

Negotiating Economic Vulnerability and Human Rights Diplomacy: The Role of Perceptions in
Germany-China Relations

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Introduction

This paper seeks to answer the research question: why do countries with established human rights foreign policy goals tone down their criticisms of human rights issues in authoritarian countries? Much of the existing literature and popular discourse has focused on the resource and trade dependence of liberal states on authoritarian regimes,¹ or the kind of geopolitical expediency based on mutual alignment of ideological or strategic goals that is thought to have an overriding effect on disparities between states on normative issues like human rights.² However, while material factors are important, this paper argues for the primacy of the perceptions held by top foreign policymakers to explain the phenomenon. This paper extends existing theories of economic dependency to develop a theoretical framework that examines how increases in a Country X's self-perception of economic vulnerability vis-à-vis an authoritarian Country Y results in Country X foreign policy recalibrations that prioritizes economic ties at the expense of human rights promotion.

This paper defines “economic vulnerability” as comprised of two components: 1) Country X's economic dependence on authoritarian Country Y as a market for exports and/or as a supplier of imports; 2) The proclivity of Country Y to exploit this dependence and use economic coercion to achieve political goals, such as to punish criticisms of its regime. I suggest that countries (X) often renege on their commitments to promote human rights norms due to notions of economic insecurity and a perception of its weak economic position relative to the

¹ See Eva Bellin, “The Robustness of Authoritarianism in the Middle East: Exceptionalism in Comparative Perspective,” *Comparative Politics* 36, no.2 (2004): 147–49; Julia Bader and Ursula Daxecker, “A Chinese Resource Curse? The Human Rights Effects of Oil Export Dependence on China versus the United States,” *Journal of Peace Research* 52, no. 6 (2015): 774–90.

² See Barbara Kelemen and Richard Q. Turcsányi, “It's the Politics, Stupid: China's Relations with Muslim Countries on the Background of Xinjiang Crackdown,” *Asian Ethnicity* 21, no. 2 (2020): 223–43; Amir Azarvan, “Terror, Oil and Repression in Algeria,” *The Journal of North African Studies* 15, no. 2 (2010): 231–53.

authoritarian trading partner (Y), a perception that diverges from Country X's actual position. Alongside this main hypothesis, I implement process tracing by evaluating an opposing hypothesis that attributes the same change in the dependent variable to shifts in Country X's "objective" economic vulnerability. The hypotheses are tested qualitatively using the critical case of Germany as Country X and the PRC as Country Y, drawing on trade data, secondary scholarship, and media sources to examine the interaction between the world's most economically powerful authoritarian country and a top economy with a robust human rights foreign policy agenda that nevertheless has long been considered to be among the most accommodating states to China among liberal democracies.

This paper finds that the 2007–2009 global financial crisis constituted an inflection point in German perceptions of China, given the latter's resilience to the downturn and its concurrent strong growth which was seen as vital to Germany's own recovery. In strong support of the main hypothesis, I find that the evolving perception of China as an indispensable growth engine which affords unprecedented opportunities to Germany's top firms and its broader export-orientated economy, combined with a recognition of China's rising diplomatic assertiveness and its willingness to use economic coercion to punish criticisms, has led German political and business leaders to tamper down on discussion of human rights issues and make efforts to systematically decouple human rights diplomacy from the main trading relationship. On the other hand, I find that while the opposing hypothesis cannot be ruled out, it is insufficiently convincing. I show that the degree of German reliance on Chinese trade is often overstated and that the threat posed by potential Chinese economic retaliation considerably diminished when the extent of bilateral interdependency is examined. Drawing on high-profile instances where Beijing employed economic coercion, I show how such measures mainly serve to signal resolve and induce

behavior change through influencing perceptions rather than credibly deal significant economic damage.

The findings of this paper contribute broadly to theories of economic dependence and vulnerability as they relate to international human rights promotion, by showing how perceptions can be more influential than material factors in driving approaches to foreign policy. It also adds to understandings of economic coercion and related strands in authoritarian politics by reappraising the effectiveness of economic coercion and contributes to a more nuanced formulation of authoritarian states' motivations for undertaking such measures.

Literature Review and Theory

The explanation offered most readily to account for why countries with established human rights foreign policy agendas tone down human rights criticisms levelled against certain authoritarian states is that of high economic dependence incentivizing the avoidance of topics that introduce tension and controversy into a strategic relationship. As economic dependence increases, states naturally become more sensitive to each other's interests and recognize how reliance on another state for important economic functions increases one's vulnerability to disruptive economic practices as a form of power politics.³ This is observable in developed countries' strategic reliance on authoritarian states with large reserves of primary resources, with policies that aim to maintain outwardly friendly relations to bolster energy security, while keeping concerns about human rights abuses relatively quiet in recognition that such criticism is often poorly received and can potentially negatively destabilize the relationship.

³ Christian O. Fjäder, "Interdependence as dependence: Economic security in the age of global interconnectedness," in *Geo-Economics and Power Politics in the 21st Century: The Revival of Economic Statecraft*, eds. M. Wigell, S. Scholvin, and M. Aaltola (Routledge, 2019), 29.

By examining the diplomatic behavior of Western countries like the US that until recently could not meet all of its energy needs domestically and thus depend on securing the indispensable oil imports to sustain even the most basic of economic activities, scholars have long documented how liberal democracies have forged close ties with authoritarian oil-rich states in the Middle-East and Africa.⁴ In the US' case, such policies are rooted in the 1970s oil shocks, particularly in 1973 when the Saudi Arabia-led OPEC proclaimed an oil embargo, causing oil prices to quadruple and the proliferation of gas lines across the country.⁵ The turmoil and the acute perception of vulnerability among American policymakers led to the designation of reliable access to energy as a paramount foreign policy objective and the subsequent close engagement with Saudi Arabia.⁶ In return for ensuring the continuous flow of oil at reasonable prices, the US in turn took the responsibility for guaranteeing Saudi Arabia's security and demonstrated a willingness to turn a blind eye to the kingdom's poor performance on most measurements of freedom and human rights.⁷

Other scholars, while acknowledging that countries with authoritarian states as key trading and investment partners have incentives to deprioritize human rights issues in bilateral ties, have pointed rather to the primacy of geopolitical factors in explaining the phenomenon. Kelemen and Turcsányi demonstrate how states can put aside their otherwise fundamental human rights foreign policy goals when dealing with authoritarian regimes that play crucial

⁴ See Bellin, "The Robustness of Authoritarianism in the Middle East: Exceptionalism in Comparative Perspective," 147–49; Bader and Daxecker, "A Chinese Resource Curse? The Human Rights Effects of Oil Export Dependence on China versus the United States."

⁵ David Bernell and Christopher A. Simon, *The Energy Security Dilemma: US Policy and Practice* (Routledge, 2016), 24.

