

Economic MAD as Middle Powers’ Strategic Tool in the Great Power Rivalry

Ewan A. Smith and Shin-wha Lee

The Cold War theory of mutually assured destruction (MAD), which described the reciprocal damage resulting from the use of nuclear weapons, can be expanded in the 21st century to include more dimensions including climate and the economy. The economic dimension of MAD (dubbed as EMAD) is a situation where one country is incapable of disrupting trade with a target country without also causing itself significant economic damage. This can occur given the presence of a specific economic advantage on which the coercing power relies. How can the presence of EMAD help afford middle powers more leeway in their alignment decisions within this strategic dilemma? What economic advantages create a stronger situation of EMAD? In line with these inquiries, this article investigates three cases, each with differing degrees of economic MAD: the 2016 Korea–China dispute over THAAD deployment; the 2020 Australia–China dispute over Covid-19; and the 2022 case of Korea’s participation in IPEF. After all, middle powers need to develop a ‘collective security-type arrangement’ where China’s wielding of economic muscle against any middle power state is considered an aggression against all other middle powers, which act together or collectively assist the target state to make the most of EMAD vis-à-vis China. For this, it is reasonable and realistic to promote the democratic liberal international order (LIO) by aligning with U.S.-led unilateral and multilateral initiatives or mechanisms. Yet, it is also important to identify areas and ways to engage with China rather than alienating or excluding it on the international stage.

Key Words: thick or thin economic MAD (EMAD), US–China hegemonic competition, middle power strategies, Korean THAAD, IPEF, Australia–China relations, economic coercion

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INTRODUCTION

As the competition for hegemony between the United States and China spreads fiercely in all directions, the dilemma of middle power states that have to decide which side to take between the United States and China is growing. The Joe Biden administration, which put alliances and multilateral cooperation as the core agenda of foreign affairs and security, is declaring that it will work alongside U.S. allies to deal with China's threats and retaliatory measures.

It is controversial whether the U.S. has the will and ability to protect its partners from the damage they will sustain as a result of participating in the U.S.-led containment of China. But the U.S. certainly has the ability to alienate countries that do not cooperate with it. Even if countries demonstrate strategic ambiguity between the U.S. and China in consideration of their economic dependence and overall reliance on China, relations with China are unlikely to improve. The dilemma of choice is particularly sharp for countries within the Indo-Pacific region, which is the frontline of the increasingly fierce competition between the U.S. and China (Lee and Park 2021).

Within a highly asymmetric relationship, a country has little autonomy to choose in the great power rivalry, but if the smaller partner has specific economic advantages such as abundant natural resources, these advantages can create a degree of economic interdependence in its bilateral relationship with the larger partner. In this kind of situation, attempting economic coercion against the smaller partner will entail considerable collateral costs for the coercing power. In reference to the Cold War-era concept of mutually assured destruction (MAD), this situation can be termed economic MAD (hereafter also EMAD). EMAD provides a degree of resilience against economic coercion – for example, Australia's abundant supply of raw materials helped to shield Australia's economy against Chinese economic coercion in 2020, while South Korea's economy was significantly more vulnerable to coercion in the case of the THAAD dispute with China in 2016.

Then, how can EMAD help afford middle powers more leeway in their alignment decisions within this strategic dilemma? What economic advantages create a stronger situation of EMAD? Finally, will Korea's participation in the recently launched Indo-Pacific Economic Framework provoke a new round of massive economic coercion from China?

In line with these inquiries, the rest of this paper proceeds as follows. First, it explains the context of U.S.-China hegemonic competition, and the 'moment of truth' alignment dilemma that middle powers face. Second, the concept of economic MAD is explained and defined, along with the ways that it can act as

a strategic tool for middle powers. EMAD helps middle powers by providing resilience against economic coercion, creating the possibility to diversify trade, affording more leeway in alignment decisions, and acting as a diplomatic bargaining chip.

Third, three case studies are discussed and analyzed to display various degrees of EMAD: the 2016 Korea-China dispute over THAAD deployment; the 2020 Australia-China dispute over Covid-19; and the 2022 case of Korean participation in the Indo-Pacific Economic Framework (IPEF). These cases were selected because they are prominent examples of how advanced middle powers experience and respond to economic coercion from China. They span a broad range of issue areas from military and security (THAAD dispute) to global health (COVID-19), and to challenges of multilateral alignment (IPEF), and demonstrate how Korea and Australia are each navigating the U.S.-China competition in their own ways. From these cases, we conclude that Korea during the THAAD dispute had only a very thin situation of EMAD, where only semiconductors were protected from Chinese economic coercion. Australia, on the other hand, had a stronger or thicker situation of EMAD, thanks to its plentiful supply of raw materials. Korea in 2022 appears to have less serious vulnerabilities than it had in 2016, leading to a situation of EMAD that is thicker than the THAAD incident, but not as thick as Australia during the dispute with China over Covid-19.

Finally, there will be a comparative analysis of these three cases of EMAD, and the implications for advanced middle power states like Korea and Australia within U.S.-China competition will be discussed.

MIDDLE POWERS' STRATEGIC DILEMMA IN THE GREAT POWER COMPETITION

Nature and Trends of U.S.-China Hegemonic Competition

The two great powers in the 21st century, the U.S. and China, entered into a fierce competition for global supremacy. The U.S., the existing hegemonic state, is responding to the challenge of the emerging power, China. China has advocated for the establishment of a 'new great-power relationship' with the U.S. based on its strengthened national power, and has been striving towards hegemony at least at the regional level. In response, the U.S. has tried to contain China in order to safeguard its hegemony.

According to Graham Allison (2017), since the 15th century, 12 out of 16 cases of great power struggles for supremacy resulted in war. He raised concerns that the current confrontation between the U.S. and China would not escape from the historical path of the hegemonic competition and the 'Thucydides trap.' It is

argued that the changes in the U.S. global leadership and foreign strategic stance is in line with the rapid rise of China, expressing a pattern of power transition between the U.S. and China at least in the Indo-Pacific region.

