

Opinion **Trade Secrets**

The G7 struggles to find unity over China's economic bullying

This month's summit will show the rich democracies' club displays a range of attitudes about how to tackle coercion

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A Chinese maritime surveillance vessel, right, passes near Japan's Senkaku Islands in the East China Sea. Tokyo has floated the idea of creating a joint G7 approach on anti-coercion © Kyodo News/Getty Images

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It took a murderous invasion of a neighbour by a belligerent, nuclear-armed state and a geopolitical struggle between superpowers to find the G7 a purpose in life — but it got there in the end.

The club of rich democracies, which holds its leaders' summit this month in Japan, has resembled seven countries in search of a common role ever since the global financial crisis elevated the broader G20 to prime position in economic governance.

If the war in Ukraine and the US-China conflict mean the global economy is all about geopolitics now, the G7's time has surely come. Vladimir Putin's aggression has caused the G7 to band together with other rich democracies including the rest of the EU, Australia and so on and label themselves the "[like-minded countries](#)".

But their achievements so far have been impressive rather than decisive. True, they've co-operated on imposing trade and financial sanctions on Moscow. But with economies as big as India and China outside the circle, oil and [grain smuggling](#) and other circumventions have punched holes in the cordon.

And the like-minders are coerced as well as coercers: they have yet to find a way collectively to deter other countries — notably China — from using economic pressure

to try to force individual governments into political concessions. Well before the China-US animosity escalated under the presidencies of Donald Trump and Xi Jinping, Japan was acutely aware of bullying from Beijing. In 2010, its electronics producers suddenly found their rare earth mineral supplies from China cut off: this happened during one of the periodic surges in Japan-China tensions over ownership of the uninhabited Senkaku Islands in the East China Sea.

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Accordingly, Tokyo has floated the idea of creating a joint G7 approach on anti-coercion. Other countries affected by Chinese bullying are also coming to the summit, including Australia, recently subject to trade blockades after calling for an inquiry into the origins of Covid-19, and South Korea, which

faced a Chinese boycott after it deployed US missile systems on its territory in 2016.

The idea was amplified in March in a [characteristically pugnacious intervention](#) by Rahm Emanuel, the US ambassador to Tokyo and former chief of staff to President Barack Obama, a man who could start a diplomatic incident in an empty room. It was also mentioned in general terms in last month's G7 [foreign ministers' communique](#).

A truly impressive outcome would be a “Seven Musketeers” mechanism of automatic mutual assistance — all for one and one for all — similar to the “economic Nato” proposed by Liz Truss, ephemerally the UK's prime minister last year. The principle is interesting, but such a concrete outcome is a very long way off. It will require a degree of political alignment and tactical agreement that does not yet exist. Not all like-minded countries are of the same mind.

A senior Japanese official notes, for example, that Tokyo's instincts are still multilateral. Its response to the China rare earths incident was to join the US in [taking a case](#) to the World Trade Organization; its preference for an anti-coercion campaign would be a broad coalition including as many developing countries as possible and operating through multilateral processes.

But in the decade since the US brought that case against China, sentiment in Washington has turned sharply against the multilateral route. Emanuel argued that WTO dispute settlement was so slow and bureaucratic that it “undermines rather than reinforces a rules-based system”. Therefore, he concluded, “it is clear that an effective response to [China's] coercion must be collective and must be led by the United States”.

That kind of attitude causes sharp intakes of breath in Europe as well as in Japan, where governments are wary of automatically following Washington's adventures in geopolitics.

Indeed, European governments don't even necessarily trust the EU's own institutions to weigh commercial prudence sufficiently against moral principle when it comes to taking on China. The EU's own new "anti-coercion instrument", which gives it wide leeway to impose retaliatory measures in trade and investment, gives member states rather than the commission ultimate power over its use.

The Japanese official says there are no plans to create a unified G7 anti-coercion instrument, or indeed even for Japan to create a unilateral tool. "The G7 can express common stances against such practices," the official says. "But it's difficult to come up with a comprehensive mechanism."

There might eventually be more agreement around policies designed to mitigate coercion rather than retaliate against it. It will be less controversial for the G7 to offer export credit lines and new market openings to compensate, say, Australian companies for the loss of their Chinese customers than to agree counter-sanctions on Chinese exports.

But even if this happens, it will not satisfy the US or stop Washington taking unilateral action against China. The US wants a vigilante posse, not a victim support group. It's easy to assert the principle of countries banding together to resist economic coercion. It's going to be rather harder to get political consensus around how to do it.

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