⁶ Ibid, 25.

⁷ Rachel Bronson, *Thicker than Oil: America's Uneasy Partnership with Saudi Arabia* (Oxford University Press, 2005), 3–6.

regional roles.⁸ Using the case studies of the reactions of various Middle Eastern countries towards China's deepening crackdown on the Uyghur minority in Xinjiang in the late 2010s, they argue that despite the importance for many Muslim theocratic states of positioning themselves as strong defenders of Islam and Muslims for purposes of domestic regime legitimacy, these states have, with almost no exceptions, avoided criticizing China on the Xinjiang issue.⁹ Kelemen and Turcsányi argue this is due to two main reasons: 1) China's assurances that it respects Islam but opposes separatism and extremism "rang the bell in many Muslim capitals" that looked to similar domestic and regional challenges; 2) The leaders in these countries generally view China favorably in appreciation of its role as a regional balancer against the influence of the West and its non-ideological diplomatic approach emphasizing mutual non-interference in internal affairs.¹⁰

The geopolitical expediency explanation is also espoused by scholars like Amir Azarvan who argue that like the Cold War era, states will often put aside human rights issues in dealing with repressive regimes perceived as having similar geopolitical or ideological alignment.¹¹ Using the example of US-Algeria relations, Azarvan demonstrates how Algerian leaders successfully leveraged its experience of fighting a civil war against Islamist militants in the early 1990s to then position itself to the US as an ally during the War on Terror.¹² Combined with the access to Algerian oil reserves, estimated to be the seventh largest in the world, that American IOCs have managed to negotiate, the US has in return stayed largely silent on the Algerian

⁸ Kelemen and Turcsányi, "It's the Politics, Stupid: China's Relations with Muslim Countries on the Background of Xinjiang Crackdown."

⁹ Ibid, 227.

¹⁰ Ibid, 224.

¹¹ Azarvan, "Terror, Oil and Repression in Algeria."

¹² Ibid, 238-40.

government's otherwise unacceptable policies such as the cancellation of elections and extrajudicial arrests and killings.¹³

This paper will add to the existing literature by taking a different approach, developing a theory that places primacy on the perceptions held by high-level political policymakers at the cabinet-level. It argues that countries (X) with established human rights foreign policy goals will moderate their human rights criticisms towards authoritarian countries (Y) based on self-perceptions of economic vulnerability. The independent variable is the perception held by Country X's top political figures and foreign policymakers of their economic vulnerability vis-à-vis authoritarian Country Y. The dependent variable is the degree to which Country X deprioritizes its human rights diplomacy towards Country Y, such as engaging in self-censorship on human rights abuses in Country Y or by reducing the extent of its commitment down to the level of lip service. This paper defines "economic vulnerability" as comprised of two components. The first is the common conception of economic dependence, manifested in high bilateral trade volumes and strategic dependence of Country X on Country Y either as a destination for exports or as a source of imports, making disruptions costly and undesirable. The second component concerns the propensity of Country Y to use economic coercion in the form of either formal or informal economic sanctions to retaliate against criticisms of its regime, leading to negative economic repercussions in Country X.

The causal mechanism is that as countries (X) perceive their economic dependence to be increasing vis-à-vis an authoritarian trading partner (Y), combined with a perception of the latter's tendency to lash out economically against human rights criticisms, they (X) will deprioritize their human rights-related foreign policy agenda in the hopes of keeping the bilateral

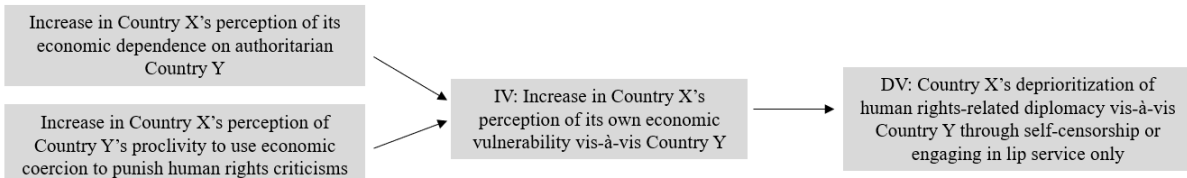
¹³ Ibid, 245–6.

economic relationship stable and satisfy the preferences of domestic industry and business interests. By avoiding introducing human rights-related frictions, countries (X) hope to avoid trade disruptions, maintain stable growth, and protect themselves from the volatility of authoritarian politics. This process reflects Country X's anxieties about its own economic trajectory against the perceived strong economic position of Country Y, as well as a perception that human rights criticisms constitute a fraught area in bilateral diplomacy where the high potential costs of pursuing a more vigorous policy outweigh the low possibility of inducing any substantial policy change.

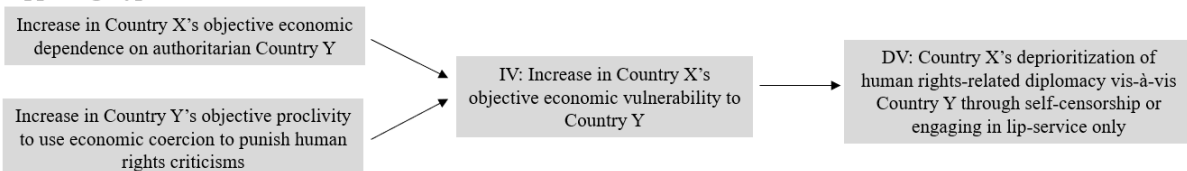
To implement process-tracing, I propose an opposing hypothesis that holds that the same change in the dependent variable predicted by the main hypothesis is in fact caused by an objective, empirical Country X economic vulnerability to Country Y. As a result, whereas the main hypothesis implies that in Country X the self-perceptions of economic vulnerability held by top policymakers diverges from empirical reality, the opposing hypothesis holds that perception and reality are congruent. It argues that because calling attention to Country Y's human rights record would provoke economic retaliation that could credibly deal significant damage and cause economic disruption, it incentivizes Country X to deprioritize human rights diplomacy to preserve stable relations.