The rapid rise of China was the result of the unprecedented growth of more than 10% per year since the implementation of the reform and opening policy in 1978. After normalizing relations with the U.S. in 1979, China slowly and selectively integrated into the U.S.-led liberal international order (LIO), joining a number of economic forums in the 1990s and seeing a period of extremely rapid economic growth. During the 1997-98 Asian financial crisis, even when many countries in the region struggled with the foreign exchange crisis and negative economic growth, China enjoyed a trade surplus and maintained a high growth rate of 7-8%. (Asian Development Bank 2000)

By joining the World Trade Organization (WTO) in 2001, it rose to the ranks of an economic powerhouse through economic openness and industrial advancement. In the face of the global financial crisis originating from the U.S. in 2008, 4 trillion yuan (about 786 trillion won) was provided for economic stimulus, which played an important role in preventing the global economic recession. However, as China's economic power continued to grow, it became the 'only competitor potentially capable of ... mount[ing] a sustained challenge to a stable and open international system' (Biden 2021).

According to the World Bank, as of 2021, the U.S. and China accounted for 41.89% and 34.75% of global GDP in nominal and national purchasing power (PPP) terms, respectively. In terms of the nominal GDP of each country, the United States is ahead of China, but in terms of PPP, China has been ahead of the United States in the first place since 2017. The competition for the number one spot is inevitably fierce between these two powers; while the U.S. and China vie for the top two spots, there remains a huge gap with the third-ranked countries in terms of nominal GDP and PPP, which are Japan and India respectively (World Bank 2021).

The U.S.-China strategic competition, which began as a friction to reduce the trade deficit with China during the Trump administration in the United States, expanded not only economically, but also with regards to military, culture, values, technology, and systems, resulting in a multi-faceted clash. While former U.S. President Donald Trump advocated 'Make America Great Again!', Chinese President Xi Jinping's 'Chinese Dream' has been an attempt to recreate the glory of the Chinese Empire in today's world.

President Trump's unilateral containment of China through force has been replaced with a diplomatic approach to multilateral engagement with allies and partners who share values and norms under the Biden administration, but

pressure on China is becoming sophisticated and stronger. In particular, the U.S. is pursuing customized 'minilateral' cooperation for each case, such as the D-10 (10 democratic countries) rather than a large-scale multilateral network. In addition, the U.S. expanded the QUAD, an informal security council consisting of the U.S. Japan, Australia, and India, in order to strengthen military deterrence and to cooperate on nontraditional security issues such as environment, health, technology/cyber, and humanitarian crises. The U.S. is also promoting the Clean Network to expand anti-China solidarity in the competition for technological hegemony, and is building the 'T-12' (12 technological democracies), as well as the Indo-Pacific Economic Framework (IPEF), that was officially launched in late May 2022 during Biden's visit to his Asian allies, Korea and Japan.

The IPEF can be said to be a straitjacket for the U.S. to maintain hegemony in the Indo-Pacific region. The U.S. is not a party to the Regional Comprehensive Economic Partnership (RCEP) or Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). On the other hand, China has already joined and played a principal role in the RCEP and is in the process of joining the CPTPP. Since the IPEF is not an inter-state treaty like an FTA, but is rather an executive agreement, the domestic procedure is not complicated (unlike the CPTPP, which requires congressional ratification). In addition, unlike traditional trade agreements, as it does not presuppose a collective agreement of all the countries involved or market opening, each of the areas covered by the IPEF is composed of separate modules, and participating countries can select and participate in the modules they want. Existing trade agreements took a long time to be concluded because they had to come to an agreement on all items by coordinating the interests of all member countries. However, IPEF, which has a relatively low entry barrier, has the advantage of attracting more countries to the U.S bloc in a shorter period of time (Pitlo 2022).

China is also strengthening its influence in multilateral organizations, engaging in 'contested multilateralism,' through the establishment of its own institutions such as the Asian Infrastructure Investment Bank (AIIB) and the Shanghai Cooperation Organization (SCO), as well as the active pursuit of regional multilateral policies such as the Belt and Road Initiative (BRI). These efforts are intended to create Chinese-led alternatives to institutions led by the U.S. In the face of U.S. technological sanctions, China emphasizes that securing high-tech technology is a matter of survival, with a resolution of 'sharpen one sword for 10 years,' and is striving for self-reliance through 'Chinese Standard 2035' (Koty 2020).

A key feature of the recent U.S.-China competition that both countries are actively promoting multilateralism, although the strategic interests and the

specific methods by which this multilateralism is implemented are different. This is because the two great powers are employing multilateralism as a means to bring more countries into their own bloc in order to expand their capacity for mutual exclusion, while at the same time engaging in more intense competition over world dominance (Lee 2021).

The nature of U.S.-China bilateral trade has changed significantly in recent years, following a number of changes in political and economic conditions, intensifying U.S.-China competition, and the COVID-19 pandemic situation, all of which have had a major impact on trade between the two countries. In addition, this competition has become more and more fierce as the two great powers form their own competing multilateral groupings. Nevertheless, some argue that it will be difficult for the U.S. to place limitations on its trade relations with China, since the two countries' extensive economic relationship has continued alongside their competition over international hegemony. Overall trade between the U.S. and China remains substantial, the U.S. is running a very large deficit, and high-tech products account for more than half of the trade between the two countries (Kim 2021).

Indeed, the United States under the Biden administration, rather than engaging in aggressive diplomatic rhetoric, has focused on dealing with businesses and economic actors related to the Chinese government or playing a direct role in China's military build-up, with a particular focus on specific and limited sanctions. In addition, while emphasizing strategic competition with China, the U.S. continues to make efforts to end the trade war and build new trade relations. Therefore, there is a problem with the view that the U.S. has initiated a so-called 'economic containment' policy, which aims to weaken China's power and secure U.S. superiority through comprehensive economic means (Kim 2021). In fact, compared to his predecessor, who sought complete decoupling and delinking from China, President Biden has instead pursued 'constructive recoupling or relinking' with China through his 'small yard, high fence' approach, which applies pressure on China in a more specific and less broad way. This has materialized in the form of a supply chain that only excludes China from access to core strategic goods and materials, rather than a broad exclusion from all areas of trade (Lee 2022).

After all, whether bilateral, minilateral, or multilateral, the U.S. and China's respective foreign and security policies in relation to their hegemonic competition depend on a number of factors; the personal disposition of the leaders, the trend of domestic politics and public opinion, the domestic economic situation, and the structural environment of the international community are all elements which function and interact in a complex way. The main problem is that

predicting the future path of which factors are more important it is not an easy task. This is because the U.S. and China will make their choices from their own point of view, whether it is competition in cooperation, cooperation in competition, competition and confrontation, or even violent conflict.

