WEAPONISED TRADE AND ECONOMIC COERCION

RESPONDING TO GEOPOLITICAL CHALLENGES



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Acknowledgements







Funding for this project has been provided by a grant from the
Australian Government Department of Defence
Strategic Policy Grants Program
led by the University of New South Wales

This publication represents the views of the individual authors and not the views of any organisations unless expressly indicated.

The project team gratefully acknowledges the contributions of Elizabeth Thurbon, Alexander Mitchell-Hynd, Sophie Longmire, Chris Khatouki, Jacob Switzer, Peter Blanchard and Liam Mackay.

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ISBN: 978-0-7334-4123-3 (Paperback)
978-0-7334-4124-0 (Ebook)

A catalogue record for this publication is available from
the National Library of Australia.

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Selected Abbreviations

Abbreviation	Meaning
ACI	Anti Coercion Initiative (European Union)
AFSL	Anti-Foreign Sanctions Law
APEC	Asia Pacific Economic Cooperation
CIT	Court of International Trade (USA)
DFAT	Department of Foreign Affairs and Trade (Australia)
ECL	Export Control Law (China)
EU	European Union
EU	European Union
FOB	Free On Board
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
HS Code	Harmonized System code
MOE	Ministry of Education (People's Republic of China)
NBER	National Bureau of Economic Research
OECD	Organisation for Economic Co-operation and Development
PTA	Preferential Trade Agreement
SPS	Sanitary and Phytosanitary
THAAD	Terminal High Altitude Area Defense
TRS	Trade Resilience Service (Australia)
UEL	Unreliable Entity List (China)
UN	United Nations
WTO	World Trade Organisation
WWII	Second World War

CHAPTER 1

INTRODUCTION





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Chapter 1: Introduction and Context

This report explains why Weaponised Trade should be understood as an endemic feature of the contemporary international economy rather than a temporary disruption or exceptional departure from otherwise normal trading relations. The evidence examined throughout this report suggests that the use, threatened use, or perceived use of economic relationships to influence the behaviour of another government has become a recurring characteristic of international economic relations. These incidents occur across regions, political systems, and levels of economic development and impact both goods and services. They arise in contexts ranging from territorial disputes and security concerns to human rights issues, diplomatic disagreements, domestic political developments, and broader geopolitical rivalry.

The promise of international trade and globalisation has been that it could bring economic prosperity, interconnectedness, and the deepening of global security. Successive waves of globalisation have increasingly integrated national economies through complex networks of trade, investment, finance, technology transfer, logistics, and digital connectivity.

For much of the post-war period, particularly following the establishment of the General Agreement on Tariffs and Trade (GATT), and later the creation of the World Trade Organization (WTO) in 1995, there was a widespread expectation that economic integration would gradually insulate commercial relations from geopolitical rivalry. The expansion of rules-based trade disciplines, binding dispute settlement mechanisms, and increasingly dense networks of trade agreements contributed to a view that trade could be governed principally through legal and economic principles rather than through power politics. While few observers believed that commerce would become entirely detached from international relations, there was nevertheless a strong assumption that economic interdependence would create incentives for cooperation, predictability, and mutual restraint. In this conception, trade was increasingly understood as a rules-based domain distinct from traditional geopolitical competition.

That assumption has come under growing pressure. Strategic competition between major powers, the securitisation of economic policy, concerns regarding supply chain vulnerability, technological rivalry, and the increased use of economic measures to pursue political objectives have challenged the

notion that trade can be neatly separated from questions of power and influence. Rather than displacing geopolitical competition, economic interdependence has in many instances created new channels through which states may seek to exert leverage over one another. The contemporary challenge is therefore not simply that trade is occasionally disrupted by politics, but fundamentally separate.

Rather, it is that trade itself has increasingly become a means through which geopolitical competition is conducted. Modern forms of trade interdependence have also created new forms of vulnerability, providing opportunities for political influence, strategic leverage, and coercive pressure, and many governments have become increasingly capable of using and influencing market access, supply chain dependencies, and access to critical inputs as a way of applying pressure. Economic relationships have become increasingly intertwined with questions of national security, foreign policy, geopolitical competition, and strategic resilience, more so than any time in recent memory.

The term "Weaponised Trade" describes deliberate efforts by states to use economic tools such as tariffs, import restrictions, bans and other regulatory barriers as instruments of political pressure or retaliation. In a world of intense economic interdependence, the ability of states to coerce or punish others through trade manipulation has become a significant challenge to the stability of the global order.

The weaponisation of trade is not a new phenomenon, with examples through history from at least as early as ancient Sparta.[1] However, the current international environment has seen a substantial increase in trade being used for coercive means. Weaponised Trade and economic coercion have caused, and will continue to cause, substantial economic, political and social impacts. This has prompted policy makers to consider options for diplomatic, legal, and economic policy responses. It has also prompted businesses to reconsider how they think about geopolitical risk.

This report examines the global dynamics of Weaponised Trade from 2005 to 2024, situating recent developments within broader international trends, and

[1] Thucydides reports on the Megarian Decree, which banned the trade-dependent Megarians from trading in Sparta due to their role in harbouring Athenian slaves and cultivating land that was sacred to the Spartans. See Brunt, P. A. "The Megarian Decree." *The American Journal of Philology*, vol. 72, no. 3, 1951, pp. 269–82.

highlighting the importance of coordinated strategies to safeguard national interests in an increasingly volatile economic landscape. While the events in 2025 onwards are outside the scope of the database, it is clear at the time of writing that the topic of Weaponised Trade has never been of greater relevance.

Weaponised Trade is more than a commercial and/or trade policy issue. Over the last years, trade has increasingly been viewed as a security issue insofar as it is both motivated by geostrategic objectives and can have serious geostrategic consequences.

1.1 Aims of the Report

This report has four main aims. First, it documents instances of Weaponised Trade to improve understanding of the nature, extent, drivers, and dynamics of Weaponised Trade globally in the period 2005-2024. Through a comprehensive analysis of global cases, it identifies the most common instigators and targets of Weaponised Trade, both by country and by industry, and categorises the different measures and mechanisms through which Weaponised Trade is carried out.[2] Chapter 2 identifies the principal instigators and targets, analyses the sectors and industries most frequently affected, and develops a typology of the measures, mechanisms and motivations that characterise contemporary coercive economic activity.

Secondly, the report examines how states, businesses, civil society actors and international institutions respond to Weaponised Trade, and assesses the effectiveness and limitations of those responses. Chapter 3 explores both practical and institutional dimensions of resilience, including industry adaptation, diversification strategies, domestic policy responses, and collective action.

Thirdly, the report considers the capacity of existing international legal and governance frameworks to manage coercive economic conduct. Chapter 4 situates Weaponised Trade within broader debates concerning the future of the international rules-based order. It also evaluates existing international legal and institutional frameworks, including the WTO and preferential trade agreements (PTAs), considering the extent to which these are capable of

[2] We gratefully acknowledge the work of project team member Dr Alexander Hynd in developing the database of detailed case studies.

addressing coercive economic conduct. It also examines emerging efforts by states and regional organisations to develop new legal, diplomatic and institutional mechanisms to deter, mitigate and respond to Weaponised Trade.

Finally, the report seeks to inform future policy development. Building on the empirical and institutional analysis presented in the preceding chapters, Chapter 5 identifies lessons emerging from recent experiences and proposes a framework for managing the risks associated with Weaponised Trade. The recommendations – based on a dual track strategy and using a variety of building blocks to prepare for future instances of Weaponised Trade – recognise that coercive economic measures are likely to remain a recurring feature of international economic relations and focus on how governments, businesses and other stakeholders can strengthen resilience, reduce vulnerability, and respond more effectively when economic relationships become instruments of strategic pressure.

1.2 Defining Weaponised Trade and Economic Coercion

The concepts of Weaponised Trade and economic coercion occupy increasingly prominent positions within contemporary debates concerning trade and geopolitical power.

Despite increasing attention from policymakers, businesses and scholars, there remains no widely accepted definition of the term Weaponised Trade. Different stakeholders use a range of related concepts, including economic coercion, economic statecraft, geoeconomics, economic security, economic warfare and strategic trade policy. These concepts overlap in important respects but often differ in their scope, purpose and underlying assumptions. On the basis of our extensive empirical analysis, we define Weaponised Trade as follows:

> The practice of exploiting export or import dependencies to punish a country for a particular action, to coerce a country to change its behaviour to better suit the aggressor's interests, or to constrain a country's emergence as a serious economic or military competitor or threat.

While the term Weaponised Trade may be well-suited to political rhetoric and posturing, it is not widely found in a formal policy context, where the term

'economic coercion' is typically preferred. This broader term can encompass trade, investment, and other measures. For example, the *Joint Declaration Against Trade-Related Economic Coercion and Non-Market Policies and Practices*, issued in June 2023 by the USA, Australia, Canada, Japan, New Zealand, and the UK, makes no specific reference to the term Weaponised Trade. Instead, it confines itself to:

> "[…] trade-related economic coercion that uses, or uses the threat of, measures affecting trade and investment in an abusive, arbitrary, or pretextual manner to pressure, induce or influence a foreign government into taking, or not taking, a decision or action in order to achieve a strategic political or policy objective, or prevent or interfere with the foreign government's exercise of its legitimate sovereign rights or choices".[3]

The consequences of this distinction between a legal definition and the use of the term in political rhetoric are important. While Weaponised Trade is a useful way of understanding what is happening to industries, it is not something that will automatically elicit a specific legal response, for example in the WTO, the primary international body responsible for the resolution of trade disputes between states, or in PTAs.[4]

1.3 Weaponised Trade as a Form of Economic Statecraft

Weaponised Trade is thus a specific kind of economic statecraft, and it forms part of the practice of using economic tools to advance foreign policy objectives – geo-economic, geo-strategic, or both. As we show in the diagram below, economic statecraft can be either externally or domestically oriented. Weaponised Trade is, by nature, externally oriented and intended to inflict harm on another country for coercive, punitive, or constraining purposes.[5]

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[3] *Joint Declaration Against Trade-Related Economic Coercion and Non-Market Policies and Practices* (Australia–Canada–Japan–New Zealand–United Kingdom–United States, signed 8 June 2023) [3] <https://www.foreignminister.gov.au/minister/penny-wong/media-release/joint-declaration-against-trade-related-economic-coercion-and-non-market-policies-and-practices>.

[4] For further detail, see Chapter 4.