Figure 1: Causal Graph

Main Hypothesis



Opposing Hypothesis



Research Design

To evaluate the theory and the opposing hypothesis, this paper will use the case study of Germany as Country X and examine how its self-perception of economic vulnerability vis-à-vis the People's Republic of China as the authoritarian country Y leads to a decrease in willingness to engage with the latter's human rights transgressions. This particular bilateral relationship represents a critical case, firstly because of China's status as the most economically powerful authoritarian country in the world and its uniquely high proclivity to use economic statecraft to deter and punish criticisms of its regime, especially concerning its human rights record.¹⁴ Secondly, Germany was chosen because despite its status as a top economy with a foreign policy agenda that includes well-established commitments to strengthening human rights around the world,¹⁵ it has long been considered to be among the friendliest and least-critical towards China among liberal democracies.¹⁶ Moreover, Germany's preference to pursue many of its foreign policy objectives through the framework of the European Union (EU), where it is the most influential Member State and has a particularly dominant role in shaping the Bloc's foreign and security policy, means that its perceptions have an outsized influence on international politics and thus especially worth studying more in-depth.¹⁷

For the independent variable, given that the perceptions held by high-level political decisionmakers such as the head of government or foreign minister are difficult to directly

¹⁴ Evan A. Feigenbaum, "Is Coercion the New Normal in China's Economic Statecraft?", *Carnegie Endowment for International Peace*, July 25, 2017, <https://carnegieendowment.org/2017/07/25/is-coercion-new-normal-in-china-s-economic-statecraft-pub-72632>.

¹⁵ German Federal Foreign Office, "Germany's foreign and European policy principles," October 9, 2019, <https://www.auswaertiges-amt.de/en/aussenpolitik/themen/policy-principles/229790>.

¹⁶ Ashutosh Pandey, "Opinion: Germany must call off Angela Merkel's Chinese love affair," *Deutsche Welle*, September 7, 2021, <https://www.dw.com/en/opinion-germany-must-call-off-angela-merkels-chinese-love-affair/a-59059326>.

¹⁷ Niklas Helwig and Marco Siddi, "German Leadership in the Foreign and Security Policy of the European Union," *German Politics* 29, no. 1 (2020): 3–6.

observe and measure, this paper will seek to use public communications as a substitute. For German self-perceptions of economic vulnerability, this paper will mainly look at public speeches and statements given by former Chancellor Angela Merkel. Her long 16-year tenure as Chancellor means that she presided alongside a dramatic period of Chinese economic transformation that was accompanied by a parallel increase in the latter's diplomatic assertiveness. Extremely influential in shaping German and EU foreign policy, she was responsible for defining the country's China policy as a *Kanzlersache* (the chancellor's business), making her an ideal figure to examine German perceptions of China.¹⁸ The analysis will be anchored temporally by the transition from a "value-driven" China policy that marked Merkel's early Chancellery to a different approach defined by a pragmatic focus on economic ties at the expense of human rights considerations that came about after the financial crisis, and which was maintained through the rest of her tenure.

I will draw upon a key study by Heiduk which coded 57 speeches given by Merkel at key domestic and international events between 2006 and 2013 in which China is mentioned and then put the data through a content-analysis that categorized how Merkel described 1) China's powers/capabilities; 2) China's international goals/motivations; and 3) What Germany's policy towards China should be.¹⁹ This will be combined with a series of interviews that Heiduk personally conducted with staff in the German Chancellery and the Federal Foreign Office to give a well-rounded picture of the perceptions held by German foreign policymakers and how these have shifted as China's global economic weight has gone up. On account of the nature of close public-private ties in Germany, I will also briefly demonstrate, using anecdotally selected

¹⁸ Ian Johnson, "Can Berlin Get Tough on Beijing?", *Foreign Affairs*, October 11, 2021, <https://www.foreignaffairs.com/articles/china/2021-10-11/can-berlin-get-tough-beijing>.

¹⁹ Felix Heiduk, "Conflicting Images? Germany and the Rise of China," *German Politics* 23 no. 1-2 (2014): 121–2.

public interviews and comments by key industry leaders as reported in reputable media sources, how German business interests have played an influential role in the overall changing perceptions of China. As an export-based economy that benefited tremendously from China's market expansion, German industry executives, particularly in the high value-added manufacturing sectors, have played an outsized role in Germany's China policy over the years through their political connections and lobbying efforts.²⁰ Put together, these angles of analysis will show how the main decision-makers in Germany perceive China as a crucial source of growth and how they have tried to negotiate the tension between strengthening economic ties and promoting respect for human rights.

For the dependent variable, in light of the absence of a dataset that maps out the frequency and severity of German criticisms of Chinese human rights and how they have changed over time, this paper will instead examine major trends in German behavior vis-à-vis China over Merkel's tenure and high-profile flashpoints that brought Germany's deprioritization of human rights issues into sharp focus. Drawing on reporting by reputable media sources, selected on an anecdotal basis, to highlight events that have attracted international attention in recent years, I will look at public comments made by Merkel and her cabinet ministers as well as a series of foreign policy actions that have provoked criticisms from both abroad and at home for focusing on trade with China at the expense of glossing over the widening gulf in approaches to human rights between the two sides.²¹ The analysis will consider instances where the German side displayed self-censorship, such as when cabinet-level political figures and top industry officials have publicly advised against discussing topics considered "sensitive" by China, or in

²⁰ Guy Chazan and Erika Solomon, "'We Need a Real Policy for China': Germany Ponders Post-Merkel Shift," *Financial Times*, January 5, 2021, <https://www.ft.com/content/0de447eb-999d-452f-a1c9-d235cc5ea6d9>.

²¹ The Economist, "Angela Merkel's soft China stance is challenged at home," July 18, 2020, <https://www.economist.com/europe/2020/07/16/angela-merkels-soft-china-stance-is-challenged-at-home>.

instances when Berlin refrains from commenting on a concurrent high-profile human rights issue in China whereas other liberal democratic states like the US or UK put out public condemnations. Another key area of analysis is charting the efforts by German diplomats to decouple bilateral economic negotiations from human rights discussions and how they have succeeded in largely relegating human rights issues to closed-door “bilateral dialogues.”

As part of process tracing, the opposing hypothesis will be tested by looking at international trade data to outline the extent of the significance which the Chinese market holds for Germany’s export-based economy, especially for its top industries. At the same time, drawing on data and analysis by scholars, think tanks, and media sources, this paper will show that the commonly touted German strategic dependence on China is not satisfactorily convincing and that for the most part Chinese economic threats lack credibility. A series of mini-case studies of high-profile instances of Chinese economic coercion, such as with South Korea in 2017,²² with Japan in 2010,²³ and Australia in 2020-2021 will be used to show that because dependence cuts both ways and that economies often exhibit the dynamism to diversify when put under pressure, China’s coercive tactics rarely succeeds in inducing substantial policy change.²⁴

Analysis

The election of Angela Merkel as German Chancellor in 2005 appeared at the time to herald bold changes to Germany’s foreign policy. In contrast to her predecessors, Merkel

²² Darren J. Lim and Victor A. Ferguson, “Informal Economic Sanctions: The Political Economy of Chinese Coercion during the THAAD Dispute,” *Review of International Political Economy*, May 1–24 (2020): 1–24.

²³ Kristin Vekasi, “Politics, Markets, and Rare Commodities: Responses to Chinese Rare Earth Policy,” *Japanese Journal of Political Science* 20, no. 1 (2019): 2–20.