Middle Powers' Strategic Dilemma

Increasing hegemonic competition between the U.S. and China and their associated multilateral institutions, poses a strategic dilemma to middle powers. Democratic allies of the U.S. in Europe and the Indo-Pacific share the U.S. concerns about the rise of China, particularly in regards to China's authoritarian government, economic model, use of economic coercion and history of human rights abuses (Brattberg 2021). However, this critical stance is counterbalanced by a high level of economic dependence on China; many countries rely on China as a major trading partner, for both importing manufactured goods and exporting raw materials. This level of economic dependence on China means that complete economic decoupling with China would affect these nations extremely negatively.

This strategic dilemma between the U.S. and China is heightened by the fact that both great powers are increasingly imposing binary choices on their allies, forcing them to take sides on specific issues of importance. The U.S. and China want their allies to join their respective initiatives and institutions, and want them to take their side during disputes. Middle powers have responded to this strategic dilemma in a variety of ways. Given the available choices of strongly aligning with one side or the other, or attempting to maintain good relations with both, the predominant strategy appears to be the latter. Even the term 'new non-aligned movement' has appeared to describe a phenomenon of developing countries insisting on maintaining neutrality within great power conflict (Traub 2022).

It appears that many powers are attempting to maintain their good relations with both the U.S. and China for as long as possible, pursuing a policy of strategic ambiguity or hedging between the two. They may side with the U.S. on certain issues, and with China on others, but their overall stance between the two is balanced. A number of nations in Southeast Asia (geographically proximate to China) fall into this category – for example, supporting both the U.S.' Free and Open Indo-Pacific (FOIP) strategy and China's Belt and Road Initiative. ASEAN members do not want to choose between the U.S. and China, even if some are closer to China (e.g., Cambodia) and others are closer to the U.S. (e.g., the Philippines). Indonesian president Joko Widodo stated that ASEAN 'has no choice but to collaborate' with China on Indo-Pacific challenges (Cabinet Secretariat of the Republic of Indonesia 2018).

Other powers have actively taken sides, with Australia being a representative example. Australia's stance on China during the early 2010s was one of strategic ambiguity, however this relationship underwent a reset in 2018 (Medcalf 2019). A number of diplomatic disputes with China culminated in the signing of AUKUS in 2021, marking Australia's commitment to the U.S. within U.S.-China hegemonic competition. Similarly, while countries are faced with a dilemma of choices, international public sentiment tends to lean toward the United States, at least for the present. This is because, as seen in the South China Sea issue, Hong Kong-Xinjiang Uyghur incident, and economic retaliation against Korea and Australia, China is showing predatory and aggressive behavior, wielding military and economic power for its own interests, and ignoring international laws and norms. In addition, the international community's public distrust and criticism has grown even greater with the outbreak of Covid-19.

Strategic ambiguity, such as that of South Korea's stance of 'An-Mi-Kyung-Jung' (turning to the U.S. for security, and to China for the economy) could be a factor in being pushed out of the ranks of the American alliance. Even if Korea considers China's position and demands, it is unlikely that China will cooperate or treat Korea as an equal partner. Rather, China's punitive retaliation is likely to be much greater than the THAAD retaliation if Korea opts to strengthen cooperation with the U.S. For the past 20 years or so, Korea has been able to pursue its national interests while maintaining its desired stance of strategic ambiguity through An-Mi-Kyung-Jung. However, as the competition for hegemony between the U.S. and China intensifies, and the Russian invasion of Ukraine strengthens the Western world's democratic solidarity, Korea seems to have little choice but to abandon its strategic ambiguity and go with those who share liberal democratic values.

This decision arises from the recognition that adopting a definite position as an ally of one side in a highly turbulent international situation, i.e., gathering in solidarity with the U.S.-centered value alliance, is wise and pragmatic for the sake of reducing potential losses and protecting its national interest and people. Furthermore, it is desirable to enter early and secure as much influence as possible within emerging multilateral cooperative mechanisms. Many nations have made this decision to actively participate in the U.S.-initiated multilateralism (or minilateralism) process that reorganizes the global supply chain by tying security, economy, technology, and values together (Lee and Park 2021).

Yet, the problem is whether a country that aligns with one great power has the capacity and resilience to bear the backlash from the other. In reality, this is not the case for many countries. Therefore, those who make strategic choices in favor of the U.S. side should be on the alert from economic coercion or other

repercussions from China and other illiberal countries. In this regard, the 'like-minded' or 'like-situated' countries should collectively cooperate in dealing with these challenges, while actively pursuing ways to counter the economic coercion such as the increase of EMAD capacities as discussed in the next section.

ECONOMIC MAD AS A STRATEGIC TOOL FOR MIDDLE POWERS

Concept and Roles of Economic MAD

The Cold War Origin of MAD and its Present Extended Meaning

The first atomic blast in 1945 marked the beginning of humanity's ability to destroy itself, and launched the nuclear arms race of the Cold War. With the advent of this new destructive power, the stakes for engaging in hostilities became higher than they had ever been in history, giving rise to the idea of mutually assured destruction (MAD). The concept of MAD describes the situation in which no nuclear power can employ nuclear weapons against another nuclear power without also suffering an equally destructive attack. If a nuclear launch was detected, a nation could launch a second strike before the first strike landed, causing total destruction to both powers. The ability for two powers to annihilate each other, and the desire to avoid such annihilation, thus created a form of deterrence between nuclear powers – albeit extremely tense deterrence. As such, MAD can be seen as a situation of interdependence for survival.

MAD emerged within the context of the Cold War, at a time when many of the international institutions of today were in their infancy. The development of early nuclear weapons and their subsequent deployment over Hiroshima and Nagasaki shocked the world into understanding the destructive power of human technology. However, the world in the 21st century is significantly different from the Cold War era, with one of the major differences being that nations today are much more interconnected than they were 70 years ago, in terms of trade, business, commerce and person-to-person connections.

Additionally, the use of nuclear weapons is no longer the only existential threat that nations have to consider. Now, nations are mutually dependent across a range of other dimensions, with global economic collapse or climate crises posing serious destructive threats to countries around the globe. As such, the concept of MAD today can be expanded to include more dimensions than just nuclear weapons. As Graham Allison has described, MAD now has 'three dimensions of thick, inescapable interdependence': nuclear weapons, the climate, and the global economy (Mecklin 2022). In all three dimensions, failure to peacefully coexist will result in destructive consequences for all sides.

