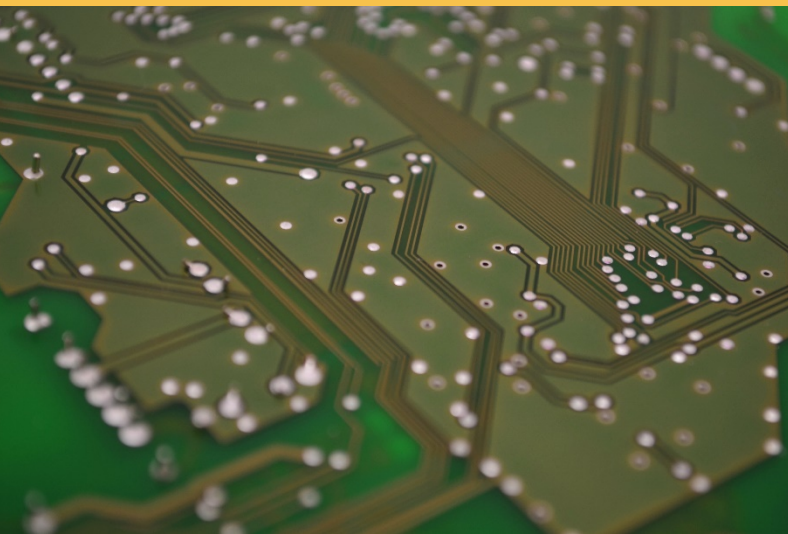
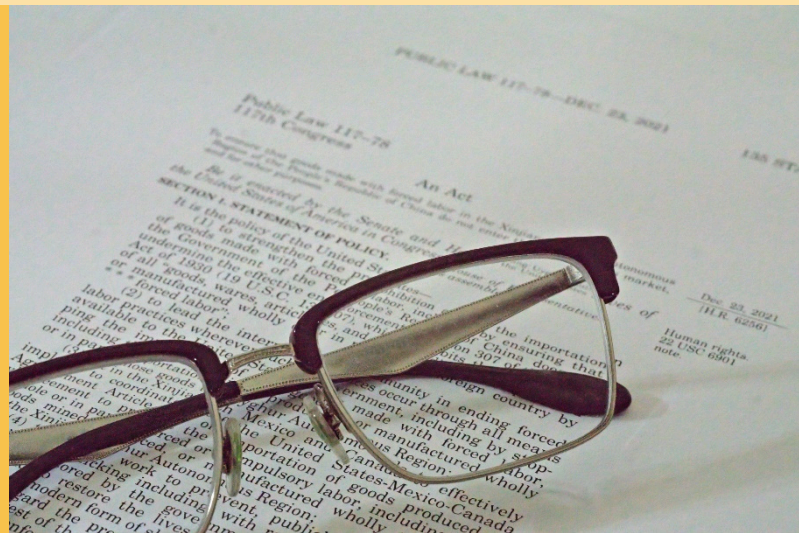
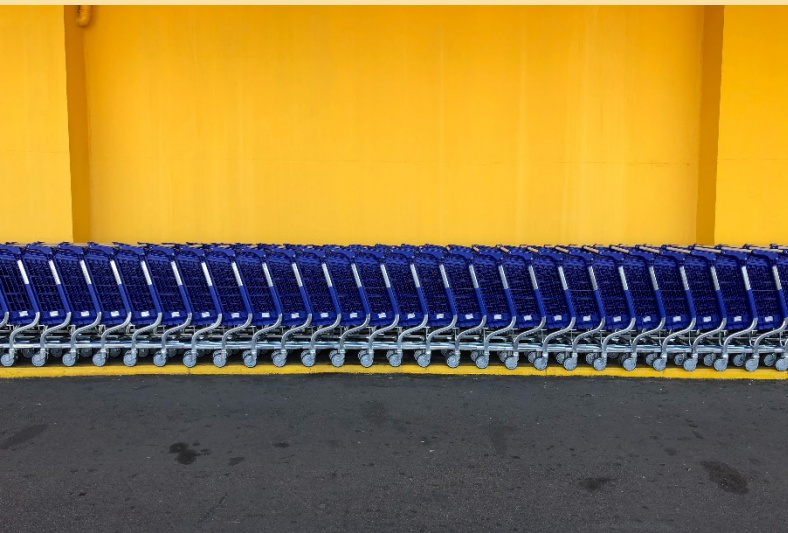




CONGRESSIONAL-EXECUTIVE COMMISSION ON CHINA

STAFF RESEARCH REPORT April 2022



Case Study: China's Economic Coercion Against Intel,
Sam's Club, and Walmart



CONGRESSIONAL-EXECUTIVE COMMISSION ON CHINA

About the Congressional-Executive Commission on China

The Congressional-Executive Commission on China was established by the U.S.-China Relations Act of 2000 (Public Law No. 106–286) as China prepared to enter the World Trade Organization. The Commission is mandated to monitor human rights and the development of the rule of law in China.