[5] This section builds on and extends work conducted with the wider project team and originally published as Toohey, L., Wagner, M., Thurbon, E., Sheargold, E., & Mackay, L. (2022). *Weaponised Trade: Mapping the Issues for Australia. Available at SSRN 4154030*. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4154030. We gratefully

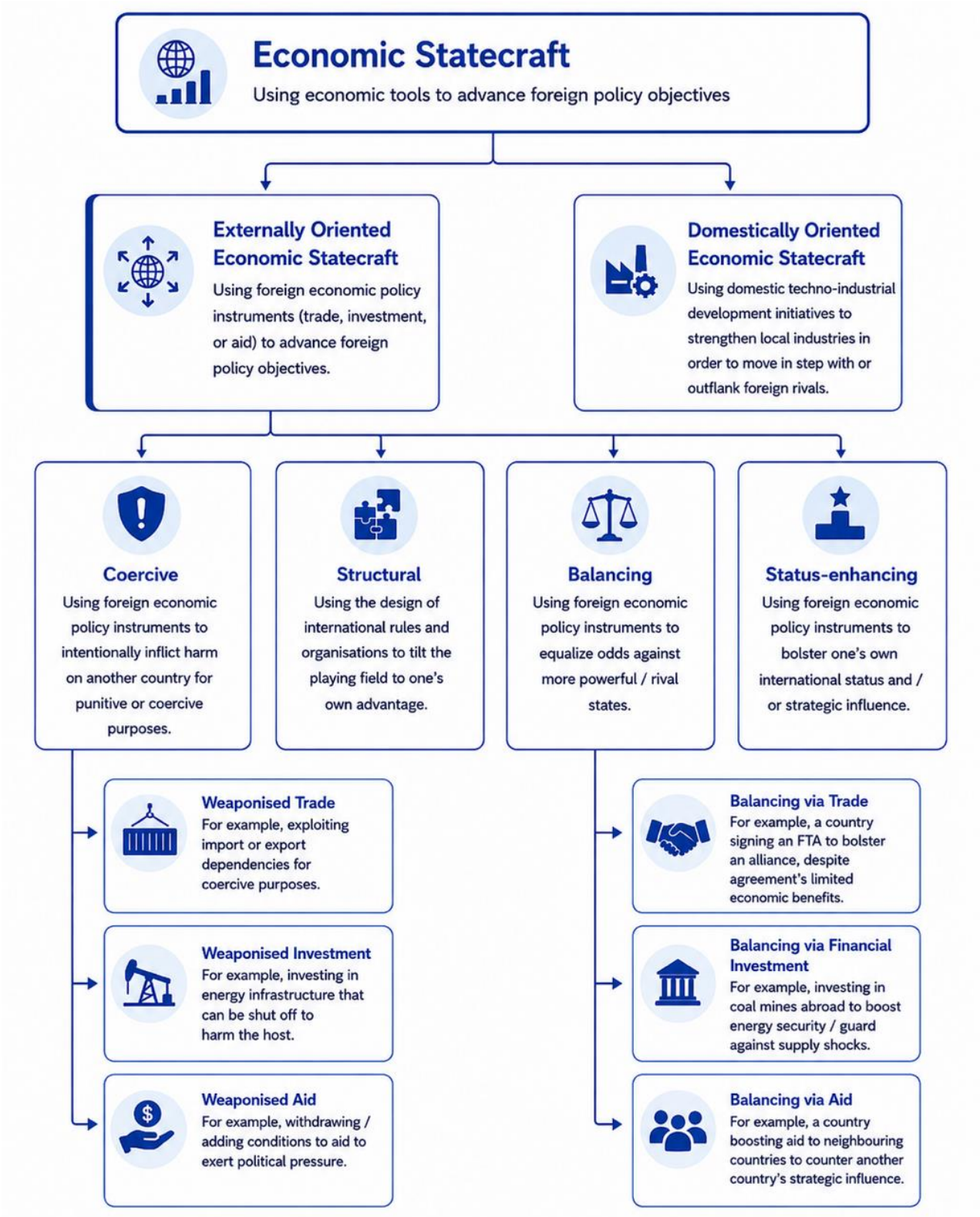
Importantly, Weaponised Trade can be distinguished from other kinds of externally-oriented economic statecraft that have different motivations, such as the intention to (i) tilt the playing field in one's own advantage, (ii) bolster one's international status, prestige, or strategic influence, or (iii) balance – individually or collectively – the odds against more powerful states.

Weaponised Trade can take a range of different forms, as we discuss in detail in Chapter 2, including formal and informal import or export measures, or a broad range of other measures intended to disrupt the flow of trade between countries. The use of informal measures means that Weaponised Trade can at times be difficult to diagnose, and instigators often deny that they are engaging in offensive actions using a veneer of legal plausibility.

While Weaponised Trade is a kind of economic statecraft, it is conceptually separate from non-coercive statecraft which is intended to enhance, balance, or restructure the international environment, as the diagram below illustrates.[6]

acknowledge the work of team member Elizabeth Thurbon in helping to shape the project's conceptualisation of weaponised trade and the broader analysis that informs the project and this report.

[6] On the original distinction between domestically and externally oriented economic statecraft see Thurbon, Elizabeth and Weiss, Linda, 'Economic statecraft at the frontier: Korea's drive for intelligent robotics' (2019) 28(1) *Review of International Political Economy* 103-127 and Weiss, Linda, and Thurbon, Elizabeth. 'Developmental state or economic statecraft? Where, why and how the difference matters' (2021) 26(3) *New Political Economy*, 472-489.


Economic Statecraft
Using economic tools to advance foreign policy objectives
Externally Oriented Economic Statecraft
Using foreign economic policy instruments (trade, investment, or aid) to advance foreign policy objectives.
Domestically Oriented Economic Statecraft
Using domestic techno-industrial development initiatives to strengthen local industries in order to move in step with or outflank foreign rivals.
Coercive
Using foreign economic policy instruments to intentionally inflict harm on another country for punitive or coercive purposes.
Structural
Using the design of international rules and organisations to tilt the playing field to one's own advantage.
Balancing
Using foreign economic policy instruments to equalize odds against more powerful / rival states.
Status-enhancing
Using foreign economic policy instruments to bolster one's own international status and / or strategic influence.
Weaponised Trade
For example, exploiting import or export dependencies for coercive purposes.
Weaponised Investment
For example, investing in energy infrastructure that can be shut off to harm the host.
Weaponised Aid
For example, withdrawing / adding conditions to aid to exert political pressure.
Balancing via Trade
For example, a country signing an FTA to bolster an alliance, despite agreement's limited economic benefits.
Balancing via Financial Investment
For example, investing in coal mines abroad to boost energy security / guard against supply shocks.
Balancing via Aid
For example, a country boosting aid to neighbouring countries to counter another country's strategic influence.

1.4 Weaponised Trade and Grey Zone Warfare

Grey zone warfare is becoming increasingly prominent as a concept in the contemporary security environment. The Grey zone concept encompasses the coercive advancement of geostrategic objectives in ways that are 'unfriendly' or hostile acts, but fall below the threshold of conflict or war.

The Australian Government Department of Defence explains the concepts in the following terms:

> "Grey zone refers to the contemporary spectrum of conflict, where clear distinctions between peacetime and declared warfare are rapidly evaporating, replaced instead by a foggy continuum spanning cooperation – competition – confrontation – conflict."[7]

The inherent ambiguity of grey zone warfare tactics generally does not elicit the involvement of the United Nations Security Council or attract international penalties or sanctions, but they escalate tensions and provide a present threat. There is growing awareness that the complexities of grey zone warfare demand a re-think of traditional strategic approaches, especially in the economic context.[8] For example, in 2023 the Japanese Economy Minister described economic coercion as a "clear and present danger" and Australian Defence Minister stated:

> "So the threat is not that we're about to be invaded, but that our exposure to economic coercion and to coercion from an adversary is greater, and the potential for that coercion going forward is much more significant. … And that's where the threat lies."[9]

---

[7] *Australian Government Department of Defence, Modelling in the Grey Zone* <https://www.dst.defence.gov.au/partner-with-us/university/modelling-complex-warfighting-strategic-research-investment/modelling>

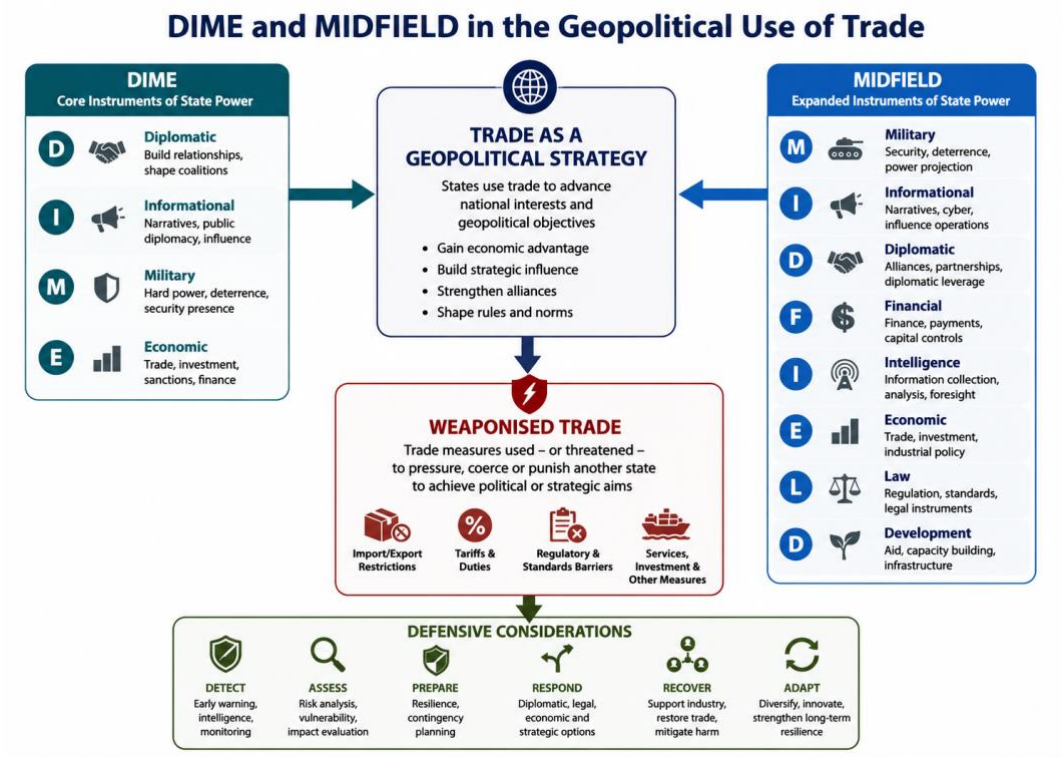
[8] Naoise McDonagh and Sascha Dominik& Bachmann, 'Economic coercion and grey zone competition: Reassessing the China-Australia case'. (2025) 98(1) *Pacific Affairs*, 53-77.

[9] Richard Marles, Australian Minister for Defence, quoted in ''Economic coercion' biggest risk to Australia: Richard Marles' (30 April 2023), News Online <https://www.news.com.au/technology/innovation/military/economic-coercion-biggest-risk-to-australia-richard-marles/news-story/261582c0908c5606cf6321db3c9ba8b4>

The traditional DIME model identifies four components of national power that countries can draw on to shape their strategic environment: Diplomatic, Informational, Military, and Economic power.[10] The more recent MIDFIELD model (as per the diagram below) provides an enhanced understanding of the broader range of policy arenas and related instruments that can be mobilised to address today's more complex strategic challenges, adding Financial, Legal, Intelligence and Development to the DIME model.[11] Both models, but especially the MIDFIELD matrix, highlight the interconnectedness of these domains in advancing geopolitical objectives and protecting national security, including legal and economic/financial considerations that have been outside the traditional realm of security. See in this light, trade becomes an essential consideration in security debates. Weaponised Trade also fits within these models as a modern manifestation of the economic facet of national power that must be taken into account as part of a country's broader defensive strategies.