Nuclear MAD involves nuclear fallout and complete annihilation in the event

of a nuclear first strike. If international conflicts between nuclear powers remain unresolved and escalate to the point that one side employs nuclear weapons, the consequences for the rest of the world are immediate and catastrophic. The climate dimension of MAD does not operate with as much immediacy as the nuclear dimension, but climate MAD also entails catastrophic destruction if nations are unable to cooperate to solve the issues of greenhouse gas emissions. The economic dimension of MAD is significantly different from the nuclear and climate dimensions, in that the consequences of total breakdown of the global economic system would not render the world itself unlivable. Instead, the collapse of global supply chains would completely interrupt the flow of materials, causing severe global shortages of basic goods and global impoverishment.

Following the Russian invasion of Ukraine in February 2022, the consequences of global economic interdependence have been starkly highlighted. Global prices for commodities including coal, wheat and chemical fertilizers have skyrocketed, and these price increases have occurred in countries all across the world: from the vicinity of the flashpoint in Ukraine, to countries on the other side of the globe. The interconnectedness of the economy and global supply chains means that any economic disruptions have far-reaching consequences. This economic interconnectedness creates a situation in which all nations in the global economy have a degree of interdependence – if one nation decides to cause a disruption, it can have negatively repercussions for all.

Concepts and Characteristics of Economic MAD

Economic MAD can be defined as a situation in which a country is unable to disrupt trade with a target country without also causing itself significant economic damage. If trade of a certain commodity ceases, it will reduce the availability of the product in the importing country, as well as reducing the revenue for the exporting country. In other words, the situation of EMAD means that one country cannot enact economic coercion against the other without also harming themselves. The potential economic damage must be mutual, meaning that disruption to trade must ultimately result in economic damage to both countries. Economic MAD can occur due to a lack of alternative sources for a given product, a difference in the quality or price of alternative sources, the importance of a given product within domestic supply chains, or any other such causes of high exit costs (e.g., geographical distance from alternative sources). This affords the target country a degree of resilience to economic coercion, as it renders such attempts at coercion self-injurious and ultimately counterproductive. While MAD as it relates to nuclear weapons primarily concerns the great powers (specifically those with access to nuclear weapons), the concept of EMAD can

apply to any country with a substantial degree of economic leverage over other countries. Obtaining nuclear weapons is a difficult task for most countries, but obtaining economic leverage over other countries is a much more attainable and realistic goal. This leverage can manifest in a number of different forms: for example, an abundance of raw materials, or a specific industry that is highly developed.

As indicated above, EMAD is not as strong a term as nuclear MAD that refers to complete annihilation. This difference in destructive effects means that the actual level of EMAD deterrence is relatively lower than that of nuclear MAD. This is clear from the numerous cases of economic coercion and the absence of offensive nuclear strikes since the end of World War II. EMAD does not require total economic devastation; instead, the size of the costs entailed by EMAD can vary greatly, as does the resulting level of resilience for the target country. The level of EMAD depends on the number, variety and importance of products that the coercing power depends upon. To describe these different degrees of economic MAD, we employ the terms 'thick EMAD' and 'thin EMAD,' which result in higher or lower levels of resilience to economic coercion respectively.

At one end of the scale is a situation of 'thick EMAD,' to borrow from Graham Allison's terminology of 'thick, inescapable interdependence' (Mecklin 2022). In a situation of thick EMAD, two economies are highly interdependent across a variety of different products and services. In such a situation, the two economies are indispensable to each other, and disruptions to trade between them will result in substantial economic costs to both sides. Breaching a situation of extremely thick EMAD (such as between the U.S. and China) would result in catastrophic global consequences and 'scorched-earth economic warfare,' just like the repercussions for breaching nuclear MAD (Small 2022). At the other end of the scale, the situation can be termed 'thin EMAD,' in which only a small number of specific goods are immune from economic coercion, as the coercing power relies on the target nation for access to those specific goods. Although these particular goods may remain unaffected, the coercing power may still be able to engage in coercion towards other industries, so the target nation is still ultimately vulnerable to economic coercion. Compared to thick EMAD, thin EMAD involves relatively more asymmetric interdependence between the two economies, since the larger power only relies on the smaller for a limited range of goods. Ultimately, thin EMAD does not afford the target country a great deal of overall resilience to economic coercion.

Although the concepts of economic MAD and economic interdependence overlap in a number of aspects, EMAD differs from the concept of economic interdependence in two main ways; first, economic MAD evolves from a larger

power's reliance on a smaller power for specific goods, rather than an overall level of interdependence across the whole economy. However, the more products and industries encompassed by EMAD (i.e., the thicker the situation of EMAD is), the more it resembles overall economic interdependence. Second, the concept of EMAD highlights the fact that employing economic coercion against a smaller power with a specific economic advantage is ultimately self-injurious and counterproductive. On the other hand, economic interdependence can have differing effects on the likelihood of conflict, based on the expected gains and losses from each side (Copeland 2014).

There are a variety of ways in which EMAD can manifest. The targeted country must have a specific advantage in regards to a certain good: for example, an abundance of a certain raw material, a highly developed capability to produce a specific manufactured good, or an advantage in a specific technological field. Whatever the specific advantage is, there must be few or no alternative sources for that given product that provide the same quality or price – i.e., if a country switches to an alternative source, they must accept either a significant reduction in quality or an increase in cost. Any factor that increases exit costs, making the procurement of alternative sources more expensive, increases the strength of the EMAD situation.

How Economic MAD can Empower Middle Powers

Economic MAD is useful to middle powers in a number of ways. Middle powers can often find themselves in situations of asymmetric interdependence with great powers. By definition, middle powers fall below great powers in the international hierarchy, and the difference between them in economic weight leaves middle powers with less maneuvering space and diplomatic leeway. For example, China in 2021 was the largest trading partner of 120 countries, giving China a great deal of economic influence over a majority of countries in the world. Asymmetric relationships are seen as situations of vulnerability for the smaller partner, since the smaller power needs the larger power more than the larger needs the smaller. However, it is still possible for the smaller partner to have an advantage over the larger partner in specific areas of the economy, even if the overall economic interdependence is in the larger power's favor. If this leverage is substantial enough, then the middle power can have a situation of EMAD with the larger power. The main ways that such a situation of EMAD can empower middle powers vis-à-vis great powers are fourfold: first is to provide various degrees of resilience against economic coercion; second is to allow for trade diversification in the event of economic coercion; third is to afford more strategic leverage in alignment decision-making; and fourth is to provide middle powers

with a diplomatic bargaining chip. The level of EMAD (which ranges from thin EMAD to thick EMAD) will provide different degrees of benefits to middle powers.