Learn more at www.cecc.gov.

CASE STUDY: CHINA’S ECONOMIC COERCION AGAINST INTEL, SAM’S CLUB, AND WALMART

SUMMARY

- Intel, Sam’s Club, and Walmart face backlash in China over Xinjiang supply chain issues.
- Party and government voices amplify public criticism, warn companies of consequences.
- Party and government statements are consistent with prior economic coercion.
- Party publication raises possibility of applying China’s Anti-Foreign Sanctions Law.

This report is part of the Commission’s effort to monitor China’s repression of human rights in the United States and globally.

In December 2021, Chinese internet users publicly criticized U.S. companies Intel, Sam’s Club, and Sam’s Club’s parent company Walmart after Intel asked suppliers to stop sourcing from Xinjiang and after Sam’s Club products sourced from Xinjiang disappeared from shelves and online shopping sites in China. Some consumers in China also boycotted Sam’s Club. Chinese Communist Party and government sources, including the Global Times, Communist Youth League, and the Party and government’s highest-level disciplinary bodies, said publicly that Chinese consumers were justified in boycotting Sam’s Club and warned that there would be economic consequences for the three companies. Such statements were consistent with prior cases of China’s economic coercion, in which Chinese authorities punished foreign companies and other organizations whose speech or actions did not align with Party and government political priorities. In one December 2021 article, the Global Times discussed the possibility of creating a counter-sanctions mechanism using the PRC Anti-Foreign Sanctions Law, raising concerns about its potential application against companies that do not comply with Party and government political priorities.

I. Reports About Sourcing from the Xinjiang Uyghur Autonomous Region Cause Backlash Against Intel, Sam’s Club, and Walmart in China

Beginning on or after December 24, 2021, internet users in China publicly criticized U.S. companies Intel, Sam’s Club, and Sam’s Club’s parent company Walmart after Intel asked suppliers to stop sourcing from the Xinjiang Uyghur Autonomous Region (XUAR) and after Sam’s Club products sourced from the XUAR disappeared from shelves and online shopping sites in China.¹ The Party-run Communist Youth League reportedly called for a boycott of Sam’s Club, and some consumers in China canceled their Sam’s Club memberships.² Earlier that week, on December 23, U.S. President Joseph Biden signed into law the Uyghur Forced Labor Prevention Act, which prohibits the import of “any goods, wares, articles, and merchandise mined, produced, or manufactured wholly or in part in the [XUAR]” unless the importer can prove that no forced labor was involved.³

Chinese authorities in the XUAR carried out forced labor and committed other human rights violations constituting genocide and crimes against humanity, according to reports published in 2021 by the U.S. Department of State and other international sources.⁴

In December 2021:

- Intel published an open letter asking suppliers not to source from the XUAR, stating, “multiple governments have imposed restrictions on products sourced from the Xinjiang region. Therefore, Intel is required to ensure our supply chain does not use any labor or source goods or services from the Xinjiang region.”⁵
- Sam’s Club customers in China said that products sourced from the XUAR disappeared from store shelves and the Sam’s Club app.⁶ Sam’s Club representatives later attributed the issue to a “misunderstanding” about its app’s search functionality and to certain items being out of stock.⁷

The Commission did not observe reports that Intel, Sam’s Club, or Walmart acknowledged an explicit link between the events described above and the Uyghur Forced Labor Prevention Act.

II. Party and Government Sources Signal That Chinese Consumers Are Justified in Boycotting, Warn of Consequences for U.S. Companies

In response to Intel and Sam’s Club’s actions, sources affiliated with the Chinese Communist Party and government signaled publicly that Chinese consumers were justified in boycotting Sam’s Club and warned that there would be economic consequences for Intel, Sam’s Club, and Walmart.