[10] Charles Richard and Robert Peters, 'A Modest Proposal to Improve Joint Professional Military Education' (2025) 3 *Journal of Policy and* Strategy 3-8 <https://nipp.org/wp-content/uploads/2025/03/Analysis-Richard.Peters-5.1.pdf>.

[11] Jeremy S. Weber, 'Playing the MIDFIELD' (2019) Air Force Judge Advocate General's Corps, <https://www.afjag.af.mil/Post/Article-Display/Article/4369610/playing-the-midfield/>



1.5 Why Does Weaponised Trade Appear to Be Increasing?

Since the end of World War II, international trade has been governed by a system of rules established under the GATT. Upon its establishment in 1947, a key purpose of the GATT was to foster stable and predictable trading relations, and to prevent the unilateral, discriminatory trade actions that could fuel political hostility. At the time, it was widely accepted that such actions had helped to create the conditions for war.

In 1995, the system of international economic rules was revised and significantly expanded with the creation of the WTO. The WTO absorbed the GATT and created a suite of additional substantive economic rules covering, amongst other things, trade in services and intellectual property. For the first time, the WTO also introduced a rigorous dispute resolution and enforcement mechanism. However, the rules pertaining to national security, barely used until 1995, remained untouched.

Over the past decade, there have been mounting pressures on the WTO, which, for many reasons, has struggled to advance the trade liberalisation agenda and resolve disputes to the satisfaction of its members – not least the United States. As a result, many countries have sought to bypass the WTO and

engage in bilateral or plurilateral trade negotiations and agreements, in many ways undermining the centrality of WTO rules to international economic life.

Simultaneously, structural changes to the global economy have raised questions about whether the WTO is sufficiently equipped to manage an international economic system characterised by seismic power shifts. As China has sought to exert its influence on the global stage, both it and other countries have increasingly engaged in both offensive and defensive economic statecraft to offset challenges and generate strategic advantages.

While many of these actions and reactions have fallen foul of WTO rules, the WTO's capacity to respond has been compromised by faltering support for its mandate. As a result of the "trade war" between the US and China under both the first Trump and Biden administrations, rapidly escalating tensions between the two superpowers helped to fuel more widespread protectionist sentiments across the world. It was during this period that Weaponised Trade became a frequently used catchphrase in both policy and media circles.

It is important to clarify that the US and China are by no means the only actors to deploy Weaponised Trade measures, as the examples in this report and the accompanying database demonstrate. There is no evidence to suggest that instances of Weaponised Trade declined during the Biden administration; on the contrary, the *CHIPS and Science Act* and the *Inflation Reduction Act* are evidence that regardless of political orientation, the US has continued the pathway charted during the first Trump administration. The second Trump administration has so far accelerated this trend. China's growing strategic ambitions and Russia's aggression against Ukraine and elsewhere are but two factors likely to sustain strategic competition and influence patterns of Weaponised Trade into the future.

1.6 A Note of Caution

Recognising the prevalence of Weaponised Trade does not require the conclusion that all trade restrictions, sanctions, regulatory measures, or commercial disputes constitute economic coercion. States frequently adopt economic measures for legitimate public policy purposes, including public health protection, environmental regulation, consumer safety, national security, competition policy, industrial development, and the enforcement of international obligations. Many trade disputes arise from genuine disagreements regarding market access, regulatory standards, or commercial

interests rather than efforts to compel political change. Distinguishing between ordinary economic governance and the strategic use of economic relationships to induce, deter, punish, or influence the conduct of another state therefore remains an important analytical challenge.

This distinction is particularly important because allegations of economic coercion are often contested. Governments frequently deny coercive intent, instead characterising measures as routine regulatory actions, legitimate national security responses, or ordinary commercial decisions. Equally, states affected by economic pressure may frame measures as coercive even where motivations are mixed or uncertain. Questions of intent, attribution, proportionality, and legitimacy are therefore often disputed. This report does not seek to resolve every such controversy. Rather, it examines the growing phenomenon of Weaponised Trade through the lens of reported or alleged incidents, observed patterns, and institutional responses.

So, while it is important to be attentive to Weaponised Trade and its security risks, it is also important to carefully distinguish between Weaponised Trade and other trade-related activities that might be disadvantageous but that simply constitute the "rough and tumble" of competitive commercial relations. Misdiagnosing measures that fall into the latter category as Weaponised Trade and overstating their incidence can be problematic insofar as it can heighten the perceptions of conflict and exacerbate international tensions.

1.7 Project Scope

This project responded to a shortage of comprehensive research into the phenomena of Weaponised Trade and economic coercion. It was designed to provide a systematic analysis of incidents, their impacts and responses. The project provided an opportunity to gather, record and analyse the experiences of Australian stakeholders (industry, government and civil society), and how they have responded to instances of Weaponised Trade. The ultimate objective is to develop an evidence base for input into policy at the domestic and international levels, to provide a resource for industry and governments, and to further public debate at a time of increasing economic and strategic uncertainty.

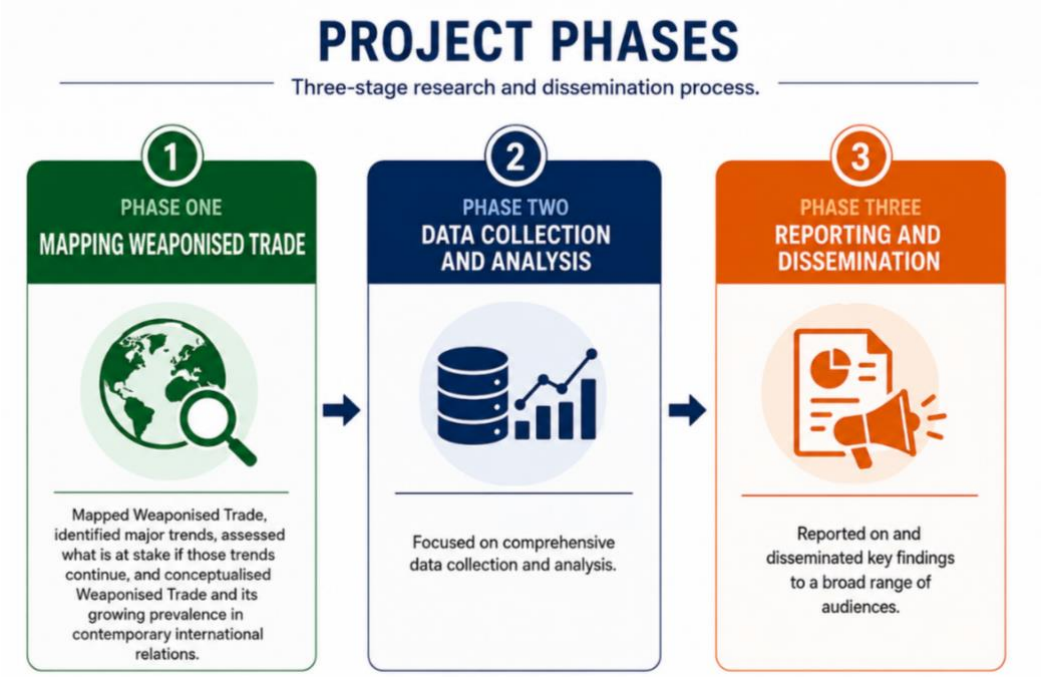
The project was designed around three key research questions:

1. What is Weaponised Trade and where does it fit within the broader paradigm of economic statecraft?
2. What has been the Australian experience of Weaponised Trade and how does this correlate with broader global experiences?
3. What types of policy interventions can and should be used to respond to Weaponised Trade?

As explained in detail in the methodology sections below, the project uses a mixed methods approach combining the development and analysis of case studies of specific instances of Weaponised Trade (drawing on primary and secondary sources) and interviews with key stakeholders to deepen our understanding of the nature of government, industry and civil society responses to Weaponised Trade, and the strengths and weaknesses of these responses.

The project involved three interrelated phases.

- Phase One involved mapping Weaponised Trade, identifying the trends and identifying what is at stake if these trends continue. It also focused on conceptualising Weaponised Trade and explaining its growing prevalence in contemporary international relations;
- Phase Two focused on comprehensive data collection (set out below) and analysis; and
- Phase Three involved reporting on and disseminating key findings to a broad range of audiences.



1.8 Methods: The Dataset

The project team compiled an extensive dataset of case studies for the project based on coercive measures reported across newspaper articles, government websites, academic literature and other sources. The resulting dataset is believed to be the world's largest and most comprehensive open-access database of trade-related economic coercion.

The dataset focusses on case studies between 2005 and f 2024, a period that coincides with the Global Financial Crisis and also with China's economic ascendency and its growing influence in international rulemaking, as well as the declining leadership of the US and the newfound assertiveness of Russia, culminating in its further invasion against Ukraine in 2022.

The comprehensive open-access database for the project is available at <https://economiccoercion.com>. The Weaponised Trade and economic coercion case studies database should be used as a curated dataset of allegations or claims, not as a legal determination that any given measure was unlawful.

1.8.1 Inclusion & Exclusion Criteria

To be included in the dataset, the trade incidents needed to meet the definition of Weaponised Trade, even if it was referred to by another term, such as economic coercion. In other words, trade disputes were excluded for the following reasons:

- None of the sources claimed that the measure had a punitive, coercive or constraining element. The mere presence of a trade barrier, or a measure inconsistent with WTO rules, is not itself indicative of Weaponised Trade.
- The measure was made in response to an open military conflict, regardless of whether the measure was imposed in response to a resolution of the United Nations Security Council or was a form of collective action.[12]
- The measure was part of a tit-for-tat trade war in which states impose protectionist measures on each other to protect their domestic industry.
- The measure was a denial of service through a cyberattack, or similar.
- The measure did not have a trade-related element - for example where the measure was principally an investment restriction. While such measures may constitute economic coercion, they do not fit within the definition of Weaponised Trade,
- Generalised complaints about coercion that did not identify a specific product, industry or sector being targeted.
- Measures that are justified on national security grounds, unless coercive allegations are made by the target in response. For example, we have included the banning of Chinese firm Huawei from 5G networks in a number of countries as an instance of weaponised trade (trade in services) because even though countries justified China's exclusion on national security grounds, China alleged the measures had punitive, constraining and/or coercive intent.