²⁴ Jaime Smyth, “Australia shrugs off China trade dispute and opens new markets,” *Financial Times*, May 25, 2021, <https://www.ft.com/content/95ad03ce-f012-49e9-a0c2-6e9e95353dd1>; Michael Schuman, “China Discovers the Limits of Its Power,” *The Atlantic*, July 28, 2021, <https://www.theatlantic.com/international/archive/2021/07/china-australia-america/619544/>.

declared her resolute intention to make upholding human rights a key tenet of her “value-driven” diplomacy, which she demonstrated in 2007 when she made the unprecedented move of receiving a visit by the Dalai Lama over objections from within her own government.²⁵ However, China’s subsequent decision to cancel scheduled dialogues with senior German officials for a whole year significantly disquieted the German political and industrial elite.²⁶ The main turning point in changing German perceptions was the 2007–2009 global financial crisis, during which the Chinese economy stood out by its resilience and continued strong growth in contrast to most other major economies. The close links between German firms and the expansion of the Chinese market during this time allowed Germany to rebound quickly from the downturn and largely weather the subsequent eurozone crisis as well.²⁷ Top aides to Merkel, in a series of interviews conducted by Noah Barkin in August 2019 and January 2020, emphasized that a key component of her perception of China is a perennial recognition of the important role that China played for Germany during that time of “existential turmoil for Europe.”²⁸

A study by Heiduk assembled a dataset that coded 57 public speeches made by Merkel between 2006 and 2013 in which China is mentioned, at events during and after visits to China as well as at key German and international forums.²⁹ The study then used content analysis to categorize what Merkel said based on: 1) How China’s powers and capabilities are described; 2)

²⁵ “Merkel Meets Dalai Lama Despite Chinese Criticism,” *Deutsche Welle*, September 23, 2007, <https://www.dw.com/en/merkel-meets-dalai-lama-despite-chinese-criticism/a-2793322>; Judy Dempsey, “Despite censure from Beijing, Merkel meets with Dalai Lama in Berlin,” *The New York Times*, September 23, 2007, <https://www.nytimes.com/2007/09/23/world/europe/23iht-berlin.4.7609899.html>.

²⁶ Noah Barkin, “Rethinking German policy towards China,” *Chatham House*, May 2021, <https://www.chathamhouse.org/2021/05/rethinking-german-policy-towards-china>, 4.

²⁷ Ibid.

²⁸ Noah Barkin, “Germany’s Strategic Gray Zone With China,” *Carnegie Endowment for International Peace*, March 25, 2020, <https://carnegieendowment.org/2020/03/25/germany-s-strategic-gray-zone-with-china-pub-81360>.

²⁹ Felix Heiduk, “Conflicting Images? Germany and the Rise of China,” *German Politics* 23, no. 1-2 (2014): 118–33.

How China's motives and goals are described; 3) What Germany's policy preferences towards China should be.

From Figure 2 below, it is clear that Merkel's perception of China is primarily defined by its economic power (which comes up 46.87% of the time Chinese capabilities are mentioned) and its role as a "transformative" player in the international system. According to Heiduk, Merkel frequently emphasizes the size of the Chinese market, its impressive growth rates, and the important opportunities these provide for Germany.³⁰ A key pattern of her speeches during this period is a recognition of growing dependence on China, exemplified by a speech given in Beijing in July 2010 where she remarks, "China has managed to surmount the international financial and economic crisis in an impressive manner and has thereby made a contribution to the abilities of others, especially Germany as an export-oriented nation...to overcome the crisis,

Figure 2: Heiduk (2014)

CHINA'S POWER AND CAPABILITIES		
Power category	No. of mentions	Percentage
Economic	45	46.87
Transformative	29	30.20
Diplomatic	19	19.79
Ideational	3	3.12
	<i>n</i> = 42	
CHINA'S MOTIVES AND OBJECTIVES		
Motivation category	No. of mentions	Percentage
Access to int. markets	17	41.46
Maintain internal stability	14	34.14
Improve international image	5	12.19
Increase int. pol. weight	5	12.19
	<i>n</i> = 19	
POLICY PREFERENCES TOWARDS CHINA		
Policy category	No. of mentions	Percentage
Economic cooperation	53	35.58
International rule of law	35	24.82
Address human rights	28	19.85
Shared global governance responsibilities	25	17.83
	<i>n</i> = 38	

³⁰ Ibid, 123.

too.”³¹ In a 2010 speech at a research institute in Tel Aviv, Merkel describes the financial crisis as having “reshuffled the cards” of the international economy and shifted the global economic weight towards the Indo-Pacific.³² At a World Bank event in Frankfurt in 2008, Merkel expressed that “If economic growth in these countries [China] is slowing down, then the repercussions of this are directly felt by the German economy.”³³ This has to do with what Merkel described as the “limited growth potential of the European market” and the perception that Germany can only hope to sustain its economy by taking advantage of expanding markets abroad, with closer economic ties with China constituting a “Zukunftsfrage”—a “question for the future.”³⁴

In the interviews that Heiduk conducted with officials in the Chancellery, he similarly found a widespread perception that the number one priority in the bilateral relationship was ensuring good and stable economic relations, while that of addressing human rights concerns was very low on the list.³⁵ Interviewees in the Bundestag across party lines identified Chinese diplomacy as driven primarily by domestic concerns, with a perception of Beijing’s priorities to be preserving the legitimacy of the Communist Party, ensuring internal stability through continued economic growth, and being seen as a strong defender of Chinese territorial integrity.³⁶ Given China’s tendency to interpret human rights criticisms on salient issues such as Hong Kong or the Uyghur minority in Xinjiang within the context of “encouraging separatism” and as direct challenges against its regime, the interviewees’ responses thus demonstrate an

³¹ Ibid, 124.

³² Ibid.

³³ Ibid, 123.

³⁴ Ibid, 127.

³⁵ Ibid, 128.

³⁶ Ibid, 126.

awareness of Chinese diplomatic redlines and help explain how German foreign policymakers might feel incentivized to tamper down on discussion of these volatile issues.

