic Monthly: Third Country Circumvention', Nomura, 03/2025, <https://www.nomuraconnects.com/> (checked: 19/05/2025).

Taiwan

By Ming-Min Yang

Over the past five years, Taiwan has become one of the primary targets of the PRC's economic coercion due to its unique political status. As a result, Taiwan has accumulated considerable experience in navigating and responding to such pressure.

One major front has been agricultural trade. As cross-strait tensions escalated, Taiwan's fruit exports became increasingly vulnerable. In March 2021, the PRC abruptly banned the import of Taiwanese pineapples, followed by custard apples and wax apples in September.³⁷ Over the next three years, the PRC repeatedly suspended imports of various agricultural products, including groupers, pomelos and mangoes. It also revoked tariff exemptions on 34 categories of agricultural goods, further intensifying the pressure.³⁸

More recently, the PRC has turned to the Economic Cooperation Framework Agreement (ECFA),³⁹ signed with Taiwan in 2010, as a tool for economic leverage. ECFA originally provided preferential treatment for a list of 'early harvest' products. But, in April 2023, Beijing launched a sweeping trade barrier investigation covering 2,455 Taiwanese products and extended the investigation until January 2024 – just days before Taiwan's presidential election, highlighting its political intent. In December 2024, the PRC cancelled ECFA tariff concessions on 12 petrochemical items. A month later, it signalled further suspensions targeting agricultural products, machinery, auto parts and textile products. Then, in May 2024, shortly after Lai Ching-te, President of Taiwan, took office, the PRC officially revoked tariff benefits for 134 more Taiwanese products, impacting sectors such as petrochemicals, machinery, textiles and transport. These actions demonstrate how ECFA has evolved into a strategic instrument of economic coercion.

Taiwan's response has been multifaceted. The government has prioritised market diversification, industrial upgrading, financial assistance and international cooperation:

1. **The Taiwanese government has made efforts to diversify Taiwan's export markets.** Taking mango exports as an example, in 2020, before Chinese restrictions, 73.5% of Taiwan's mango exports went to the

³⁷ '農業貿易 > 貿易統計表' ['Agricultural Trade > Trade Statistics'], 農業部 [Ministry of Agriculture of Taiwan], No date, <https://agrstat.moa.gov.tw/> (checked: 19/05/2025).

³⁸ 楊晴安 [Yang Qingan], '台34項農產品輸陸 9月25日起不再零關稅' ['Starting September 25, 34 types of agricultural products from Taiwan will no longer be exported to China at zero tariffs'], 工商時報 [Commercial Times], 19/09/2024, <https://www.ctee.com.tw/> (checked: 19/05/2025).

³⁹ 'Cross-Straits Economic Cooperation Framework Agreement', World Trade Organisation, 2010, <https://rtais.wto.org/> (checked: 19/05/2025).



PRC. This dropped to 61.1% in 2021 and further to 44.8% in 2022, showing how effective diversification policies have been.⁴⁰ As such, when the PRC scrapped the tariff exemptions for 34 agricultural items in 2024, the impact on Taiwan's economy was limited.

2. **The Taiwanese government has also advanced its New Southbound Policy, helping businesses tap into markets in Southeast and South Asia.**⁴¹ On the surface, the New Southbound Policy appears successful, but this is not solely due to government efforts: it is also driven by strong demand from American clients. This, along with global supply chain shifts triggered by US-PRC tensions, has reshaped Taiwan's trade structure. In 2019, the PRC (including Hong Kong) accounted for over 40% of Taiwan's total exports. By 2024, that share had fallen to 31.7%, while exports to the Association of Southeast Asian Nations (ASEAN) countries rose from 16.39% to 18.48% over the same period, and exports to the US from 14.65% to 23.44%.⁴² Taiwanese manufacturers – many supplying American firms such as Apple and Amazon – have responded to 'China+1'⁴³ strategies by expanding production in India and Southeast Asia, further reducing dependence on the PRC.
3. **To support affected industries, the Ministry of Economic Affairs has helped businesses.** It has become involved in developing differentiated, higher-value products, adopting greener and digital manufacturing processes and expanding into new markets. In agriculture, the government has offered subsidies for cold-chain storage and export marketing, allowing farmers to access alternative markets.⁴⁴
4. **Financial relief has also played a key role.** When the PRC banned imports of Taiwanese saury, the government subsidised electricity costs for cold storage facilities and offered shipping subsidies to

⁴⁰ '農業貿易 > 貿易統計表' ['Agricultural Trade > Trade Statistics'], 農業部 [Ministry of Agriculture of Taiwan], No date, <https://agrstat.moa.gov.tw/> (checked: 19/05/2025).

⁴¹ 'New Southbound Policy', Office of Trade Negotiations, Executive Yuan, 04/07/2019, <https://english.ey.gov.tw/> (checked: 19/05/2025).

⁴² '貿易統計查詢' ['Trade statistics query'], 經濟部國際貿易署 [International Trade Administration], 2025, <https://publicinfo.trade.gov.tw/> (checked: 19/05/2025). Meanwhile, the share of Taiwan's exports to the EU rose from 7.31% in 2019 to 8.52% in 2023, but fell back to 7.05% in 2024, showing little overall change. For example, exports to Germany went from 1.75% to 1.45%, exports to the Netherlands went from 1.75% to 2.04%.

⁴³ Ganyi Zhang, 'The development of the "China+1" concept in the US and the EU', Upfly, 04/11/2020, <https://market-insights.upfly.com/> (checked: 19/05/2025).