Threats of trade action were included in the dataset, even where no actual measure eventuated, provided the other definitional criteria were met. This reflects research findings (in the context of sanctions) that threats themselves

[12] See further the discussion of the definition of sanctions below, as well as in subsequent chapters.

can be coercive and meaningfully influence the behaviour of a target country.[13]

Despite our rigorous criteria, some might dispute our inclusion or exclusion of a particular trade incident from the dataset. The potential for disagreement reflects the definitional ambiguity surrounding economic coercion and Weaponised Trade discussed above. All researchers in this field face the same dilemma regarding the threshold for what constitutes Weaponised Trade. In many ways, efforts to identify instances of Weaponised Trade is an inherently subjective exercise, and no objective criteria can be formulated to alleviate this problem. Indeed, as we discuss in this report and in the case studies in the database, almost all instances of Weaponised Trade involve dual narratives invoked by the target and the instigator. For the sake of completeness we have endeavoured to include all of these case studies in the database, and we have not sought to adjudicate cases, simply to document their dimensions, impacts, and responses.

1.8.2 Language Limitations

Another limitation was our reliance on mainly English language sources. Some case studies had very limited English language material, and this carries the potential of bias towards certain perspectives. Searches in a broader range of languages would likely have yielded additional examples not covered in English-language sources. Mitigation strategies to address this shortcoming included contacting professional colleagues to ask about examples of Weaponised Trade in their jurisdictions and undertaking country-domain-specific searches for the language specific equivalent of the term Weaponised Trade or derivatives thereof. We also sought input from a Chinese-language researcher to help identify Chinese-language regulations, government statements, and media articles.

[13] Schneider, Gerald; Weber, Patrick M. (2019) : Biased, But Surprisingly Effective: Economic Coercion after the Cold War, CESifo Forum, ISSN 2190-717X, Ifo Institut – Leibniz-Institut für Wirtschaftsforschung an der Universität München, München, Vol. 20, Iss. 04, pp. 9-13 at 9, commenting on Morgan, T. C., N. Bapat and Y. Kobayashi (2014), “Threat and Imposition of Economic Sanctions 1945–2005: Updating the TIES Dataset”, Conflict Management and Peace Science 31, 541–558.

1.8.3 Counting of Instances

As with the presentation of any data, decisions had to be made about how to count a single instance of Weaponised Trade. Where a single type of mechanism (e.g. the suspension of import permits) impacted a related range of goods (e.g. animal produce) over an extended time frame (e.g. two years), this has been counted as a single instance of Weaponised Trade. For example, the Chinese suspension of multiple permits for Australian abattoirs for both beef and sheep meet, impacting ten Australian exporters across a two-year period has been counted as one instance of Weaponised Trade.[14] Conversely, where records disclosed coercive measures that could be differentiated by products, mechanisms, impacts and/or timespan, these were recorded separately. For example, a series of Russian decrees and directives laid the foundation for a ban on food and other agricultural products targeted at all countries imposing trade sanctions on Russia. Thus, the target countries included a large range of states – between five and eleven at any given point in time, including the European Union.[15] For the purposes of the Weaponised Trade database, each of the targeted states is listed as a separate instance, noting that the EU is counted as a single entity unless specific Member States are separately targeted, as was the case between China and the Netherlands in relation to medical supplies, where the EU at large was not targeted.[16]

A non-technical system of classification was used to group targeted sectors, with the database being tagged with a range of relevant keywords to allow the case studies to be found by interested readers. In addition, wherever possible, the general tags have been supplemented with tags indicating the HS Code of Goods at a Chapter level. While the database would ideally categorise goods in detail by HS Code, specific data is rarely available even where a coercive measure is based on a formal regulation, let alone when it is an informal restriction identifiable only through media and other accounts. Services have been tagged by sector as well as a generic 'service' tag. Where there is an

[14] For the full case study, see 'Beef and Sheepmeat (Australia – China)' *Weaponised Trade and Economic Coercion Database* (2024), online at https://economiccoercion.com/2024/10/10/beef-and-sheepmeat-australia-china/

[15] For a translation of the regulations, see https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Russia%20Extended%20Food%20Import%20Ban%20Through%20End%202021_Moscow_Russian%20Federation_12-18-2020

[16] See 'Medical Supplies and Boycott Threat (Netherlands-China)', *Weaponised Trade and Economic Coercion Database* (2024), online at <https://economiccoercion.com/2024/10/17/netherlands/>

investment component together with a trade issue, this has been tagged with an 'investment' tag. Digital trade and currency each have their own distinct category.

Within one case study, it is common for a range of formal and informal measures to be used by the imposing country. For example, a formal import ban may be accompanied by informal slowing of processing of goods at the border. Where the sources suggested that multiple mechanisms were being used, we have included each mechanism in our statistics. For this reason, the total number of Weaponised Trade measures will exceed the number of case studies.

The final dataset comprises 98 case studies, with classification according to the countries/regions involved; the goods or services that were targeted; the type of measure used; and whether the matter was referred to the WTO. Wherever possible, specific pieces of regulation have been identified and referred to by name.

1.8.4 Treatment of Weaponised Trade Involving Services

The treatment of services in the dataset requires further explanation, especially for those familiar with WTO law. Services are classified differently from the perspective of trade professionals as distinct from the typical language used by media or business. We have chosen not to categorise Weaponised Trade instances by their mode of supply[17] as this does not clearly indicate who the instigator and target of the measure are for the purpose of our database.

For example, Saudi Arabia imposed a ban on its citizens travelling to Iran in 2016.[18] In trade law parlance, this would be considered a ban on the export of services by Iran, with Iran being the provider of services under GATS Mode 2 (consumption abroad of services). In non-technical discussion, Iran would be referred to as the target of measures by Saudi Arabia. Our database counts

[17] Article 2 of the General Agreement on Trade in Services (GATS). For an explanation of modes of supply of services, see https://www.wto.org/english/tratop_e/serv_e/gatsqa_e.htm

[18] 'Travel and Trade' (Iran-Saudi Arabia)', *Weaponised Trade and Economic Coercion Database* (2024), online at <https://economiccoercion.com/2016/10/31/travel-and-trade-iran-saudi-arabia/>.

this as a 'miscellaneous measure' imposed by Saudi Arabia against Iran in order to avoid the confusion of import versus export restriction in services.

India's ban on apps including TikTok is a restriction on a foreign service provider (Chinese company ByteDance) offering services to Indian consumers.[19] Depending on the specifics of the app and its services, this could be one of several modes of supply under the GATS (usually Mode 1 and/or Mode 3). This categorisation does not help explain the motivation of the instigating country or the impact on the target country. For that reason, our database and this report has used language consistent with our treatment of situations involving goods. We count these in our database as another type of miscellaneous measure, even though it is substantively different from the tourism example above from the perspective of the GATS.

1.8.5 Private and Public Actors

Ordinarily, trade measures are taken by governments in the form of tariff or non-tariff barriers. However, there is often not a neat divide between the action of governments and the actions of private actors. The line becomes blurred when private actors are encouraged by a government, either explicitly or tacitly, to engage in offensive activities.

For example, commercial fishing fleets are typically private actors, but they can be enlisted to help advance state objectives by interfering with the national fish stocks of another country or by undertaking commercial activities in disputed territories.

For example, if an import ban is imposed on Australian products by a foreign government, it is the Australian exporter's business that will be directly impacted. In the case of an export ban interrupting supply chains of critical production inputs, Australian manufacturers can have their business operations put at risk. Both scenarios impact the level of employment, prices and availability for consumers.

Any consideration of Weaponised Trade needs to take account of this public/private overlap, both in terms of assessing impact and formulating responses.

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[19] 'Mobile Apps' (China-India)', *Weaponised Trade and Economic Coercion Database* (2024), online at <https://economiccoercion.com/2020/06/30/mobile-apps-china-india/>.

1.9 Methods: Delphi Expert Roundtables

A major aim of this report is to better understand stakeholder experiences of and responses to Weaponised Trade, and on the basis of that understanding to make recommendations for future responses on the part of government, industry and civil society. We employed the Delphi method as a key means of capturing the insights and expertise of key stakeholders.

The Delphi method has been used as an effective research method since the 1950s to evaluate complex strategic issues and identify solutions based on the input of groups of experts.[20] First developed by the RAND Corporation, the Delphi method is named after Greek oracle *Delphi*, who foretold the future.[21] The Delphi method's aim is to help understand complex problems and forecast solutions by obtaining expert opinion through a structured methodological sequence.[22] The Delphi method has slowly evolved into a critical research method for varying areas of research, including law and policy.[23]

Used in a policy context, this methodology brings together experts from a range of sectors and disciplines in a facilitated roundtable process to distil effective, consensus-based recommendations. The policy Delphi is an organised method of correlating views and information related to one specific policy area.[24] This kind of Delphi allows experts in the field to respond to the

[20] Stuart J Barnes and Jan Mattsson, 'Understanding Current and Future Issues in Collaborative Consumption: A Four-Stage Delphi Study' (2016) 104(1) Technological Forecasting & Social Change 200, 201; Theodore Gordon and Adam Pease, 'RT Delphi: An Efficient, "Round-Less" Almost Real Time Delphi Method' (2006) 73(4) Technological Forecasting & Social Change 321, 321; Ruth Jiang, Robin Kleer and Frank T. Piller, 'Predicting the Future of Additive Manufacturing: A Delphi Study on Economic and Societal Implications of 3D Printing for 2030' (2017) 117(1) Technological Forecasting & Social Change 84, 85; Karlo Kauko and Peter Palmroos, 'The Delphi Method in Forecasting Financial Markets – An Experimental Study' (2014) 30(2) International Journal of Forecasting 313, 313; Chitu Okoli and Suzanne D. Pawlowski, 'The Delphi Method as a Research Tool: An Example, Design Considerations and Applications' (2004) 42(1) Information & Management 15, 16; Muhammad Imran Yousuf, 'Using Experts' Opinion Through Delphi Technique' (2007) 12(4) Practical Assessment, Research, and Evaluation 1, 1.

[21] Juan Battler-Grau et al, 'Constructing More Reliable Law and Policy: The Potential Benefits of the Underused Delphi Method' (2019) 87(4) UMKC Law Review 919, 925.

[22] Ibid.

[23] Ibid 923.

[24] Mary McGeoch, Yvonne Brunetto and Kerry Brown, 'The Policy Delphi Method: Contribution to Policy and Strategy within Energy Organisations: A 2013 Malaysian Case Study with Global Implications' (2018) 48(6) Quality and Quantity: International Journal of Methodology 3195, 3202.

issues raised by the researchers and other participants. The policy Delphi method helps to sense check the breadth and focus of a research project, ensuring all possible options have been raised for consideration, estimates the impacts of the issues raised and evaluates potential recommendations.[25]

The project team conducted four Delphi roundtables: one based in Sydney, one in Canberra, and two online (one catering for a broadly US/South American time zone, and the other for a broadly European/African time zone). Prior to taking part in the first roundtable, each participant completed an online survey, so that preliminary views could be collected and shared across all four roundtables.