The powerful industries in the German export sector have played an important role in shaping German perceptions. As the backbone of the German economy, firms in the powerful automobile, machinery, and chemicals industries have long been at the forefront of economic engagement with China and have benefited the most from the latter's tremendous growth.³⁷ The traditional closeness of public-private ties in Germany has meant that industry executives have long enjoyed a strong hand in shaping foreign policy towards China through their lobbying efforts. For instance, in every state visit that Merkel has made to China during her tenure, it has been common practice to bring along a large delegation of top industry executives and to lobby for their interests in front of the Chinese leadership.³⁸

As part of her brand as a steward of stability, Merkel felt a distinct responsibility to ensure that Germany's national champions enjoy stable access to the world's largest market and that their investments are protected. Her attitudes are influenced by German executives' perceptions of their vulnerable position as first in the firing line of any politicized diplomatic dispute, a notion that has on occasion been reinforced by Chinese rhetoric. For example, in late 2019 when Merkel faced both American and domestic pressure to ban Huawei from taking a hand in developing the country's 5G network, the PRC ambassador to Germany issued a thinly veiled threat, remarking that of the 28 million cars sold in China in 2018, about a quarter were German-made, and that "If Germany were to make a decision that led to Huawei's exclusion from the German market, there will be consequences... The Chinese government will not stand

³⁷ The Economist, "Angela Merkel's soft China stance is challenged at home," July 18, 2020, <https://www.economist.com/europe/2020/07/16/angela-merkels-soft-china-stance-is-challenged-at-home>.

³⁸ Noah Barkin, "Rethinking German policy towards China," 5.

idly by.”³⁹ The perceptions held by German industry executives are perhaps best exemplified by the comments made by Jörg Wuttke, who is serving as the President of the EU Chamber of Commerce in China as well as the head of the German chemical giant BASF’s China division: “We have to play ball with the Chinese...If you are not at the table, you are on the menu.”⁴⁰

The effect of these changes in German self-perceptions of economic vulnerability, both that it has developed a significant dependence on China for growth and concerns that the stability of this trading relationship is particularly susceptible to disruption by Beijing, have meant a recalibration of how human rights is approached. As Heiduk finds, in sharp contrast to Merkel’s early Chancellery, her post-financial-crisis foreign policy has attached relatively low importance to human rights diplomacy, with frequent references to “fundamental differences in opinion” between Germany and China, and even when the topic is brought up, it is almost always followed with an emphasis on the importance of stable trade relations.⁴¹

As evidence of this recalibration, during the controversy over the National Security Law in Hong Kong, the German foreign ministry drew criticisms of self-censorship when it urged people to be “particularly careful” about posting comments critical of China on social media, saying that “it can’t be fully excluded” that the new law might be applied to German citizens.⁴² Subsequently, Merkel voiced her support for the message at a press conference, emphasizing the need for “mutual respect”—a phrase often used by Beijing—and to make efforts to “seek dialogue,” an altogether muted response in comparison to the US, which instituted a ban on the

³⁹ Tony Czuczka and Steven Arons, “China Threatens Retaliation Should Germany Ban Huawei 5G,” *Bloomberg*, December 14, 2019, <https://www.bloomberg.com/news/articles/2019-12-14/china-threatens-germany-with-retaliation-if-huawei-5g-is-banned>.

⁴⁰ The Economist, “Deutschland AG continues to pour billions into China,” January 7, 2021, <https://www.economist.com/business/2021/01/07/deutschland-ag-continues-to-pour-billions-into-china>.

⁴¹ Heiduk, 128.

⁴² Guy Chazan, “Merkel comes under fire at home for China stance,” *Financial Times*, July 7, 2020, <https://www.ft.com/content/bf1adef9-a681-48c0-99b8-f551e7a5b66d>.

export of weapons and “sensitive technology” to Hong Kong, and the UK, which created a path to citizenship for almost 3 million Hong Kong residents.⁴³ While this kind of sidestepping of Chinese human rights issues is by no means exclusive to Germany, its leaders and companies stand out in the extent they are willing to accommodate Beijing. In another high-profile incident, Herbert Diess, CEO of the Volkswagen Group, drew criticism for his remarks in a BBC interview where he is seen saying that he is “not aware” of reports documenting the mass detention of the Uyghur minority in Xinjiang.⁴⁴ In January 2020, Merkel conspicuously held back from congratulating Taiwanese President Tsai Ing-wen on her re-election, whereas both the UK and France publicly did so.⁴⁵

Another key way to understand how Germany under Merkel has deprioritized human rights in its China policy is through how she has held firm to the doctrine of *Wandel durch Handel* (“change through trade”), a holdover from West German policies like *Ostpolitik* that hoped to inspire change and loosen repression in Communist Eastern Europe through encouraging dialogue and boosting trade.⁴⁶ It is a strategy that was similarly applied to China during the latter’s economic liberalization reforms beginning in the early 1980s, but has since been discredited, especially given China’s authoritarian entrenchment under Xi Jinping, and top German officials’ continued declared commitment to the doctrine is increasingly being seen as self-serving. In July 2020, Economy Minister Peter Altmaier, a close ally of Merkel, defended Berlin’s muted response to the National Security Law in Hong Kong by emphasizing that “[w]e

⁴³ Ibid.

⁴⁴ Rick Noack, “Volkswagen CEO ‘not aware’ of Uighurs detained in China’s Xinjiang, despite having a factory there,” *The Washington Post*, April 17, 2019, <https://www.washingtonpost.com/world/2019/04/17/volkswagen-built-factory-chinas-xinjiang-where-up-million-uighurs-have-been-detained-its-ceo-says-hes-not-aware-that/>.

⁴⁵ Noah Barkin, “Germany’s Strategic Gray Zone With China.”

⁴⁶ Stephen F. Szabo, “No Change Through Trade,” *Berlin Policy Journal*, August 6, 2020, <https://berlinpolicyjournal.com/no-change-through-trade/>.

have trade relations with many regions across the globe, including in many cases countries that have a different understanding of civil rights than we have in Germany...I still believe that change can be achieved through trade.”⁴⁷ Following a trip to China as part of Merkel’s delegation in 2019, which went ahead despite the concurrent Hong Kong protests over the extradition bill, the CEO of the industrial manufacturing giant Siemens reiterated the importance of *Wandel durch Handel* and warned against taking critical positions against Beijing, urging Germany to be “thoughtful and respectful” and reminding that “[i]f jobs in Germany depend on how we deal with controversial topics, then we shouldn't add to indignation, but rather carefully consider all positions and actions.”⁴⁸

Yet for all the talk of “change through trade,” Germany has in fact made systematic efforts to decouple human rights issues from trade relations by relegating it to closed-door talks. Known as the Human Rights Dialogue, with instances both at the EU-China and Germany-China levels, these were instituted in the late 1990s to move relations past the post-Tiananmen embargoes and ostensibly maintain a commitment to improving human rights in China while allowing business to flourish.⁴⁹ That this Dialogue has continued to be held in the Xi era speaks to Germany’s prioritization of its material interests at the expense of human rights, more so because in two decades the Dialogue has achieved very little.⁵⁰ As Katrin Kinzelbach found, it has evolved into a form of “intensive training for a small number of Chinese officials on how to engage with—and effectively counter—human rights related inquiries, criticism and

⁴⁷ Matthew Karnitschnig and Jakob Hanke Vela, “Germany’s economy minister defends Berlin’s muted response to China’s crackdown in Hong Kong,” *Politico*, July 15, 2020, <https://www.politico.com/news/2020/07/15/germany-hong-kong-china-365499>.