In a December 22, 2021, article, Global Times commentator Hu Xijin said:

- Intel was “biting the hand that feeds it”; and
- “The stronger China gets, the greater our ability to take revenge on [companies like Intel].”⁸

Hu Xijin announced his retirement as editor-in-chief of the Global Times less than one week before the publication of that article and pledged to “. . . continue to do everything in [his] power for the news and public opinion work of the Party.”⁹

A December 23, 2021, Global Times editorial said:

- “[I]t is justified for Chinese netizens to feel discontent and accuse Intel of ‘biting the hand that feeds it’”; and
- “What we need to do is to make it increasingly expensive for companies to offend China so their losses outweigh their gains.”¹⁰

A December 31, 2021, statement from the Party and government’s highest-level disciplinary bodies—the Central Commission for Discipline Inspection (CCDI) and the National Supervisory Commission (NSC)—said:

- “Chinese consumers expressed intense dissatisfaction, one after another boycotting [Sam’s Club] by canceling their memberships, expressing a resolute position of defending [China’s] national interests”;
- Sam’s Club’s actions were “stupid and short-sighted, and [Sam’s Club] would inevitably reap the consequences of its own actions”; and
- “China is Walmart’s second largest overseas market. If it wants firm footing in the Chinese market, it must put forth sufficient sincerity and attitude, respect the facts, distinguish right from wrong, respect the position of China’s principles, and respect the feelings of the Chinese people. Otherwise, Chinese people and Chinese consumers will take real action to deliver a firm response.”¹¹

III. Party and Government Statements Are Consistent with Prior Economic Coercion

The statements described above were consistent with prior cases of economic coercion, in which Chinese authorities punished foreign companies and other organizations whose speech or actions did not align with Party and government political priorities, as the Commission documented in its 2020 and 2021 Annual Reports and a December 2021 hearing.¹² The following are selected examples:

- The CCDI and NSC article specifically referenced a prior case of economic coercion, comparing Intel and Sam’s Club to Swedish apparel brand H&M.¹³ In March 2021, after H&M and other international brands condemned forced labor in the XUAR, Chinese social media users and Party-affiliated media criticized the brands¹⁴ in what the State Department called a “state-led social media campaign and corporate

and consumer boycott.”¹⁵ Information about H&M later reportedly disappeared from apps and websites in China.¹⁶

- In March 2021, China announced sanctions against the UK-based barristers’ chambers, Essex Court Chambers, after four Essex Court Chambers barristers published a legal opinion concluding that there was a “credible case” that acts committed in the XUAR constituted genocide.¹⁷
- Following Houston Rockets General Manager Daryl Morey’s 2019 retweet of a message expressing support for pro-democracy protests in Hong Kong, China Central Television refused to broadcast National Basketball Association games.¹⁸
- In 2018, Chinese authorities blocked access to Marriott International’s Chinese websites and booking apps after a Marriott customer survey listed Taiwan, Tibet, Hong Kong, and Macau as countries.¹⁹

IV. Discussion of Anti-Foreign Sanctions Law Raises Concerns About Potential Application

During the controversy over Intel, Walmart, and Sam’s Club, a December 24, 2021, Global Times article about the Uyghur Forced Labor Prevention Act discussed the possibility of creating a counter-sanctions mechanism using the PRC Anti-Foreign Sanctions Law—passed in June 2021—raising concerns about its potential application:²⁰

- Experts noted that the Anti-Foreign Sanctions Law could force multinational companies operating in China to choose between complying with their own countries’ sanctions and China’s law.²¹ The Anti-Foreign Sanctions Law authorizes sanctions against foreign companies that “participate directly or indirectly in the formulation, decision, or implementation of . . . discriminatory restrictive measures” against China.²²
- In addition to authorizing sanctions against organizations and individuals directly, the Anti-Foreign Sanctions Law authorizes sanctions against the spouses and immediate family of sanctioned individuals, the senior management or “those who in practice control” sanctioned organizations, organizations in which sanctioned individuals serve as senior managers, and organizations in which sanctioned

individuals or organizations “in practice control or participate in establishment or operations.”²³

- The Anti-Foreign Sanctions Law relies on vague “national security” considerations that give authorities broad scope for application.²⁴ A December 10, 2021, Congressional Research Service report described the Anti-Foreign Sanctions Law as part of a “broader effort by China’s leader Xi Jinping since 2014 to build out China’s national security authorities that establish broad justification, scope, reach, and mechanisms for China’s national security-related actions on trade, investment, and other economic activity.”²⁵ Other expert sources have reported on Chinese authorities’ use of a broad interpretation of “national security” to punish speech or actions that do not conform to Party and government priorities.²⁶

The Commission did not observe reports that the Chinese government used the Anti-Foreign Sanctions Law against Intel, Walmart, or Sam’s Club, but the Chinese government did use the Anti-Foreign Sanctions Law in response to actions that did not comply with Party and government political priorities. In December 2021, the Chinese government used the Anti-Foreign Sanctions Law to impose sanctions on four officials of the United States Commission on International Religious Freedom in response to U.S. sanctions on XUAR officials.²⁷ In February 2022, the Chinese government used the Anti-Foreign Sanctions Law to impose sanctions on U.S. companies Lockheed Martin and Raytheon Technologies in response to arms sales to Taiwan.²⁸

ENDNOTES

¹ Liza Lin, “Walmart Sparks Public Outcry in China over Products from Xinjiang,” *Wall Street Journal*, December 27, 2021; “Chinese Consumers Shrug Off Sam’s Club’s ‘No-Membership-Reapplication’ Warning as Anger Continues to Boil Up over Xinjiang Products Removal,” *Global Times*, January 2, 2022.