Each roundtable covered the same broad themes:

- Impacts of Weaponised Trade: what is at stake for the future?;
- Patterns and causes;
- Key characteristics and indicators;
- The adequacy of existing rules to constrain Weaponised Trade;
- Impacts of Weaponised trade for business, for government, and for the relationship between the two; and
- Effective responses to Weaponised Trade.

All discussions were facilitated by the project team, transcribed and thematically coded.

1.10 Methods: Stakeholder Interviews

To complement the Delphi process, the project team collected additional data through stakeholder interviews. Individual invitations were sent to a broad range of enterprises as well as industry associations, inviting them to take part in a 45-60 minute interview.

The questions differed depending on the role of the interviewee. All interviews were recorded and transcribed, and combined with the data from the Delphi Roundtables, were thematically coded and analysed using Dovetail.

It became clear during the recruitment phase of this part of the project that many exporters were reluctant to take part in interviews because of the risk of identification, commenting that they did not think that any level of anonymity

[25] Ibid.

would be adequate to protect them. These concerns included the risk of inadvertently sharing commercial-in-confidence information, but – equally importantly – the risk of retribution from foreign governments if they spoke out, whether individually as exporters or for their industry as a whole. Specific concerns included that export licences might be cancelled, or not renewed, or that they might be negatively perceived by overseas counterparts for criticising the government. This phenomenon made data collection difficult, but also illustrated the depth of concerns held by Australian exporters about Weaponised Trade.

The project team is also conscious of sample bias. Even though invitations were sent to a very large range of large and small exporters, and a very broad range of industries, positive responses were overwhelmingly only received from larger firms and industry associations. Smaller exporters and industry associations reported that either they didn't have a particular person with sufficient expertise, or that their resources were too strained to allow time for an interview. Therefore, the results of interview-based data are more indicative of the experiences of large corporations and well-resourced industries (such as the mining sector) rather than smaller enterprises (such as rock lobster fishermen).

1.11 Methods: Ethics Clearance and Confidentiality

Participants were asked how they wished to be identified in public reporting, leaving individuals free to decide whether they wish to be described by name, by a general descriptor of their choosing (for example "an Australian trade policy advisor") or completely anonymously. Where a participant has chosen to be anonymous, a transcript number has been allocated to allow readers a sense of the connectedness of the observations and/or quotes. As most participants requested complete anonymity, this was applied across the board and all references in this report to the Delphi process and interviews use the term "a participant".

All data collection was undertaken pursuant to ethical clearance approved by the University of Newcastle (which was a project participant at the time the data was collected).

CHAPTER 2

MAPPING WEAPONISED TRADE





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Chapter 2: Mapping Weaponised Trade

The global economic landscape has undergone substantial change over the period covered by this study, and the period of 2005-2024 period shows significant and changing patterns of states leveraging trade as an instrument of power and coercion.

This chapter examines global Weaponised Trade practices, identifying key patterns, prevalent actors, common targets, and types of coercive mechanisms and the broad impacts. The chapter draws primarily on data compiled in the Weaponised Trade Database, the methodology of which was outlined in Chapter 1, combined with perspectives from academic literature and policy documents.

2.1 Overview of Trends 2005 – 2024

The dataset comprises 98 case studies in the period from 2005 to 2024, with a trend showing a steadily increasing number of instances. The time series illustrates how the incidence and character of weaponised trade shifted across distinct geopolitical phases. In the years immediately following the Global Financial Crisis (2009 – 2011), the dataset records relatively fewer episodes. This does not necessarily imply an absence of coercive trade behaviour but rather reflects a period in which governments' external economic strategies were dominated by crisis management, stimulus, and efforts to stabilise global demand, while the rules-based trade system still retained comparatively strong legitimacy.

From 2012-2026 the trend becomes more pronounced as strategic rivalry and regional security crises began to translate more directly into economic instruments. Events such as Russia's annexation of Crimea in 2014 and the subsequent sanctions environment, and heightened maritime frictions in the South and East China Seas all contributed to a setting in which states were more willing to accept the economic costs of coercion. This time coincides with increased attention to strategic rivalries, which led to targets being more inclined to publicly characterise restrictions as politically motivated.


Incidences of Weaponised Trade per Year 2005-2024 with Trendline
18
16
14
12
10
8
6
4
2
0
2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020
Year

The period 2017–2019 coincided with the United States' shift toward more unilateral trade action and the escalation of US–China strategic competition. The first Trump Administration's tariffs and the broader trade-war dynamic arguably normalised the use of trade restrictions as leverage in high-politics disputes. It further weakened confidence in dispute settlement, including by the disabling of the WTO Appellate Body.[1] In parallel, geopolitical contest over advanced technologies intensified, especially telecommunications and semiconductors. This led directly to an expansion of "security measures" that are increasingly difficult to separate from geoeconomic competition.[2] In this period, there was a noticeably increased willingness to depart from established trade rules on the grounds of political, especially security, motivations.

The most substantial upswing of Weaponised Trade incidents was evident from 2020 onwards. The COVID-19 pandemic exposed the fragility of global supply chains and the vulnerability of import dependence.[3] This period also includes several prominent, highly publicised coercion disputes (including China's measures against Australian exports) and a marked increase in technology-related controls. Russia's full-scale invasion of Ukraine in 2022 then generated a large cluster of trade measures and countermeasures - also described as sanctions or countersanctions - spilling over into energy and finance. While this period largely coincided with the Biden Administration in the United States, there was no substantial reversal of trade policies from the first Trump Administration, but rather a continuation in relation to the WTO and trade governance generally.[4] This period can be characterised as accelerating a policy turn toward resilience, self-sufficiency, and

[1] Vibha Bandhu and Agarwal Sonu, "Ensuring the Sustainability of Dispute Settlement Mechanism in Light of the Current Appellate Body Crisis" (2025) *Conflict Resolution Quarterly,* <https://onlinelibrary.wiley.com/doi/full/10.1002/crq.21488>

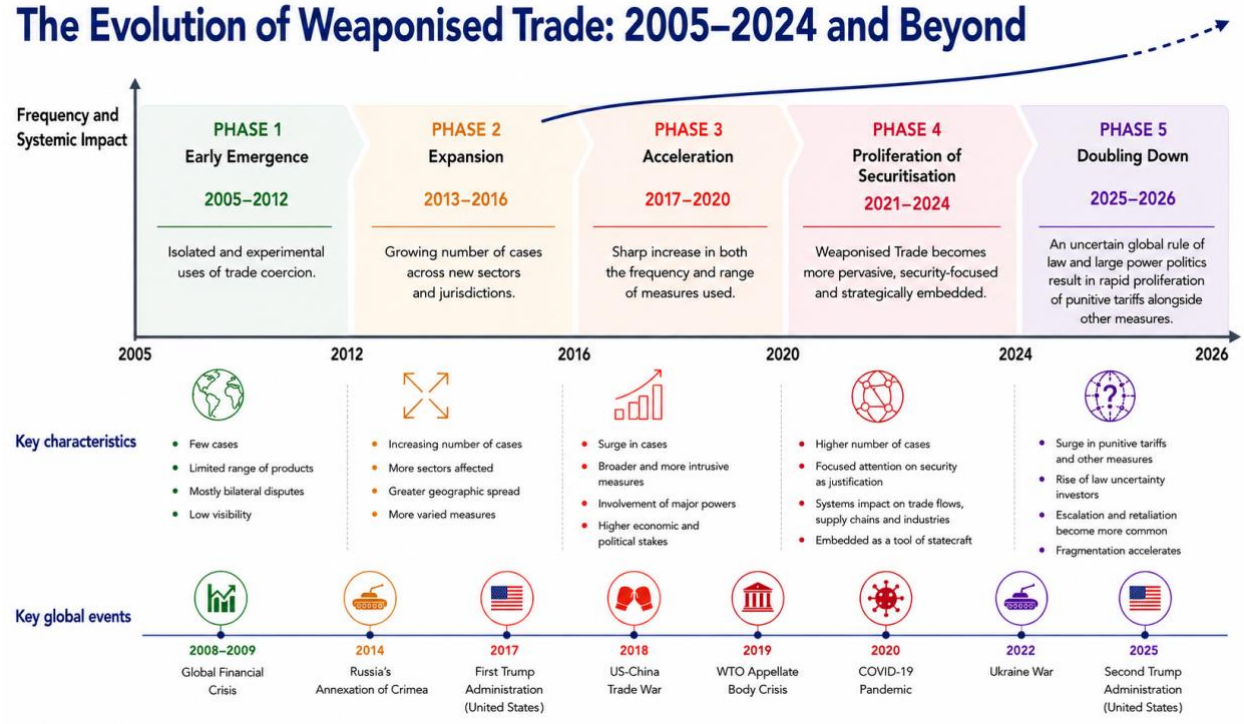
[2] See, for example, Nora Kürzdörfer, 'The dog that does not bark – Weaponised interdependence and digital trade at the World Trade Organization' (2025) 32(5) *Review of International Political Economy* 1669, 1695. <https://doi.org/10.1080/09692290.2025.2483371>

[3] Kristen Hopewell, 'Beyond US-China rivalry: Rule Breaking, Economic Coercion, and the Weaponization of Trade' (2022) *AJIL Unbound* 58, 63.

[4] Schoenbaum, Thomas J. "The Biden Administration's trade policy: Promise and reality." German Law Journal 24.1 (2023): 102-124.

"friendshoring", expanding the political space for restrictions framed as risk-management and security.[5]

While outside the time period for this report, it is worth noting that the period 2025-2026, coinciding with the second Trump Administration in the United States, has seen yet further 'doubling down' of economic coercion, with a particular emphasis by the United States on the use of tariffs, and retaliatory measures taken by a range of states.



2.2 Instigators of Weaponised Trade

The dataset shows that large powers are by far the most common instigators of Weaponised Trade. This is largely expected, as more powerful trading nations possess more leverage to credibly threaten Weaponised Trade. They are also more able to absorb any adverse costs of weaponizing trade, as coercive measures frequently have financial impact on the instigator's consumers and enterprises.[6] As Farrell and Newman explain, the complex

[5] Robert Wolfe, 'Is Using Trade Policy for Foreign Policy a "SNO Job"? On Linkage, Friend-Shoring, and the Challenges for Multilateralism.' (2023) 22 (3-4) *World Trade Review* 474-483.

[6] See also David A Baldwin, *Economic Statecraft* (Princeton University Press, new ed, 2020), emphasising how the feasibility and effectiveness of trade restrictions depend on both the

interdependence of the global economy places powerful states as hubs at the centre of organised networks. These hub states are uniquely positioned to leverage their power against those states that are the 'spokes' in relation to critical nodes such as finance, supply chain bottlenecks, and high-tech goods such as chips.[7]

Some care should be taken with this data to avoid incorrect inferences about who instigates Weaponised Trade. As explained in the project methodology, the dataset is comprised of reported cases where an allegation is made of Weaponised Trade or economic coercion. There may be a range of reasons that incidences may not be reported – they may be intentionally kept 'below the radar' by government or industry, not considered newsworthy, or not be reported in accessible media sources. In other situations, it may be in the interests of the target to broadcast incidents involving a particular instigator, a strategy we discuss in the section below.