First, the presence of a specific economic advantage, and the resulting situation of EMAD, provides middle powers with a persistent form of economic resilience and a sort of shield against possible coercion. This is the main function of EMAD, and creates a deterrence against the use of economic coercion. As explained above, this resilience provided by EMAD may be restricted to a few specific products, or it may be more comprehensive. Between middle powers and larger powers, the difference in economic strength means that a situation of thick EMAD is unlikely – instead, a situation of thin EMAD, being restricted to a few specific industries, is more probable. If the middle power has an economic advantage across a number of different products and industries, it can result in a great deal of resilience to economic coercion. Conversely, fewer economic advantages provide less overall protection, and will leave the middle power more vulnerable. However, if the specific goods that the middle power provides are crucial within the larger power's domestic supply chains, then even thin EMAD can provide a significant degree of resilience.

Second, if the situation of EMAD is not thick enough to successfully deter economic coercion, then the presence of specific economic advantages can still be beneficial, as it can create the possibility for trade diversification and trade re-routing. This ability can help to offset the potential damages in the case of economic coercion. If a middle power is a major global producer of a certain good, there will likely be a large number of potential destinations for that good. Thus, if one country ceases imports, the middle power can easily find an alternative market. In addition, given the finite availability of resources, whenever a country stops importing from a target country and switches to a new supplier, that new supplier also has less available to export to its original trade partners. This creates a gap in the market, and a new potential destination for the target country's exports. While bilateral trade between the coercing power and the target country may decrease, the target country's trade with other countries may somewhat offset those losses.

Third, since a situation of EMAD reduces middle power vulnerability to economic coercion, it also affords those middle powers more leeway in their alignment decision-making. In a 'moment of truth' situation where middle powers are forced to choose between great powers, economic considerations may play an important role in this decision. Acting in a way that goes against the interests of a strong economic partner may entail economic retaliation from that partner. However, a situation of EMAD reduces vulnerability to coercion, thus reducing these fears of economic repercussions and giving the middle power

more maneuvering space. Instead of having to worry primarily about how alignment decisions will affect their trade relationships, middle powers can focus more on choosing policies that reflect their own national interests. The strength of EMAD in this way is heightened when the middle power in question can rely strongly on one great power or another: for example, Australia can rely strongly on the U.S. and can expect the U.S. to defend Australia against China. Thus, EMAD provides Australia with even more leeway to stand up to China if it so chooses.

Fourth, economic MAD can act as a general diplomatic bargaining chip for middle powers when dealing with great powers. Although the middle powers are relatively weaker within the bilateral relationship, the presence of EMAD and the possibility of the larger power losing access to a certain good can afford the middle power diplomatic leverage over that larger power. This bargaining chip becomes particularly potent when the good that the middle power provides is crucial within the larger power's domestic supply chain (e.g., key raw materials, fuels, intermediate inputs etc.).

CASES¹

Korea's Deployment of THAAD and China's Economic Retaliation

Decision to Deploy THAAD in Korea

In July 2016, the U.S. and Korea announced that Terminal High Altitude Area Defense (THAAD) system would be deployed in Seongju, in response to increasing weapons tests by North Korea (United States Forces Korea 2016). This THAAD installation uses radar to monitor and detect incoming missiles, which are intercepted and shot down during their reentry. The THAAD discussions occurred during a period of increased North Korean missile tests, and the scope of the deployment was stated as being a counter to potential offensive use of ballistic missiles by North Korea. However, China strongly opposed this installation on the grounds that it undermines China's security interests. Specifically, Minister for Foreign Affairs Wang Yi argued that the radar technology in the THAAD system could be used to conduct surveillance on China (Mehta 2016). Despite China's objection, the installation went ahead, with the first elements arriving in Korea in March 2017.

In response to the installation of THAAD, China responded with a variety of

¹The first two case studies (Korea-China THAAD dispute and Australia-China Covid-19 dispute) are based on the first author's argument in his Master's thesis (see Smith 2022) and the corresponding author's argument in a previous publication (see Lee 2021).

retaliatory economic measures against South Korea. These measures began in August 2016, and continued through to October 2017. The economic measures targeted a variety of Korean goods, but were primarily focused on the tourism industry, specific Korean companies (such as Lotte, Hyundai and Kia), Korean cultural exports (also known as Hallyu or 'Korean wave' products) and certain exports such as electric vehicle batteries (Lim and Ferguson 2021). Importantly, the Korean semiconductor industry, as well as petroleum and chemical exports, remained largely unaffected during 2016 and 2017, since China relies heavily on Korea for these specific products. Semiconductor exports from companies such as SK Hynix and Samsung actually increased during this period, as did bilateral trade as a whole (Lim and Ferguson 2021; Jung 2017).

These economic sanctions were primarily informal in nature: the most common form of coercion was the fomentation of boycotts, with Chinese consumers encouraged to actively avoid Korean products, including cosmetics, cars and food products. Certain Korean music acts and celebrity appearances were cancelled, and numerous Korean dramas and films were removed from Chinese streaming services (Cho 2017). In addition to popular boycotts, other measures included strategic regulation, such as the blacklisting of Korean companies and selective increases in regulatory scrutiny. Korean companies operating in China, especially the conglomerate Lotte, were subject to increased fire and safety checks resulting in the closure of a number of branches. After numerous branch closures and regulatory issues, Lotte eventually withdrew their headquarters from China in 2022. Korean electric vehicle battery manufacturers were suddenly made ineligible for subsidies from the Chinese government, essentially rendering them completely uncompetitive in the Chinese electric vehicle market (Baek 2020).

Effect on the Korean Economy

The informal nature of the economic sanctions against Korea makes quantifying the total damages a difficult task. However, the damage to the Korean economy over the period from August 2016 to October 2017 was substantial, while the collateral damage to the Chinese economy was minimal. Hyundai Research Institute (2017) estimates the damages to the Korean economy at around ₩8.5 trillion, while the damages to the Chinese economy were ₩1.1 trillion. Korea suffered significant damage, amounting to 0.5% of nominal gross domestic product (GDP), while the damage to China was much more insignificant, at only 0.01% of nominal GDP. Evidently, the targets of economic coercion were goods that would significantly affect Korea's economy, while leaving the Chinese economy relatively unscathed.