² Liza Lin, “Walmart Sparks Public Outcry in China over Products from Xinjiang,” *Wall Street Journal*, December 27, 2021; “Chinese Consumers Shrug Off Sam’s Club’s ‘No-Membership-Reapplication’ Warning as Anger Continues to Boil Up over Xinjiang Products Removal,” *Global Times*, January 2, 2022.

³ The White House, “Bill Signed: H.R. 6256,” December 23, 2021; An Act to Ensure that Goods Made with Forced Labor in the Xinjiang Uyghur Autonomous Region of the People’s Republic of China Do Not Enter the United States Market, and for Other Purposes, Pub. L. No. 117–78, Sec. 3(a)-(b).

⁴ Bureau of Democracy, Human Rights, and Labor, U.S. Department of State, “Country Reports on Human Rights Practices for 2020—China (Includes Tibet, Hong Kong, and Macau),” March 30, 2021, 1; U.S. Department of State, “Determination of the Secretary of State on Atrocities in Xinjiang,” January 19, 2021; Paula Newton and Ben Westcott, “Canada’s Parliament Says China Committed Genocide against Muslim Minorities,” *CNN*, February 23, 2021; U.S. Department of State, U.S. Department of Treasury, U.S. Department of Commerce, and U.S. Department of Homeland Security, “Risks and Considerations for Businesses with Supply Chain Exposure to Entities Engaged in Forced Labor and Other Human Rights Abuses in Xinjiang,” July 13, 2021, 1; Uyghur Tribunal, “Uyghur Tribunal Judgment,” December 9, 2021, 57.

⁵ Liza Lin, “Intel Apologizes after Asking Suppliers to Avoid China’s Xinjiang Region,” *Wall Street Journal*, December 23, 2021.

⁶ Liza Lin, “Walmart Sparks Public Outcry in China over Products from Xinjiang,” *Wall Street Journal*, December 27, 2021; “Chinese Consumers Shrug Off Sam’s Club’s ‘No-Membership-Reapplication’ Warning as Anger Continues to Boil Up over Xinjiang Products Removal,” *Global Times*, January 2, 2022.

⁷ “Exclusive-Walmart Arm Did Not Deliberately Remove Xinjiang Goods, China Exec Tells Analysts,” *Reuters*, reprinted in Yahoo! Finance, January 5, 2022; “Chinese Consumers Shrug Off Sam’s Club’s ‘No-Membership-Reapplication’ Warning as Anger Continues to Boil Up over Xinjiang Products Removal,” *Global Times*, January 2, 2022.

⁸ Hu Xijin, “Yingte’er jinzhi gongyinglian caigou shiyong Xinjiang chanpin, Hu Xijin: Yingte’er hen xiaozhang” [Intel prohibits the purchasing and use of Xinjiang products in its supply chain, Hu Xijin: Intel is very arrogant], *Hu Xijin Observes*, reprinted in *Sina*, December 22, 2021.

⁹ David Bandurski, “Good Bye Hu Xijin,” *China Media Project*, December 16, 2021; “Hu Xijin, Global Times Commentator,” *Global Times*, last accessed March 24, 2022.

¹⁰ “Intel’s Xinjiang Statement Full of Calculations and Speculations: Global Times Editorial,” *Global Times*, December 23, 2021.

¹¹ Chen Li, Central Commission for Discipline Inspection and National Supervisory Commission, “Shanmu Huiyuandian eyi xiajia Xinjiang chanpin: yuanze lichang wenti burong hanhu” [Sam’s Club maliciously removes Xinjiang products from shelves: issues concerning principle and stance must not be left ambiguous], December 31, 2021.

¹² *How China Uses Economic Coercion to Silence Critics and Achieve Its Political Aims Globally*, *Hearing of the Congressional-Executive Commission on China*, 117th Cong. (2021); CECC, *2020 Annual Report*, December 2020, 152–154; CECC, *2021 Annual Report*, March 2022, 218.