⁴⁴ '中方再度片面取消ECFA早收優惠 經濟部協助產業因應' ['China once again unilaterally cancels ECFA's early harvest concessions; Ministry of Economic Affairs assists industry in coping'], 經濟部 [Ministry of Economic Affairs], 31/05/2024, <https://www.moea.gov.tw/> (checked: 19/05/2025); '提升臺灣水果外銷競爭力 蘇揆：「外銷、內銷、加工」三管齊下 加速設置農產品蒸熱、檢疫處理與冷鏈保存設備' ['Strengthening the Competitiveness of Taiwan's Fruit Exports: Premier Su Advocates a Three-Pronged Strategy of "Export, Domestic Sales and Processing", Accelerating the Installation of Steam Heat, Quarantine Treatment and Cold Chain Preservation Facilities for Agricultural Products'], 行政院 [Executive Yuan], 30/09/2021, <https://www.ey.gov.tw/> (checked: 19/05/2025).



support exports to other countries. It also provided interest subsidies on loans to reduce the burden on fishers and related industries.⁴⁵

5. **International solidarity has been another critical element.** When the PRC banned pineapple imports in 2021, citing pest concerns, Japan swiftly stepped in to purchase large quantities from Taiwan, becoming a substitute market. Taiwan also publicly condemned the PRC's coercive actions and called for an end to politically motivated trade restrictions.

Despite these efforts, Taiwan still lacks a comprehensive economic security strategy like Japan's 'Act on the Promotion of Ensuring National Security through Integrated Implementation of Economic Measures'.⁴⁶

Taiwanese policy makers are cautious, both to avoid provoking the PRC and because economic security remains a politically sensitive issue. Still, Taiwan has taken meaningful steps. The Ministry of Economic Affairs quietly established the Office of Trade Security Controls and, through cross-agency coordination, has pushed economic security initiatives behind the scenes.⁴⁷ Ultimately, in the context of global de-risking and the PRC's slowing economy,⁴⁸ Taiwanese firms have naturally aligned with government policies. The PRC's attempts at economic coercion have not succeeded in undermining Taiwan's resolve, nor its economic resilience.

⁴⁵ '因應臺灣食品、農漁產品遭中國禁售 蘇揆：全力協助受害廠商、成立專案小組提供輔導並積極建置全國冷鏈系統' ['In Response to China's Ban on Taiwanese Food and Agricultural/Fishery Products: Premier Su Pledges Full Support for Affected Businesses, Announces Task Force for Assistance and Actively Promotes the Development of a Nationwide Cold Chain System'], 行政院 [Executive Yuan], 11/08/2022, <https://www.ey.gov.tw/> (checked: 19/05/2025).

⁴⁶ 'Act on the Promotion of Ensuring National Security through Integrated Implementation of Economic Measures', Japanese Law Translation, 18/05/2022, <https://www.japaneselawtranslation.go.jp/> (checked: 19/05/2025).

⁴⁷ '貿易管理組' ['Trade Management Group'], 經濟部國際貿易署 [International Trade Administration], 09/09/2024, <https://www.trade.gov.tw/> (checked: 19/05/2025).

⁴⁸ William Stanton, 'A PRC in decline: A multitude of difficult challenges', *Taiwan News*, 10/07/2022, <https://www.taiwannews.com.tw/> (checked: 19/05/2025).

Conclusion

The experiences of Australia, Japan and Taiwan demonstrate that Chinese economic coercion is not an insurmountable challenge. Indeed, the targeting of non-critical commodities – for example, Australian and Taiwanese agricultural products – demonstrate Beijing’s unwillingness to inflict serious costs on its own economy. Their experiences underline the fact that on this front, Beijing often produces ‘much thunder, but little rain’, and thus in the event of a diplomatic spat with the PRC, large swathes of the UK’s trade – barring that of symbolic goods such as whisky – are unlikely to be weaponised.⁴⁹

Of course, this depends on His Majesty’s (HM) Government prioritising the country’s economic security, for example by reducing Britain’s dependency on the PRC for critical minerals and avoiding the creation of new points of leverage, such as electric vehicles.⁵⁰ Here, Tokyo’s preventative measures, which have sought to build a ‘high fence’ around a ‘small yard’, provide examples worthy of emulation.

Where specific sectors have been hit hard, examples cited in this Explainer prove that market diversification is possible. These transitions have been a result of access to other markets, and in some cases additional government assistance. Cooperation with like-minded partners has also been helpful.

Overall, adaption appears to be more fruitful than retaliation. At the same time, as Canberra’s success suggests, resilience must be signalled throughout if the PRC decides to tighten the screws. Indeed, by demonstrating Britain’s willingness to resist economic coercion – and thus the futility of such action – in advance, Beijing would be less likely to deploy this tool.

⁴⁹ Charles Parton, ‘Empty threats? Policymaking amidst Chinese pressure’, Council on Geostrategy, 06/07/2021, <https://www.geostrategy.org.uk/> (checked: 19/05/2025).

⁵⁰ Sam Goodman, ‘Collision Course: Under-pricing Chinese EV risks in the UK’, China Strategic Risks Institute, 16/09/2024, <https://static1.squarespace.com/> (checked: 19/05/2025).



PREVIOUS RESEARCH FROM THE INDO-PACIFIC PROJECT

- [Crises and challenges in the First Island Chain: A British response](#) (2024)
- [Slicing away at the status quo: Beijing's cross-strait strategy](#) (2023)

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