The above estimates of economic damage to Korea include losses to the tourism industry, exports, investment and cultural exports. Among these sectors, losses to the tourism sector are found to make up the majority of the total economic damage. The economic damage was also concentrated in a select number of high-profile Korean brands: the conglomerate Lotte sustained extreme losses across a number of its subsidiaries, as did numerous other Korean brands including LG and Kia.

The most affected industry by far was tourism, with the estimated damage being ₩7.1 trillion and over 400,000 jobs (Yonhap 2017c). Not only did the damage occur for businesses directly involved in tourism (such as hotels and duty-free shops), but other businesses such as restaurants and other retailers sustained significant losses as well. Many businesses across Korea rely on tourism for a majority of their sales, particularly in the popular tourist area of Jeju Island. Chinese tour packages to Jeju Island had been extremely popular before the THAAD dispute, and the drop in tourists removed an important source of local revenue and employment (Choi and Ha 2018).

The targeting of the conglomerate Lotte led to severe losses for that company: Lotte Mart alone lost an estimated ₩300 billion, and the forced closure of Lotte supermarkets led to the withdrawal of Lotte's headquarters from the Chinese market in 2022. Other Lotte subsidiaries including Lotte Department Stores, Lotte Chilsung Beverage and Lotte Food also sustained losses in 2017 (Yonhap 2017b). In addition, other high-profile Korean brands such as Kia, Hyundai, LG, Samsung and SK all suffered losses in various ways, particularly in motor vehicle and EV battery sales.

However, certain Korean industries were shielded from these negative effects, namely semiconductors, petroleum, and chemical exports. China has a degree of reliance on Korea for these intermediate inputs, and targeting these products would have adversely affected China's economy (Harrell, Rosenberg and Saravalle 2018, 46; Song 2017). For example, SK Hynix and Samsung Electronics both reported profits and increases in semiconductor exports to China in 2017, and a supply shortage for oil in China led to an increase in imports of Korean petroleum (Yonhap 2017a).

In summary, Korea during the THAAD dispute was relatively vulnerable to economic coercion from China. Korea's economy was highly dependent on China both for its tourism industry and as a destination for Korean products, including motor vehicles, Korean food and Hallyu products. Korea also lacks the economic leverage provided by abundant natural resources, and its economy is structured around the manufacturing of intermediate inputs. For these intermediate inputs, China was unable to enforce economic coercion, as the collateral costs to China

would have made such a strategy self-defeating. However, through selectively targeting highly dependent industries, the overall damage inflicted on the Korean economy was considerable while collateral damage to China were minimized.

As a result, we can conclude that Korea in 2016-2017 had only a very thin situation of EMAD, restricted to highly specific intermediate inputs, and China was largely able to inflict economic damage to Korea at will without sustaining damage to its own economy. The THAAD installation itself was a precarious position for Korea: it had to gain the trust of the United States, while also ensuring not to provoke retaliation from China (Lee 2021). The presence of this dilemma, along with the progressive Moon government's preference for ambiguity between the two great powers, meant that Korea neither gained the full trust of the U.S., nor did it avoid provoking retaliation from China. Korea's economic vulnerability and lack of maneuvering space was ultimately what led it into this difficult situation.

Australia-China Dispute over Covid-19

Australian Call for Investigation into Covid-19 and Response from China

The dispute between Australia and China over the origins of the Covid-19 widened the diplomatic rift between the two countries, and resulted in China enacting coercive economic measures on Australia. On the 17th of April 2020, Australian Home Affairs Minister Peter Dutton stated that the Chinese government should answer questions about the origins of the Covid-19 virus (Maiden 2020). Other representatives of the Australian government also stated their support for an investigation into the matter, while representatives from the Chinese government responded through a variety of media rejecting such statements as blaming China (Davidson 2020). These statements from both sides continued for a number of weeks, with one of the most inflammatory statements coming from the Cheng Jingye, the Chinese Ambassador to Australia. Cheng alluded to the possible economic backlash that Australia could face, stating in an interview that Chinese people may choose to stop purchasing Australian products in response to Australia blaming China for the pandemic (Embassy of China 2020).

In May 2020, around 3 weeks after Cheng's statements, China imposed the first of a number of sanctions on Australian goods – an 80.5% tariff on Australian barley (Cao and Greenville 2020). This tariff was allegedly an anti-dumping measure, coming at the end of an investigation into Australian barley producers in the Chinese market. Later, other Australian commodities would also be subject to various restrictions, including tariffs, increased quarantine scrutiny, and instructions to Chinese firms to cease importing Australian goods. According to

Wickes, Adams and Brown (2021), eight main commodities were affected: barley, beef, coal, copper, cotton, lobsters, timber, and wine. While the bulk of Chinese economic coercion against Australia was through restrictions on Australian trade, there were also attempts to discourage Chinese citizens from engaging in tourism and education in Australia. The Covid-19 pandemic meant that these sectors were already in decline, and Australia had already prevented foreign entrants to Australia in March 2020. Regardless, the Chinese government released a statement in June 2020 advising tourists and students against visiting Australia (Ferguson and Lim 2021). Even if these statements did not have a tangible effect, they cost China nothing to issue, and sent a message that China was willing to target other lucrative Australian industries.

Effects on the Australian Economy

The direct loss in exports of certain commodities to China was significant – across a number of commodities including barley and copper, exports to China dropped to near zero values between 2020 and 2021. According to various estimates, the decrease in exports to China amounted to a loss of approximately US\$4.3 billion from July to November 2020, and US\$5 billion over the first 6 months of 2021 (Wickes, Adams and Brown 2021; Hurst 2021). Of the eight targeted commodities, the most affected were coal, lobsters, timber and wine, with coal making up the biggest losses by far. There were no coal imports from Australia from December 2020 to April 2021, and the estimated losses to coal alone are at US\$2.2 billion (Wickes, Adams and Brown 2021).

However, trade with China remained largely unaffected for a number of other commodities, including iron and wool. Iron in particular contributed significantly to offsetting the losses sustained to other exports, with high demand from China bolstered by record global iron prices. Iron mines in Brazil had closed due to Covid-19, leading to a decrease in global supply and putting Australian exporters in a position of strength. China's steel and construction industries could not afford to lose Australia as a supply of iron ore, and targeting iron was seen as the 'nuclear option' (Llewellyn-Smith 2021). Similarly, China's textiles industry relies on Australian wool, and any disruption to Australia-China wool trade would endanger the international supply chain for textile products (Adams, Wickes and Brown 2021). These critical products, for which China cannot readily find a substitute, appear immune from economic coercion and provide Australia with a degree of economic resilience.