¹³ Chen Li, Central Commission for Discipline Inspection and National Supervisory Commission, “Shanmu Huiyuandian eyi xiajia Xinjiang chanpin: yuanze lichang wenti burong hanhu” [Sam’s Club maliciously removes Xinjiang products from shelves: issues concerning principle and stance must not be left ambiguous], December 31, 2021.

¹⁴ Zen Soo, “Here’s What Foreign Brands Have to Say about Xinjiang,” *Associated Press*, March 25, 2021; Eva Xiao, “Chinese Propaganda Officials Celebrate Social-Media Attacks on H&M in Countering Forced-Labor Allegations,” *Wall Street Journal*, March 31, 2021; Eva Dou, “China’s State Media Outlets Call for Boycott of H&M for Avoiding Xinjiang Cotton,” *Washington Post*, March 24, 2021.

¹⁵ U.S. Department of State, “Department Press Briefing—March 26, 2021,” March 26, 2021.

-
- ¹⁶ Eva Xiao, “H&M Is Erased from Chinese E-Commerce over Xinjiang Stance,” *Wall Street Journal*, March 25, 2021; Zen Soo and Joe McDonald, “China Erasing H&M from Internet amid Xinjiang Backlash,” *Associated Press*, March 26, 2021.
- ¹⁷ Ben Rigby, “China Imposes Sanctions on Top Barristers’ Chambers after Legal Opinions on Uighurs,” *Global Legal Post*, March 26, 2021.
- ¹⁸ Arjun Kharpal, “Alibaba Shopping Sites Appear to Have De-Listed Houston Rockets Products in China,” *CNBC*, October 8, 2019.
- ¹⁹ “China Shuts Marriott’s Website over Tibet and Taiwan Error,” *BBC*, January 12, 2018.
- ²⁰ Fan Lingzhi and Liu Xin, “[Jieju] Meiguo jie suwei ‘qiangpo laodong’ dui Xinjiang jichu efa, women gai ruhe yingdui?” [Analysis: when the United States uses so-called ‘forced labor’ as excuse to produce malicious law against Xinjiang, how should we respond?], *Global Times*, December 24, 2021; *Zhonghua Renmin Gongheguo Fan Waiguo Zhicai Fa* [PRC Anti-Foreign Sanctions Law], passed June 10, 2021, effective June 10, 2021.
- ²¹ Hung Tran, “China’s Anti-Foreign Sanctions Law: Companies in the Crosshairs,” *Atlantic Council* (blog), June 28, 2021; Julian Ku (@julianku), “The other thing the new law does is prohibit any companies . . .,” Twitter, June 10, 2021, 11:31 a.m.
- ²² *Zhonghua Renmin Gongheguo Fan Waiguo Zhicai Fa* [PRC Anti-Foreign Sanctions Law], passed June 10, 2021, effective June 10, 2021, arts. 3, 4.
- ²³ *Zhonghua Renmin Gongheguo Fan Waiguo Zhicai Fa* [PRC Anti-Foreign Sanctions Law], passed June 10, 2021, effective June 10, 2021, art. 5.
- ²⁴ *Zhonghua Renmin Gongheguo Fan Waiguo Zhicai Fa* [PRC Anti-Foreign Sanctions Law], passed June 10, 2021, effective June 10, 2021, art. 1.
- ²⁵ Karen M. Sutter, “China’s Recent Trade Measures and Countermeasures: Issues for Congress,” Congressional Research Service, December 10, 2021, 2.
- ²⁶ See, e.g., Raphaël Viana David, “China’s Abuse of National Security to Curtail Human Rights: 4 Things You Need to Know,” International Service for Human Rights, January 27, 2022; Helena Legarda, “China’s New International Paradigm: Security First,” Mercator Institute for China Studies, June 15, 2021; UN Office of the High Commissioner for Human Rights, “UN Rights Chief Concerned by ‘Broad Scope’ of China’s New Security Law,” July 7, 2015.
- ²⁷ Ma Ziqing, “Zhongfang xuanbu yiju ‘Fanwaiguo Zhicai Fa’ dui 4 ming Meifang renyuan jinxing duideng zhicai” [China announces reciprocal sanctions against 4 Americans under the “Anti-Foreign Sanctions Law”], *China Youth Daily*, December 21, 2021; U.S. Department of the Treasury, “Treasury Sanctions Perpetrators of Serious Human Rights Abuse on International Human Rights Day,” December 10, 2021.
- ²⁸ “Beijing Sanctions Lockheed, Raytheon Again over Taiwan Arms Sales,” *Reuters*, February 21, 2022.

Congressional-Executive Commission on China

243 Ford House Office Building

Washington, D.C. 20515

202-226-3766

www.cecc.gov