⁴⁸ Kate Brady, “Germany’s reluctance to speak out against China,” *Deutsche Welle*, July 7, 2020, <https://www.dw.com/en/germanys-reluctance-to-speak-out-against-china/a-54079606>.

⁴⁹ Max Roger Taylor, “Inside the EU–China Human Rights Dialogue: assessing the practical delivery of the EU’s normative power in a hostile environment,” *Journal of European Integration*, 4–5.

⁵⁰ *Ibid*, 11.

recommendations.”⁵¹ When faced with interlocutors that bring up human rights issues, Chinese officials simply emphasize “principles of mutual respect and non-interference in internal affairs” and a “refusal to be lectured” by European officials who they insist do not have a perfect human rights record either.⁵² The takeaway is that the continuance of these unproductive dialogues allows German and EU leaders to nominally affirm their commitment to human rights while systematically renegeing on them.

Assessing the opposing hypothesis

The opposing hypothesis holds that the same change in the dependent variable is driven in fact by an objective German economic vulnerability to China. In testing this, it is useful to recognize that German export value as a share of total GDP accounted for 43.4% in 2020, much higher than the US at 10.1%, China at 10.1%, and Japan at 17.4%.⁵³ Importantly, its dependence on Chinese trade is concentrated in its biggest and most important industries: high value-added products such as cars, machine tools, chemicals, and high-end electronics accounted for as much as 70% of Germany’s ongoing export value to China.⁵⁴ From 2005 to 2019, exports to China rose from around €25 billion to over €100 billion, with the growth of car exports playing a pivotal role, increasing eightfold from €3 billion to €27 billion in value over the same period.⁵⁵ China has the largest car market in the world, accounting for 33% of total worldwide auto sales in

⁵¹ Katrin Kinzelbach, *The EU’s Human Rights Dialogue with China: Quiet Diplomacy and its Limits* (Routledge, 2014), 214.

⁵² Max Roger Taylor, “Inside the EU–China Human Rights Dialogue,” 7.

⁵³ The World Bank, “Exports of goods and services (% of GDP),” 2020, Accessed November 17, 2021, <https://data.worldbank.org/indicator/NE.EXP.GNFS.ZS>.

⁵⁴ The Economist, “Deutschland AG continues to pour billions into China,” January 7, 2021, <https://www.economist.com/business/2021/01/07/deutschland-ag-continues-to-pour-billions-into-china>.

⁵⁵ The Economist, “Angela Merkel’s soft China stance is challenged at home,” July 18, 2020, <https://www.economist.com/europe/2020/07/16/angela-merkels-soft-china-stance-is-challenged-at-home>.

2020,⁵⁶ and has been described by observers as “the present and future of German carmakers.”⁵⁷ Automakers employ about 12% of the labour force in Germany’s vital manufacturing sector, and the burgeoning Chinese middle-class with its vast demand for luxury goods makes it a top growth market where 24% of all cars sold in 2020 were German-made.⁵⁸ According to the Wall Street Journal, The Volkswagen Group, the world’s largest manufacturer of cars by sales, makes nearly half of its global revenue in the Chinese market,⁵⁹ while the two other German automobile heavyweights Daimler and BMW each generated about a third.⁶⁰

This dependence of many of Germany’s top industries on Chinese trade has put into focus the damage that could accrue to the wider German economy should market access be choked off due to political headwinds. German policymakers would only have to look at the many Western brands that have run afoul of nationalist public sentiment in China and suffered consumer boycotts and state-sanctioned disruptions to their businesses. High-profile recent instances include the 2020 broadcast blackout of the NBA that ended up costing the organization about \$400 million in revenue and the boycott of Western sportswear brands like Adidas, H&M, and Nike in early 2021 when they expressed concern over allegations of forced labour in cotton production in Xinjiang.⁶¹ In the latter case, H&M saw their presence in online retailers completely scrubbed overnight, while Adidas’ revenue in China dropped about 15% across two

⁵⁶ International Organization of Motor Vehicle Manufacturers, “2020 Production Statistics,” 2021, accessed November 11, 2021, <https://www.oica.net/category/production-statistics/2020-statistics/>

⁵⁷ The Economist, “Deutschland AG continues to pour billions into China.”

⁵⁸ Marie Krpata, “The Automotive Industry: The Achilles' Heel of German Economy?,” *Ifri*, March 2021, 7.

⁵⁹ Bojan Pancevski, “Even Under New Leadership, Germany Won’t Confront China,” *The Wall Street Journal*, January 15, 2021, <https://www.wsj.com/articles/even-under-new-leadership-germany-wont-confront-china-11610723101>.

⁶⁰ Noah Barkin, “Rethinking German policy towards China,” 4.

⁶¹ Tom Kludt, “The losses are substantial’: the NBA’s trouble with China, four months on,” *The Guardian*, February 24, 2020, <https://www.theguardian.com/sport/2020/feb/24/china-nba-hong-kong-protests-financial-costs-update>; Georgi Kantehev and Stu Woo, “Adidas Takes Hit From Boycott in China, Once Seen as a Growth Engine,” *The Wall Street Journal*, November 10, 2021, <https://www.wsj.com/articles/chinese-markets-promise-turns-to-threat-for-adidas-11636534875>.

quarters.⁶² For German industrial and political leaders who especially prize stability, Beijing's proclivity to inflict economic pain against Western companies when it feels affronted has resulted in the need to tread carefully on sensitive issues. For such an export-dependent economy like Germany, so the logic goes, the growth potential afforded by the Chinese market is simply too important, and the susceptibility of trade to political disruptions too acute, that determined efforts have been made to largely keep discussions of human rights out of bilateral ties to protect trade.

However, I argue that Germany's economic dependence on China can be overstated. For instance, while China may be Germany's largest trading partner, in 2019 it accounted for only 7.25% of Germany's total export value and only 10% of import value.⁶³ To put in perspective, Germany trades more with the Visegrad Four in Europe alone, and it is estimated that less than 2.5% of jobs at home rely directly on exports to China.⁶⁴ To get a sense of Germany's supply chain dependence on China, it is useful to take a look at the situation of the EU overall. Max Zengelin conducted an analysis of the EU's supply-chain dependence on China, defining "strategic dependence" as cases where the EU imports from China more than 50% of its supply of a good that China controls more than 30% of the global supply, and "critical strategic dependence" as instances where "limited access to a product category can disrupt a country's economy or leave it otherwise vulnerable."⁶⁵ By these definitions, Zengelin found that in 2019 the EU was strategically dependent on China for 659 of over 5600 product categories, and

⁶² Ibid.