A key factor in Australia's economic resilience is seen in the ability for affected commodities to find new destinations, and the associated costs for China to locate new suppliers. Australian coal, which was the most affected commodity when

looking at trade with China, was successfully able to re-divert to countries such as India and Korea. In January 2021, coal trade in to the rest of the world was \$9.5 billion higher than before the ban, largely offsetting the decrease in coal trade with China (Rajah 2021). A similar trend was seen in copper, barley, and gold, which all successfully diverted to other markets, whereas wine, lobsters and timber were unable to do so (Wickes, Adams and Brown 2021). This trade diversion is clear in the first half of 2021 – at the same time as exports to China decreased by AU\$5.4 billion, exports to the rest of the world increased by AU\$4.4 billion (Hurst 2021).

While the losses to the Australian economy were less severe than expected, there is also evidence of significant economic costs to China associated with locating new sources for raw materials as a substitute for Australia. Looking to coal once more (as this was the most affected commodity) China turned to Indonesia as a new source of coal after terminating imports from Australia (Bloomberg 2021). However, this coal from Indonesia was of a lower quality and a higher price than Australian coal, costing China heavily for its decision to switch (Russell 2021). The price for Australian coal also dropped during the same period, leading to losses for Australian exporters as well. This demonstrates that China and Australia, as key players in the international coal market, are closely linked when it comes to profits and losses. China's attempt at coercing Australia through cessation of coal imports only resulted in damage to both sides, in a clear example of EMAD.

All in all, during the Australia-China dispute over the investigation into Covid-19, China was able to inflict damage to certain Australian commodities in terms of bilateral trade. However, the overall impact on the Australian was offset by China's reliance on certain Australian commodities such as iron and wool. If China had targeted the iron trade, it would have inflicted significant damage not only to Australia, but also to the Chinese economy. In addition, a number of Australian commodities were able to reroute to new export destinations (albeit at a lower price), and China had to resort to more expensive alternative suppliers. Thus, the economic damage to Australia was lower than expected, and China experienced collateral damage itself.

Korea's Participation in IPEF and China's Response

The election of Yoon Suk-yeol in May 2022 marks a shift in Korean foreign policy. The previous progressive Moon Jae-in administration had maintained a policy of strategic ambiguity between the U.S. and China, preferring not to commit to either side. However, the Yoon government has diverted from this center-line position to one of stronger commitment to the U.S. Korean public opinion has

also shifted, and attitudes towards China have reached historic lows (Asan Institute 2022). In this context, Korea's alignment between U.S. and Chinese multilateral institutions is also experiencing a significant shift. On May 23 2022, U.S. President Joe Biden launched the Indo-Pacific Economic Framework for Prosperity, which is an economic initiative involving 14 nations in the Indo-Pacific region (The White House 2022). The four pillars of the IPEF are: 1) connected economy, meaning strong economic cooperation towards the goals of fair and flexible trade; 2) resilient economy, ensuring the integrity of international supply chains; 3) clean economy, involving a commitment to tackling environmental challenges; and 4) fair economy, working to strengthen tax, anti-bribery and anti-corruption laws. Korea's decision to join the IPEF is a key example of this shift, but it has raised concerns that Korea could again face economic repercussions from China as it did in 2016 (Jung 2022).

However, according to many Korean experts, it is unlikely that China will enact retaliatory economic measures against Korea. Korea's situation in 2022 is significantly different from that of the THAAD dispute, and this reduces China's ability to punish Korea as hard as it did in 2016. This is due to a variety of exogenous and endogenous factors, such as President Xi Jinping's bid for a third term in office, economic stagnation in China, and escalating competition between the U.S. and China. In addition, although Korea's economic dependence on China is seen as a weakness for Korea, Korea also retains a degree of leverage through its provision of crucial intermediate inputs to China. These were the same goods that remained unaffected during the THAAD dispute, and China cannot secure stable supply chains without importing these critical Korean products. Thus, China is hesitant to risk criticizing Korea too harshly and potentially alienating one of its most valuable remaining economic partners.

The situation of EMAD between Korea and China is different in 2022 than it was during the 2016 THAAD dispute. The first reason for this is the limited means by which China can coerce Korea. Since the THAAD incident in 2017, it seems that China has already taken retaliatory measures against the main vulnerable industries. China has been implementing economic retaliatory measures that are as overt and visible as possible, but in a way that causes minimal damage to the country. After the THAAD incident, China took economic retaliation by restricting tourism to Korea, banning Korean cultural exports, and tightening regulations on Korean consumer goods. Five years after the THAAD dispute has not seen a significant change: there are still no Chinese tourists (due to Covid-19), there are still no exports of Hallyu content, and the market share of Korean consumer goods has not recovered. Therefore, in order for China to engage in economic retaliation against, it will be necessary to find other means of damaging

the Korean economy. In that respect, targeting Korean exports of raw materials and intermediate goods remains a possibility, but this would also be highly detrimental to China.

The second reason for the strengthening of Korea's EMAD is that there has been a change in the structure of trade between Korea and China. The composition of trade between Korea and China has been centered on the trade of intermediate goods. In 2021, 80% of Korea's exports to China and 64% of imports from China were intermediate goods. When capital goods are included, the proportion rises to 90% of exports to China and 80% of imports from China. Since the industrial structure is highly divided between Korea and China, if China attempts to enact economic coercion prematurely, China is also likely to experience supply chain disruption (Cho 2022). For example, if China enacts restrictions on the export of urea solution, it will likely cause considerable disruptions to logistics and resulting economic damage in Korea – however, this will also hinder Korea's production and transportation of key intermediate goods which are destined for China. Ultimately, causing economic disruptions in Korea will be highly likely to cause collateral damage in China.

There also exist certain exogenous factors that limit the potential economic retaliation that China can inflict on Korea. One significant factor is the intensifying U.S.-China competition, which is much sharper than it was during the THAAD dispute. Therefore, if China engages in economic retaliation, the U.S. is highly likely to actively come to the defense of its ally, South Korea. This has already been seen in the example of U.S. aid to Lithuania, after Lithuania was the target economic coercion from China in retaliation for its decision to strengthen relations with Taiwan. China, which is aiming to pose a long-term challenge to U.S. hegemony, has little to gain by immediately confronting a country like South Korea merely to buy time.

In addition, China's domestic political schedule is also an important factor. As President Xi Jinping is expected to be elected for a third term in October, the stabilization of affairs in both domestic politics and foreign relations is a key consideration. Given this need for stability, China will find it difficult to engage in retaliatory economic coercion against the United States and Korea, as well as against all 14 IPEF member countries.