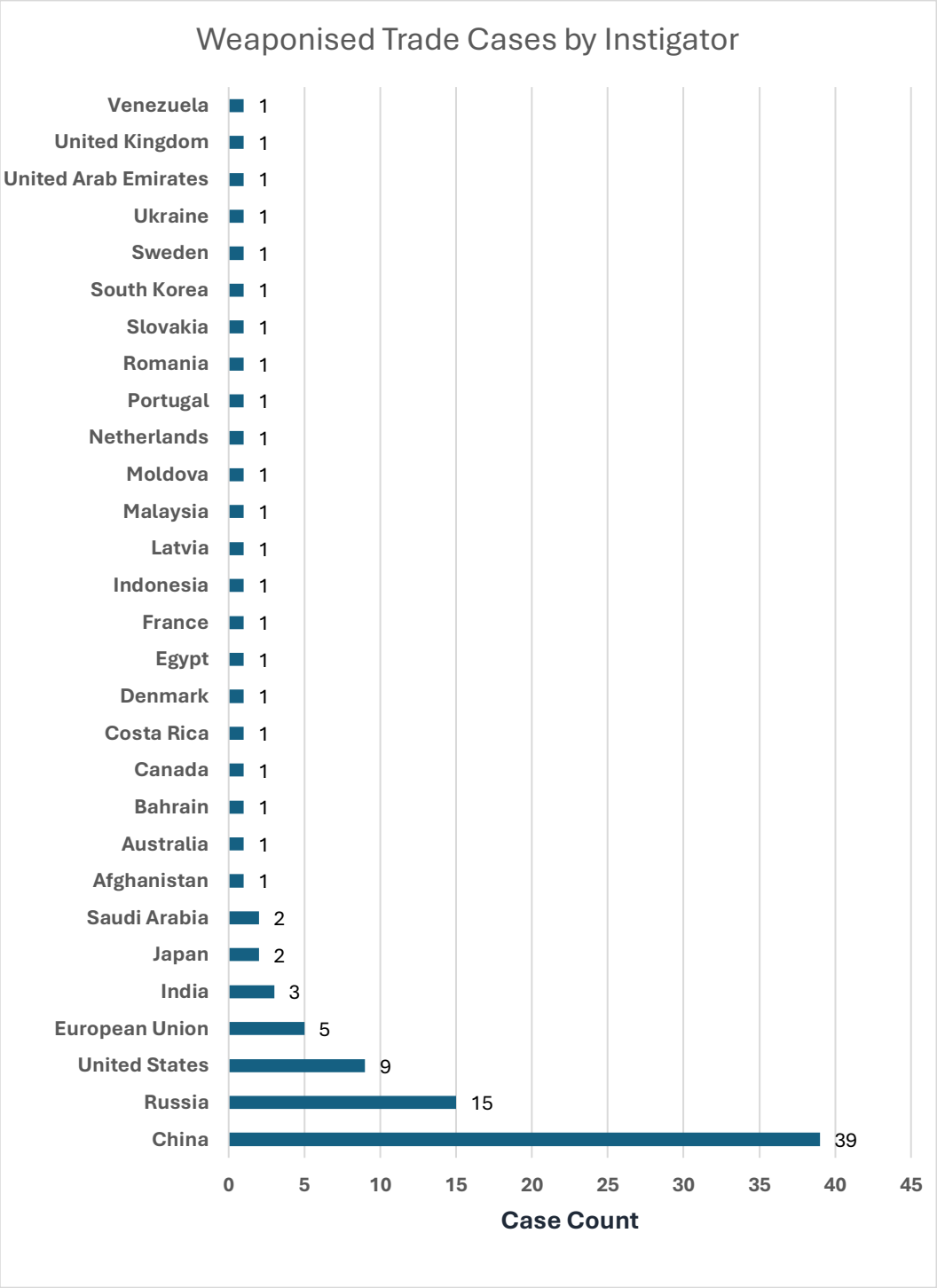
Finally, it is important to emphasise that there is often a divergence of interests and views even within a state, where some actors see benefit in declaring something to be Weaponised Trade, but others do not. As one expert observed of Australian politics with respect to China during the period of relationship turmoil,

> "political figures … at the time … had no embarrassment in making known their views on China. This did not turn into government policy…. Judging by the rhetoric, you would have reason to believe that the government would turn these events into cases of weaponisation of trade, but they didn't do that."[8]

instigator's leverage and the target's vulnerability, with larger states possessing more leverage.

[7] Henry Farrell and , Abraham L. Newman; Weaponized Interdependence: How Global Economic Networks Shape State Coercion. International Security 2019; 44 (1): 42–79 at 55-56.

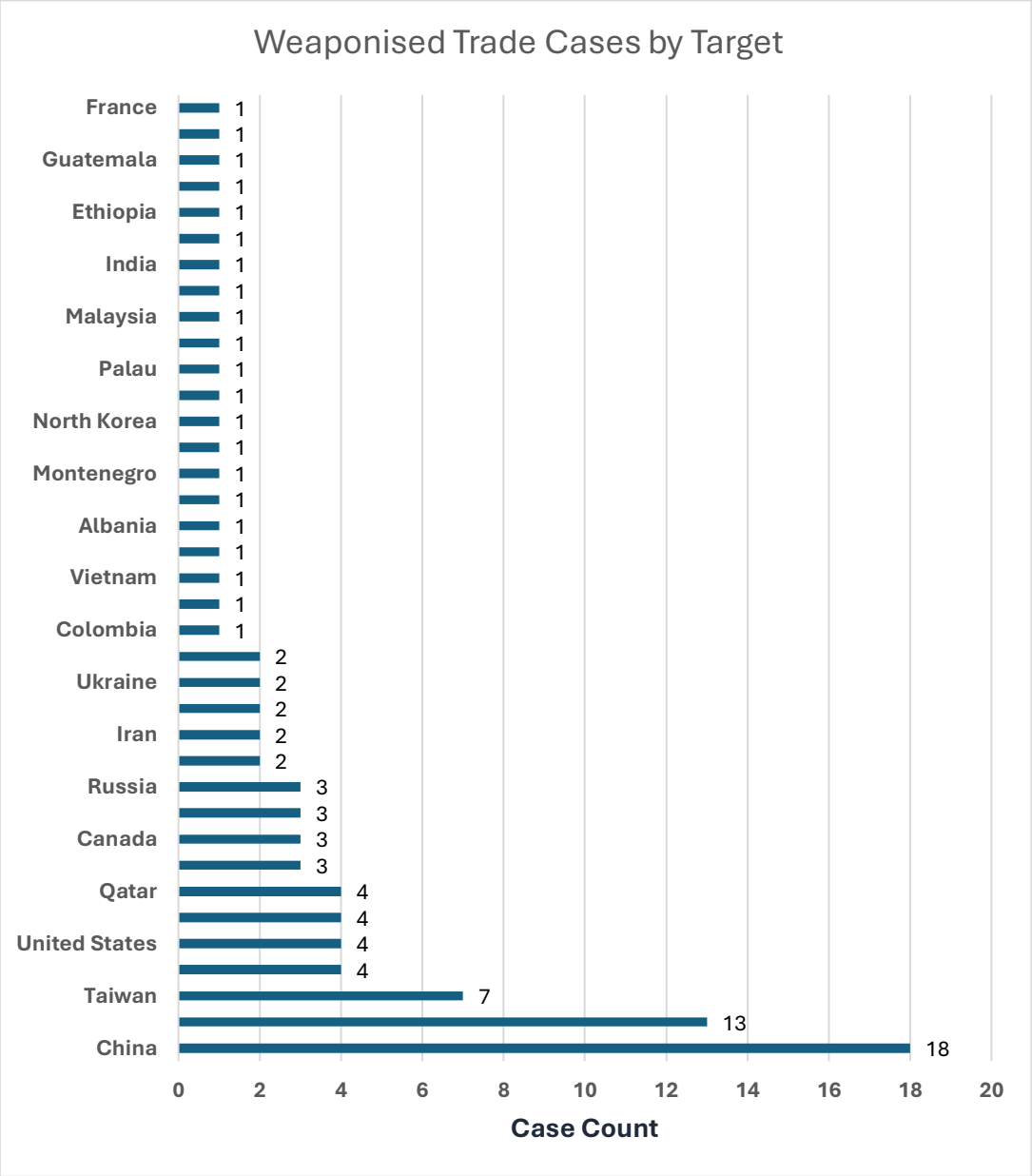
[8] International participant, online Delphi at 1:34:41.


Weaponised Trade Cases by Instigator
Venezuela 1
United Kingdom 1
United Arab Emirates 1
Ukraine 1
Sweden 1
South Korea 1
Slovakia 1
Romania 1
Portugal 1
Netherlands 1
Moldova 1
Malaysia 1
Latvia 1
Indonesia 1
France 1
Egypt 1
Denmark 1
Costa Rica 1
Canada 1
Bahrain 1
Australia 1
Afghanistan 1
Saudi Arabia 2
Japan 2
India 3
European Union 5
United States 9
Russia 15
China 39
0 5 10 15 20 25 30 35 40 45
Case Count

2.3 Targets of Weaponised Trade

Targets of weaponised trade are typically states whose economic exposure, political positioning, or strategic posture makes them vulnerable to coercive pressure. Coercion is both more feasible and more likely where the target is more dependent on the instigator's market, finance, technology, or logistics than the instigator is on the target. This means that middle powers and smaller economies can be attractive targets when their export profile is concentrated, when substitute markets are limited, or when key sectors are exposed to discretionary border administration or regulatory approvals. At the same time, large powers are not immune to being targets – as in the case of China, which was the most frequent target identified in our dataset, due to its dominance in telecommunications and other sensitive sectors.

At the same time, target behaviour influences whether a situation is labelled as 'Weaponised Trade'. Targets may publicly label measures as Weaponised Trade or Economic Coercion to reframe what might otherwise be defended as routine trade regulation, which can increase the reputational and diplomatic costs for the instigator and potentially mobilise both domestic and third-party support. This signalling dynamic can help deter further pressure by raising the political cost of coercion for the instigator, but it can also escalate disputes, especially where wider geostrategic influences exist. For this reason, analysis of targets does not provide statistically valid predictive data, but does provide insight into vulnerabilities, and some predictive capability into which disputes are likely to be observed and noted as coercive episodes.