⁶³ WITS, "Germany trade balance, exports and imports by country 2019," n.d., Accessed November 17, 2021. <https://wits.worldbank.org/CountryProfile/en/Country/DEU/Year/LTST/TradeFlow/EXPIMP/Partner/by-country>.

⁶⁴ The Economist, "Angela Merkel's soft China stance is challenged at home."

⁶⁵ Max J. Zengelin, "Mapping and Recalibrating Europe's Economic Interdependence with China," *Mercator Institute for China Studies*, November 18, 2020, <https://merics.org/en/report/mapping-and-recalibrating-europes-economic-interdependence-china>.

critically dependent on 103. However, he points out that the vast majority of these products are located in low value-added, less technologically sophisticated areas of the value chain. This situation applies largely to Germany, which can be considered vulnerable insofar as if these supply chains were targeted by coercive measures, it would be costly and difficult to build up alternatives.⁶⁶ However, the key point is that it is a question of cost rather than technological feasibility, and as I demonstrate later with a mini case study of China cutting off rare earth exports to Japan, the dynamism of economies and their ability to diversify in the face of coercion should not be underestimated.

An evaluation of Germany's economic vulnerability to China also needs to take into account the dependencies both ways to understand why China may be incentivized to reconsider before lashing out with harsh enough coercive measures that might provoke a German retaliation. For one thing, German firms are among the largest foreign investors in China, providing the indispensable capital and technology that fuels Chinese growth. For instance, in 2019, Volkswagen reinvested 90% of the profits it generated in China back into the country in the increasingly strategic electric car sector, while the chemical giant BASF recently broke ground on a new \$10 billion facility.⁶⁷ Indeed, China relies heavily on German investments in local R&D and the transfer of crucial technologies and expertise to boost Chinese innovation and support Beijing's ambitions to move its economy up the value chain.⁶⁸ Moreover, China has a critical dependence on certain German high-tech exports such as the German-made machinery tools used in factories across China, for which there are no alternatives and thus no possibility of diversification if relations turn sour.⁶⁹ The best exemplification of this is the German *Mittlestand*:

⁶⁶ Ibid.

⁶⁷ Ibid.

⁶⁸ Ibid.

⁶⁹ Ibid.

a group of 20,000 small to medium-sized enterprises specializing in high-tech industrial and manufacturing equipment, with about 1,000 to 1,500 to be world-leading in their niche sub-sectors.⁷⁰ Their business model is extreme focus on often only a single major task, but in doing so they make themselves indispensable to manufacturing firms around the world, especially the myriad in China that have been so crucial to Beijing's growth model.⁷¹ Accordingly, the links of interdependency exemplified by the *Mittlestand* suggests that China has incentives to take a limited approach to economic coercion that avoids pushing too hard and risking potential counterretaliation.

In this last section, I will demonstrate through a series of mini case studies that the threat posed by potential Chinese economic coercion lacks credibility because past coercive campaigns have rarely succeeded in inducing significant policy change. This has much to do with the fact that China almost exclusively undertakes economic coercion through selective informal sanctions designed to allow plausible deniability, precluding the likelihood of wide-ranging enough measures that could potentially lead to formal international disputes being opened against it.⁷² This has the effect of blunting the severity of their impact on target economies.

During a 2010 diplomatic crisis between China and Japan over the territorial dispute over the Senkaku/Diaoyu islands, China decided to cut off exports of rare earths, of which it controlled over 90% of the world's supply.⁷³ Rare earths are critical in the production of hybrid car engines, mobile phone batteries, and satellites, constituting an area of heightened

⁷⁰ K.C. Fung, "Europe, Germany and 'The German Model': Economic Links and Implications for China," *Global Economic Review* 44, no. 4 (2019): 383.

⁷¹ Ibid.

⁷² Lim and Ferguson, "Informal Economic Sanctions: The Political Economy of Chinese Coercion during the THAAD Dispute," 2–4.

⁷³ Vekasi, "Politics, Markets, and Rare Commodities: Responses to Chinese Rare Earth Policy," 2.

vulnerability for Japan which China keenly identified and exploited.⁷⁴ On paper, this was a case of where “economic dependence [was] high, and alternative markets or substitutable products undeveloped or unavailable, [meaning] economic statecraft should [have been] maximally effective.”⁷⁵ However, Japanese policymakers reacted quickly and rolled out an ambitious state-led diversification strategy that sought to boost partnerships with countries possessing untapped rare earth reserves and to organize economic tours and trade fairs for Japanese firms to connect with new suppliers and establish new joint ventures.⁷⁶ These efforts allowed Japan to absorb much of the pressure and saw Japanese dependence on Chinese rare earth imports drop from over 90% prior to the standoff down to less than 60%.⁷⁷ Importantly, China’s coercion failed to achieve any significant shift in policy, given that the incident did not seem to deter Japan’s determination to assert its territorial claims, as an even bigger diplomatic row would be set off two years later when Tokyo formally “purchased” the islands from a private individual.⁷⁸

In 2016, South Korea announced that it would partner with the US to deploy the THADD missile defense system, provoking a fierce Chinese reaction on grounds that the powerful radar could be used to spy on Chinese territory.⁷⁹ Over the next year, China instituted a series of informal sanctions against Korea, including encouraging consumer boycotts of Korean goods, bans on ongoing Chinese tourist groups, and the high-profile shuttering of Korean conglomerate Lotte’s all 74 supermarkets in China on grounds of “fire safety violations.”⁸⁰ This was another case where economic coercion should have been straightforward given the asymmetric trade

⁷⁴ Ibid, 4.

⁷⁵ Ibid, 3.

⁷⁶ Ibid, 7–9.

⁷⁷ Ibid, 10.

⁷⁸ Ibid, 3.

⁷⁹ J. Paradise, “Sanction effectiveness in the China-South Korea THAAD dispute,” in *Challenges to China’s economic statecraft: A global perspective*, eds. E. Yang and W. Liang (Rowman and Littlefield, 2019), 33.