CONCLUSIONS

Comparative Observations

It is evident that while Korea and Australia both have degrees of economic MAD in their relationship with China, the nature and extent of each case is different. Australia's abundance of natural resources creates a more extensive situation of EMAD, and makes the Australian economy significantly more resilient to economic coercion. Korea during the THAAD dispute had a very thin situation of EMAD, which protected only a few specific industries (semiconductors and other intermediate inputs) while other Korean industries such as tourism and cultural exports suffered immensely. However, Korea's situation in 2022 is somewhat different – the Korean economy is less vulnerable to economic coercion today than it was in 2016. China already targeted many of Korea's vulnerable industries during the THAAD dispute, and the remaining targets for economic coercion are precisely those industries where China relies on Korea. However, even if Korea may not experience significant backlash from its decision to join the IPEF, this vulnerability is a long-term factor that Korea has to constantly keep in mind when it deals with China going forward.

The main difference between the Korean and Australian cases is that Korea's economic leverage comes from intermediate inputs, while Australia's comes from an abundance of natural resources. Both countries provide key products within domestic and international supply chains, but at different points within those supply chains. However, this qualitative difference means that the situation of EMAD with Korea is more changeable than in Australia. This is because the gap between Korea and China in terms of intermediate inputs is something that China can overcome given the necessary research and development. The same is not true of China's resource gap with Australia – China would have to locate alternate sources of raw materials and invest heavily into developing these sources to the point that they can supplant Australian sources of raw materials.

While Australia's situation of EMAD is clearly stronger than Korea's (both during the THAAD dispute and during the current IPEF participation), Australia also has vulnerabilities in their economic relationship with China. Australia was by no means completely immune to Chinese economic coercion, and suffered damage to specific products that were difficult to diversify. The EMAD argument by no means attempts to claim that it completely removes economic damage from the targeted nation – rather, it entails damage to both sides and highlights the dependence of each power on the other.

Korea's vulnerability to economic coercion means that it is in its best interests to participate in multilateral organizations. Such organizations can help to

protect against potential coercion through strong behavioral rules and regulations, and act as a way for middle and smaller powers to gain leverage over great powers. Despite Australia's position of relative strength, Australia is not completely immune to economic coercion. Thus, it is also in Australia's best interests to pursue multilateral solutions and to continue to promote strong international norms that constrain larger powers and dissuade economic coercion. These multilateral solutions should not only be with the great powers of the U.S. and China, but also independently from them. In addition to Korea and Australia, there are numerous other countries who have also felt the impact of Chinese economic coercion, including Japan, Canada and Mongolia. Instead of relying on the U.S. for protection, facing economic coercion collectively among middle powers by establishing 'spoke-to-spoke' networks (especially with influential regional powers such as India, Japan and Indonesia) is important for helping middle powers gain agency and diplomatic weight in their dealings with these larger powers.

In summary, economic MAD is a way that middle powers can empower themselves, particularly when faced with alignment dilemmas and binary choices. Thick EMAD, as in the case of Australia, provides a high degree of resilience against economic coercion, but even thin EMAD, as in the case of Korea during the THAAD dispute, can act as a useful tool for increasing maneuvering space, even if it does not provide a strong shield against economic coercion. The interconnectedness of the present global economy and economic MAD creates strong interdependence between countries, and this reliance makes the consequences of disruption even more severe. However, much like the deterrence effects of mutually assured destruction in the nuclear realm, economic MAD can limit the effectiveness of economic coercion as a tool and encourage more cooperative endeavors.

Implications

As for the future direction of advanced middle powers like Korea and Australia, they need to carefully navigate their relations with the U.S. and China as they engage in contested multilateralism. On certain key issues such as high-tech, the two great powers are firmly pressuring middle powers to make clear choices. While it may be necessary to take sides more often than not, middle powers should pursue ways of increasing their maneuvering space to engage with both U.S.-led and Chinese-led institutions. This is evidenced by the numerous countries who have joined both IPEF and RCEP.

For example, Korea, who became a member of RCEP and IPEF and is in the process of joining CPTPP, is in its best interests to join all three

multilateral/minilateral mechanisms together with other middle powers who attempt to take similar open-minded diplomatic stances. Even when Korea takes the side clearly in favor of the U.S., it should refrain from commenting on sensitive diplomatic issues and manage possible fallout by being on the alert from China's punitive action and securing the support of other middle powers. In this vein, middle powers need to develop a kind of 'collective security-type arrangement,' in which China's wielding of economic muscle against any middle power state is considered the aggression against all other middle powers, which act together or collectively assist the target state to make the most of EMAD vis-à-vis China.²

It is also in Australia's best interests to follow a similar open diplomatic strategy. Under the new Anthony Albanese government, Australia's stance towards China does appear to be slightly more conciliatory than it was under the conservative Morrison government, although this has not disturbed Australia's strong preference for the U.S. and normative criticism of China. For example, in June 2022, Australian and Chinese defense ministers met in Singapore for the first ministerial level meeting between the two countries after 3-years of diplomatic freeze. This meeting marked the first step towards a normalization in relations after the dispute over the origins of Covid-19, although the U.S. and Australia's recent confrontation with China over Pacific Island states is overshadowing this positive trend.

Finally, economic disputes between China and Australia or South Korea reveal the fact that China can weaponize its economy at any time in pursuit of its hegemony. Thus, all countries that do business with China have to be aware of the present or potential economic damage that 'China's scolding' inflicts on them, though the damage may vary in degree, depending on their respective EMAD capacity. Yet, it has also become clear that China's economic retaliation is likely to face a strong adverse reaction in global trade. In this sense, middle powers should collectively warn China of an international reality where its actions could become a boomerang to itself. For this, it is reasonable and realistic to promote the democratic liberal international order (LIO) by aligning with U.S.-led minilateral and multilateral initiatives or mechanisms. But at the same time, middle powers should be vigilant to identify and develop areas and means to continuously engage with China rather than alienating or excluding it on the international stage.

² While completing this article, the authors became aware of a report publicized at a meeting of Alliance of Democracies in June 2022, dealing with similar ideas and arguments. Our thoughts on 'collective security-type cooperation' were developed independently before the publishing of this report (Anders Fogh Rasmussen and Ivo Daalder, "Memo on an Economic Article 5 to Counter Authoritarian Coercion").

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