Weaponised Trade Cases by Target
France
Guatemala
Ethiopia
India
Malaysia
Palau
North Korea
Montenegro
Albania
Vietnam
Colombia
Ukraine
Iran
Russia
Canada
Qatar
United States
Taiwan
China
1
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3
3
3
3
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4
4
7
13
18
0
2
4
6
8
10
12
14
16
18
20
Case Count

Within the dataset, the following targets stand out as being subject to recurrent weaponised trade (reflecting both exposure to leverage and the political significance of the underlying disputes):

- Australia, which was targeted by China through a series of measures during 2018–2021;[9]
- China itself, which has been targeted by a growing number of states from around 2012 onwards, and particularly from 2020 in relation to telecommunications and other high-technology sectors under national security rationales;[10]
- Qatar, which was subjected to restrictions by the "quartet" of Egypt, Saudi Arabia, the United Arab Emirates and Bahrain following a broad diplomatic rupture centred on allegations of support for terrorism and Qatar's relationship with Iran;[11] and
- Taiwan, which has been regularly targeted by China in connection with Beijing's one-China policy; and Russia, which has been targeted by a wide range of states in response to its invasion of Ukraine.[12]

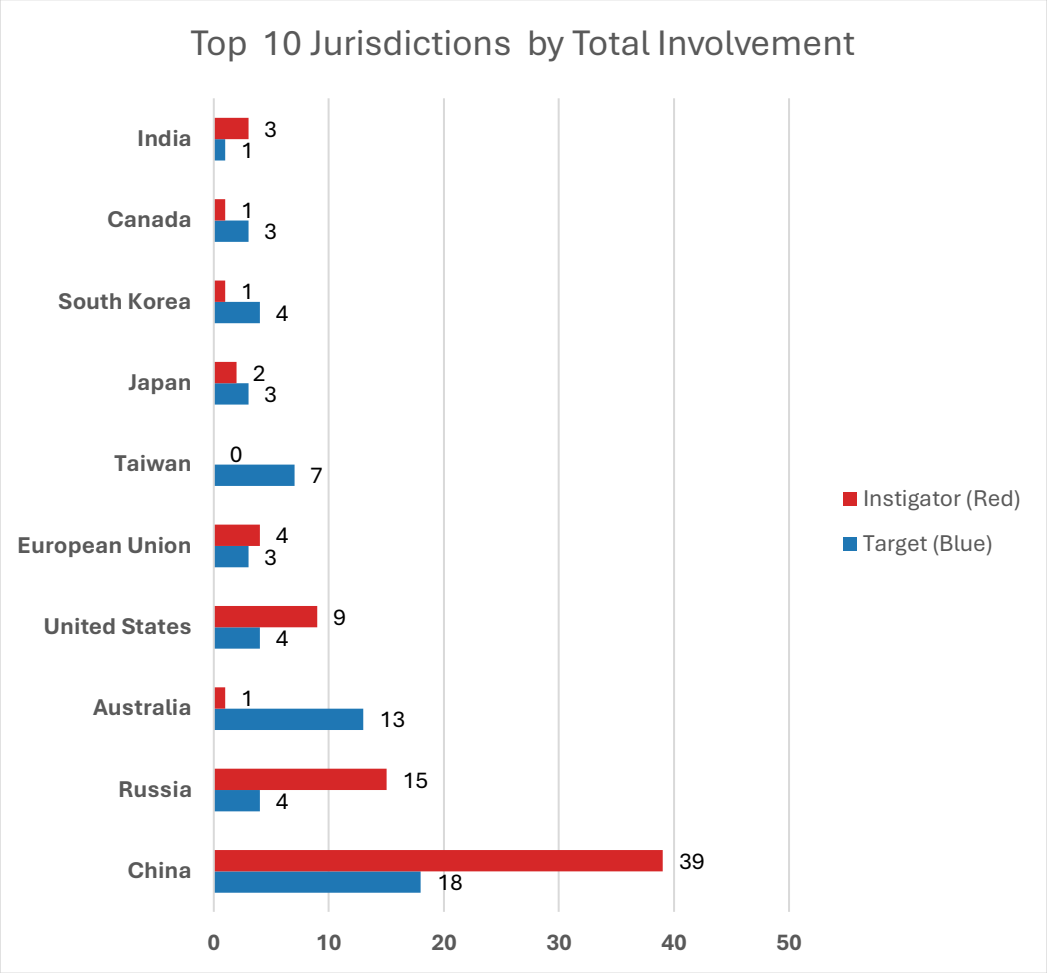
2.4 Frequency as Instigator v. Target

For completeness, it is also useful to compare how often a state appears in the dataset as an instigator of Weaponised Trade and how often it appears as a target. Some states appear predominantly as instigators because they have the market size, regulatory reach, or control over critical chokepoints needed to make coercive measures credible. Others appear more frequently as targets because they are especially dependent on access to larger markets or vulnerable to disruption in politically sensitive sectors.

China stands out in both respects: it is the most frequent target identified in the dataset, while also being the most frequent instigator. States that sit at the centre of major trade, technology, finance, or logistics networks are

[9] 'Australia', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/tag/australia/>.
[10] 'China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/tag/china/>.
[11] 'Qatar', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/tag/qatar/>.
[12] 'Taiwan', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/tag/taiwan/>.

more likely both to possess leverage over others and to become focal points of pressure themselves.



In an era of strategic rivalry, technologically dense supply chains, and heightened security anxiety, economically central states are not only more willing to use trade coercively, but are also more likely to be drawn into coercive episodes initiated by others.

The data on targets and instigators reinforces the idea that Weaponised Trade is a feature of interdependence in an age of geopolitical tensions, and its incidence rises with geopolitical contestation, especially among the states most embedded in global economic networks. As we explain in section 2.10 below, this has impacts both economically, politically and socially, but also has profound systemic impacts, which we also explore in detail in Chapter 4.

2.5 Justifications for Weaponised Trade

The hallmark of Weaponised Trade is the strategic use of trade to advance (geo)political objectives, typically to coerce the other party into changing behaviour, as set out in Chapter 1.

The dataset revealed a broad range of political motivations for the weaponisation of trade, and in doing so provides useful insights into the types of provocations that may be more likely to induce an incident of Weaponised Trade. As the following table sets out, there are five frequently-observed types of political motivation, although these are not neat analytical categories and some disputes will fall into multiple categories, or vary over time. Additionally, there is a category of general relationship breakdown, which can stem from one or more of the other justifications. We examine each in more detail in the sections below.

2.5.1 National Security and Strategic Dependence

This is one of the most frequently-occurring justifications for Weaponised Trade. In these cases, the objective is not simply to cause economic pain but rather to dismantle strategic dependencies on a country that is perceived as a potential threat to national security. The large number of cases targeting Chinese 5G infrastructure providers gives an illustration of this dynamic. The United Kingdom, Romania, France, Portugal, Sweden, Denmark, Latvia, Costa Rica, Australia, Japan and the Netherlands all sought to ban companies such as Huawei and ZTE from providing infrastructure for their 5G networks, citing national security concerns.[13] Some, such as Costa Rica, based the ban on a country's failure to sign the *Budapest Convention on Cybercrime*, which excluded a range of foreign providers including those from China.[14]

Similar motivations can also be seen in the case of export restrictions. For example, the Netherlands in 2023 implemented a licencing system requiring Dutch firms to seek licenses before exporting advanced deep ultraviolet lithography system technology. Dutch trade minister Liesje Schreinemacher justified the move as "in the interest of our national

[13] 'Telecommunications', *Weaponised Trade and Economic Coercion Case Study Database* <*https://economiccoercion.com/tag/telecommunications/*>.
[14] '5G Infrastructure: China–Costa Rica', *Weaponised Trade and Economic Coercion Case Study Database* <https://economiccoercion.com/2023/08/31/5g-infrastructure-china-costa-rica/>.

Motivation	Core political objective	Common trade instruments	Examples	Disruptive Capacity
National Security and Strategic Dependence	To dismantle strategic dependencies on a state perceived as a national security threat, including by excluding sensitive suppliers and constraining access to enabling technologies.	• Telecommunications procurement exclusions (e.g., 5G vendor bans) • Export controls / licensing for advanced technologies • Restrictions on servicing and maintenance of controlled equipment • "National security" justification narratives (including potentially contested claims)	• High-tech export "White List" removal (South Korea–Japan) (2019–2023) • 5G infrastructure restrictions (Huawei/ZTE) (various) • Semiconductor technology licensing / export restrictions (China–Netherlands) (2023)	High
Territorial Disputes	To punish or deter actions in a disputed land or maritime area and signal resolve over sovereignty claims without escalating to direct military confrontation.	• Informal import bans / "slowdowns" at the border (customs holds) • Targeting politically salient commodities (especially perishable goods) • De facto export interruptions for critical inputs (often denied publicly)	• Rare earths / tungsten / molybdenum (Japan–China) (2010) • Bananas (Philippines–China) (2012) • Lychees (Vietnam–China) (2014)	Medium
Armed Conflict and Military Buildup	To constrain, punish, or compel a state in connection with armed conflict or military escalation, including by raising the economic costs of war or deterrence-related posture.	• Sanctions / countersanctions (unilateral measures outside UN Security Council processes) • Energy and commodity embargoes (coal, oil, price caps) • Targeted regulatory pressure on firms and consumer boycotts linked to security disputes	• Russia-related sanctions / countersanctions (various) (from 2022) • Entertainment restrictions and regulatory action on Lotte (South Korea–China) (THAAD) (2016–2017) • EU energy measures targeting Russia (coal/oil embargo; oil price cap) (2022)	High
Governance and Human Rights	To signal disapproval of political values or human rights practices, and to induce policy change or impose reputational and economic costs for contested governance choices or symbolic acts.	• Trade restrictions tied to governance/rights claims (e.g., forced labour measures) • Informal import slowdowns / consumer boycotts following symbolic diplomatic acts • Regulatory investigations and discretionary enforcement against targeted sectors/firms	• Mining Commodities (Mongolia–China) (2016) • Xinjiang products (China–United States) (2021) • Beef & Wine 1 (Australia–China)(2018) • Palm oil (Malaysia–India)(2019)	Medium
Relationships with Third Countries	To pressure a target state to alter its diplomatic, security, or economic relationship with a third country (including recognition and alignment choices).	• Embargoes and transport restrictions designed to compel realignment • Secondary sanctions targeting third-party dealings • Customs and administrative coercion aimed at recognition/representation issues	• China measures linked to Taiwan relationships (Lithuania; Guatemala; Palau; Eswatini) • Secondary sanctions: China–Russia (EU/Canada/UK–China) (as characterised by China Daily)	Medium
Broad Relationship Rupture	To impose broad-based economic pressure in the context of a major diplomatic rupture where the dispute is not reducible to a single issue-area, and coercion becomes part of a wider breakdown in relations.	• Comprehensive embargoes and severance of trade, travel, and transport links • Wide-ranging informal measures (boycotts, administrative friction, licensing delays) • Non-enforcement / selective enforcement during rupture periods	• Copper Ore and Concentrate (Australia–China)(2020); Hay and Chaff (Australia-China)(2021) • Qatar embargo and related measures (Saudi Arabia/ Egypt/Bahrain/UAE–Qatar) (2017)	Medium–High

prevented the Dutch company ASML from servicing its machines located in China.[16]

In other cases, national security has been cited but been widely believed to be spurious and more akin to a smokescreen. For example, between 2019 and 2023, the Japanese Government removed South Korea from its high tech export 'White List' (on which South Korea had been listed since 2004). National security concerns were cited about South Korea's failure to restrict resale with North Korea, but it was more widely believed that the dispute stemmed from historic wrongs.[17]