⁸⁰ Ibid.

dependence, with the Chinese market accounting for around 25% of Korean exports in 2016 while Korea absorbed only about 10% of Chinese exports.⁸¹ As it turned out, the extent of coercion was limited, with total bilateral trade and Korean exports to China both growing by 14% in 2017.⁸² Moreover, a year and a half later since the coercion campaign first began, it remained unclear if China's strategy paid off. In response to the economic pressure, South Korea did announce the "Three No's" policy, promising that it would neither deploy additional THAAD units, join a US regional defense missile network, or seek to join the US-Japan military alliance.⁸³ However, Paradise argues that it is likely President Moon Jae-in would have pursued these policies regardless; importantly, the existing THAAD system remained in place, meaning that China had largely failed to induce any sort of fundamental policy change.⁸⁴

Finally, let us consider the case of Australia's 2020-21 trade dispute with China set off by Prime Minister Scott Morrison's call in April 2020 for an independent investigation into the origins of COVID-19. Beijing responded with informal sanctions designed to exploit Australia's dependence on the Chinese market, which accounted for a third of exports, by imposing tariffs on Australian goods such as barley, coal, beef, cotton, and wine.⁸⁵ At the time, some voices in Australian industry sounded the alarm and warned of significant economic setbacks.⁸⁶ A year later, the picture looked very different. The data shows that Australian exporters were able to successfully diversify to other markets in Europe, India, and Latin America: while the combined

⁸¹ Lim and Ferguson, "Informal Economic Sanctions: The Political Economy of Chinese Coercion during the THAAD Dispute," 6.

⁸² Ibid, 2.

⁸³ Paradise, 34.

⁸⁴ Ibid, 54.

⁸⁵ Jaime Smyth, "Australia shrugs off China trade dispute and opens new markets," *Financial Times*, May 25, 2021, <https://www.ft.com/content/95ad03ce-f012-49e9-a0c2-6e9e95353dd1>.

⁸⁶ Jaime Smyth, "Australian farmers warn China trade spat will cost them \$28bn," *Financial Times*, February 4, 2021, <https://www.ft.com/content/7cd518d0-a2e3-4782-8dc4-ba763dab283e>.

annual value of export goods to China that were subject to tariffs fell by \$9 billion USD, the value of those same exports to other markets increased by \$13.4 billion.⁸⁷ Significantly, the data also shows that Sino-Australian bilateral trade actually increased by 16% year on year in May 2021, driven primarily by strong growth in Chinese demand for Australian iron ore.⁸⁸ This case demonstrates the ways that interdependency can act to blunt the effectiveness of coercive measures. As Michael Schuman argues, “there was a limit to how hard Beijing could squeeze: Australian iron ore is the lifeblood of China’s construction industry, and Australian lithium underpins the Chinese electric-vehicle industry.”⁸⁹ In the end, not only did Beijing’s coercion campaign fail to foment a rift between government and industry in Australia, but it in fact helped to harden the Australian bipartisan consensus, itself bolstered by the further deterioration in Australian public opinion towards China.⁹⁰

These mini case studies constitute strong evidence against the opposing hypothesis that an objective German economic vulnerability drives the changes in the dependent variable, but is not enough to decisively reject it. Beijing’s preference for informal sanctions means its coercive measures are inherently narrow in scope and focused on inflicting concentrated short-term economic pain rather than wide-ranging sustained damage. Chinese leaders do not want to risk countries opening formal trade disputes or provoke counterretaliations that could potentially damage growth at home, meaning that the main goal is to influence foreign perceptions and “kill the chicken to scare the monkeys.”⁹¹ This reinforces the main hypothesis, with Beijing seeking to instill in foreign countries the perception that “friendly political relations are necessary for good

⁸⁷ Smyth, “Australia shrugs off China trade dispute and opens new markets.”

⁸⁸ Rajiv Biswas, “Australia-China Trade Tensions: The Great Escape?”, *IHS Markit*, July 9, 2021, <https://ihsmarkit.com/research-analysis/australiachina-trade-tensions-the-great-escape-july21.html>.

⁸⁹ Michael Schuman, “China Discovers the Limits of Its Power,” *The Atlantic*, July 28, 2021.

⁹⁰ *Ibid.*

⁹¹ Zengelin, “Mapping and Recalibrating Europe's Economic Interdependence with China.”

economic relations,” thus incentivizing trading partners like Germany to pre-emptively deal with potential sources of political tension like the kind caused by drawing attention to China’s human rights record.⁹²

Conclusion

This paper set out to investigate why countries with established human rights-based foreign policy goals moderate their criticisms of human rights violations in authoritarian countries. Whereas common explanations tend to revolve around resource reliance, trade dependence, or geopolitical expediency, I proposed a theory that argued for the primacy of perceptions held by a country’s top foreign policymakers. I argued that increases in a Country X’s perception of its economic vulnerability vis-à-vis an authoritarian Country Y leads to a deprioritization of human rights-related criticisms in order to minimize potential disruption to the economic relationship. This was investigated using the critical case of Germany as Country X and China as Country Y.

I found strong support for the main hypothesis, with the 2007–2009 global financial crisis constituting an inflection point in German perceptions of China, who was seen as having weathered the storm exceptionally well and emerged as a key growth engine that helped stabilize Germany’s export-dominated economy. German political and business leaders, perceiving their increased economic dependency on China coupled with the latter’s increasing proclivity to exploit its new economic weight to punish regime criticisms, have shifted their bilateral approach to place an overriding emphasis on maintaining stable trade relations that systematically deprioritizes bilateral human rights engagement to avoid controversy.

⁹² Ibid.

In evaluating the opposing hypothesis, I found that while the dependence of top German firms on Chinese trade is considerable, the dependence of the overall economy is not as significant. Trade with China as a share of Germany's total trade volume is not exceptionally high, and supply chain dependence on China remains concentrated in low value-added goods. I argued that due to the structure of bilateral trade interdependency and China's own reliance on German high-tech exports and investment, any economic coercion is unlikely to be overly punishing. Moreover, I examined a series of mini case studies where countries that had relatively high economic dependence on China were targeted with coercive measures and found that such tactics consistently failed to deal any serious economic damage or inducing significant policy change.

The findings of this paper add to understandings of economic vulnerability in international political economy by demonstrating how perceptions can be more important than material factors in driving foreign policymaking. It also adds to research on economic coercion by demonstrating how authoritarian states can selectively use informal sanctions not necessarily to inflict heavy economic damage, but to signal redlines in diplomacy and instill a perception among trading partners that its preferences on issues like human rights need to be respected for stable trade relations to take place.

Future research should seek to triangulate the findings of this paper and strengthen the theory using other research methods that can bring in additional case studies featuring greater variation on both Country X and Y. There is also room for further investigation on authoritarian states' motives behind the use of economic coercion and examine how often they succeed in actually achieving their objectives.

For policymakers, the findings of this paper suggest that a key lever in inducing policy change in a target country is through influencing the perceptions held by its foreign policymakers rather than through material means only. For instance, for those seeking to bolster human rights promotion and encourage like-minded countries to put pressure on authoritarian states' violations, they will need to focus on first changing partner states' self-perceptions of economic vulnerability, which may mean strengthening alliances and implementing economic policies that can offer the ally a greater sense of economic security outside of trade with the authoritarian state. Lastly, this paper invites policymakers to reconsider evaluations of their country's economic dependence on China and the credibility of Beijing's threats of economic retaliation against criticism: both may not be as pronounced as previously thought.

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