2.5.2 Territorial Disputes

Several cases in the Asia-Pacific were attributed to territorial disputes – both land and maritime. For example, China's de-facto ban on rare earth, tungsten and molybdenum exports to Japan in September 2010, despite denials by China, was seen as retribution for the collision and subsequent arrest of a Chinese fishing vessel in disputed territory of the Senkaku/Diaoyu islands.[18] In 2012, the Philippines accused China of implementing restrictions on Philippine bananas as a weapon in the dispute over the Scarborough Shoal in the South China Sea.[19] In 2014, apparently in response to Vietnamese complaints about the establishment of a Chinese oil rig in disputed waters amongst the Paracel Islands, Vietnamese lychees were subject to informal import bans, with reports that shipments were left to rot at the border.[20]

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[16] 'Semiconductor Technology: China–Netherlands', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2023/06/30/semiconductor-technology-china-netherlands/>.
[17] 'Chemicals / High Tech List: South Korea–Japan', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2019/07/31/chemicals-high-tech-list-south-korea-japan/>.
[18] 'Rare earths: Japan–China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2010/09/30/rare-earths-china-japan/>.
[19] 'Bananas: Philippines–China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2024/10/23/bananas-philippines-china>.
[20] 'Lychees: Vietnam–China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2014/05/01/lychees-vietnam-china/>. See also Viet Dung Trinh, 'Vietnam's nuanced securitization of China's assertiveness in the South China Sea' (2025) 39(2) *The Pacific Review* 263. <https://doi.org/10.1080/09512748.2025.2532614>.

Unwelcome third party responses to sovereignty disputes can also motivate weaponisation. For example, engagement with Taiwan has caused retaliation by China against Lithuania,[21] Guatemala,[22] the Netherlands,[23] and Eswatini.[24] These countries typically allowed the opening of a representative office of Taiwan in their territory, maintained diplomatic relations with Taiwan, or expanded official and semi-official engagement with Taiwanese authorities in ways perceived by Beijing as inconsistent with the "One China" principle.[25]

2.5.3 Armed Conflict and Military Buildup

A significant number of cases are clustered around responses to armed conflict, with measures often being described as sanctions, although they are unilateral rather than sanctions enacted by the UN Security Council pursuant to Article 41 of the UN Charter.[26]

In many of these cases, there is mutual instigation and targeting of measures, with one or both asserting that they are the victims of Weaponised Trade. For example, the Russian Ambassador to the United States described sanctions imposed on Russia as "a defective tool of political coercion".[27] As one analyst explained,

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[21] 'Customs Database: Lithuania–China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2021/11/30/customs-database-lithuania-china/>.
[22] 'Coffee and Macadamias: Guatemala–China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2024/05/31/coffee-and-macadamias-guatemala-china/>.
[23] 'Medical Supplies & Boycott Threat: Netherlands–China', *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2020/04/30/netherlands/*>.
[24] 'Travel Restrictions: Eswatini–China', *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2020/01/31/travel-restrictions-eswatini-china/*>.
[25] See also Wendy Cutler and Shay Wester, *Resilience & Resolve: Lessons from Lithuania's Experience with Chinese Economic Coercion* (Report, Asia Society Policy Institute, 17 April 2024) <https://asiasociety.org/policy-institute/resilience-resolve-lessons-lithuanias-experience-chinese-economic-coercion>.
[26] This dynamic is discussed in more detail in Section 2.9.6 below.
[27] Anatoly Antonov, 'Sanctions against Russia: a defective tool of political coercion' (Article, Embassy of the Russian Federation in the USA, 11 March 2023) <https://washington.mid.ru/en/press-centre/news/ambassador_anatoly_antonov_s_article_sanctions_against_russia_a_defective_tool_of_political_coercion>.

> "Europe also used energy against Russia by imposing an embargo on Russian coal, oil and implementing an oil price cap. [...] This shows Europe wasn't just a passive target of energy coercion; it also weaponised trade leverage in return. [...] However, the EU felt morally and strategically justified given the stakes of the war."[28]

Military buildup is also a prompt for weaponised trade. When South Korea decided to allow the installation of the US THAAD anti-missile system, China purportedly banned South Korean entertainment from broadcast, although this was disputed by China.[29] At the same time, Chinese authorities appeared to target South Korean multinational corporation Lotte, in relation to a wide range of investigations for fire safety, sanitation, and tax issues. By March 2017, 74 of Lotte's 99 outlets in China had been shut, while the company itself closed a further 13 stores in response to the combined effects of regulatory restrictions and consumer boycott.[30]

2.5.4 Domestic Affairs, Governance and Human Rights

Governance issues and human rights form one of the earliest, and one of the most visible, categories of Weaponised Trade. The foundational literature has long suggested that trade measures are used to signal disapproval of political values, institutional choices, and symbolic acts and induce a change of policy position. For example, Fuchs and Klann identified a "trade-deteriorating effect" associated with official meetings with the Dalai Lama during the Hu Jintao period 1991-2008, finding a correlated decline in exports to China for a period of roughly two years following such meetings. [31] It demonstrates how conduct framed by the one state as normal diplomatic or political actions may be framed by another state as sufficiently hostile to justify economic pressure. Our database, which tracks incidents globally across the 2005 to

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[28] Gianmarco Geneletti, 'Energy as a geopolitical weapon', *European Relations* (Web Page, 24 August 2025) <https://europeanrelations.com/energy-as-a-geopolitical-weapon/>.
[29] 'Entertainment: South Korea–China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2016/08/31/entertainment-south-korea-china/>.
[30] 'Lotte Group: South Korea–China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2016/12/31/lotte-group-china-south-korea/>.
[31] Fuchs, Andreas, and Nils-Hendrik Klann. 'Paying a Visit: The Dalai Lama Effect on International Trade' (2013) 91(1) *Journal of International Economics* 164. <https://doi.org/10.1016/j.jinteco.2013.04.007>.

2024 period, suggests that this dynamic has persisted and arguably broadened.

For example, in December 2016 China imposed new fees and tariffs on cross border commodity trade with Mongolia, alongside administrative disruptions at key crossings, resulting in long queues of trucks unable to pass. These measures were accompanied by the cancellation of bilateral diplomatic meetings and delays to negotiations on a proposed US$4.2 billion loan intended to support the Mongolian economy. Although the Chinese government did not formally acknowledge the imposition of these trade measures, they occurred immediately following a four day visit to Mongolia by the Dalai Lama in November 2016. Official Chinese statements during this period focused not on trade policy but on the 'negative impact' of the visit on bilateral relations, sharpening concerns about weaponisation.[32] The Mongolian government shifted from its initial position that the visit was beyond its control to an explicit expression of regret, coupled with a commitment that the Dalai Lama would not be permitted to visit again during the administration. Subsequent diplomatic exchanges included further statements acknowledging Chinese territorial claims over Tibet, while Chinese officials indicated that Mongolia should "learn lessons" from the episode.[33] By early 2017, China had agreed to proceed with economic support measures, with both sides signalling a reset in relations. The sequence of events appears to illustrate a pattern in which economic measures are neither fully denied nor formally justified on governance grounds, but are instead embedded within a broader diplomatic signalling framework that nonetheless induces observable policy change in the target state.

In July 2019, Japan removed South Korea from a list of trusted trading partners and imposed export restrictions on three materials destined for South Korea – hydrogen fluoride, fluorinated polyimide and photoresist, which are important materials for the South Korean superconductor manufacturing industry.[34] The delisting meant that Japanese exporters would need to apply

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[32] 'Mining Commodities: Mongolia–China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2016/11/30/mining-commodities-mongolia-china/>.

[33] Ibid.

[34] Stephen Ezell, *Understanding the South Korea-Japan Trade Dispute and its Impacts on U.S. Foreign Policy* (Blog Post, 16 January 2020) <https://itif.org/publications/2020/01/16/understanding-south-korea-japan-trade-dispute-and-its-impacts-us-foreign>.

for a licence, which could take up to 90 days.[35] Prime Minister Shinzo Abe cited national security concerns as the reason for the restrictions.[36] However, South Korea claimed the restrictions were in response to 2018 and 2019 South Korean calls for the Japanese government to compensate South Korean "comfort women",[37] and for Japanese companies to compensate South Korean workers who were exploited and enslaved during WWII.[38] As King explains, relations were restored by a 'face saving' mechanism in 2023 that allowed for a government-administered compensation fund that removed the requirement for Japanese companies to contribute.[39]

A similar dynamic appears in the India–Malaysia palm oil dispute beginning in late 2019 and early 2020. Following public criticism by Malaysian Prime Minister Mahathir Mohamad of India's *Citizenship Amendment Act* and the Indian government's actions in Kashmir, India introduced restrictions affecting imports of refined palm oil from Malaysia, which at that time was one of the world's largest exporters. Observers characterised the retaliation as being linked to Malaysia's political criticism. Notwithstanding the intensity of the dispute, the measures were relatively short-lived, with trade flows resuming within months, but the mechanism was used to effectively impose diplomatic costs and signal the instigator's political resolve to both its domestic and international audiences.[40]

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[35] Pushan Dutt, 'How a Century-Old Dispute Between Japan and South Korea Threatens the Global Supply of Smartphones', *The Conversation* (online, 29 August 2019) <https://theconversation.com/how-a-century-old-dispute-between-japan-and-south-korea-threatens-the-global-supply-of-smartphones-122502>.

[36] See Prime Minister Abe's remarks as cited in 'Japan says curbs on exports to South Korea due to broke pledge', *Voice of Australia* (online, 3 July 2019) <https://www.voanews.com/a/east-asia-pacific_japan-says-curbs-exports-south-korea-due-broken-pledge/6171071.html>.

[37] Yosuke Onchi, 'South Korean Court Orders Japan to Pay Former 'Comfort Women', *Nikkei Asia* (online, 8 January 2021) <https://asia.nikkei.com/Spotlight/Japan-South-Korea-rift/South-Korean-court-orders-Japan-to-pay-former-comfort-women>.

[38] Yuka Obayashi and Hyonhee Shin, 'Nippon Steel to Appeal South Korea Asset Seizure Ruling as Case Threatens Bilateral Ties', *Reuters* (online, 4 August 2020) <https://www.reuters.com/article/us-southkorea-japan-labourers-nippon-ste/nippon-steel-to-appeal-south-korea-asset-seizure-ruling-as-case-threatens-bilateral-ties-idUSKCN25009T>.

[39] Kaitlyn King, Japanese and South Korean Economic Decision-Making: The 2019 Trade Dispute and Retaliatory Policy (MA Thesis, George Washington University, 2023) <https://scholarspace.library.gwu.edu/downloads/n009w302j?disposition=inline&locale=en>.

[40] 'Palm Oil: Malaysia-India', *Weaponised Trade and Economic Coercion Case Study Database* <https://economiccoercion.com/2019/10/31/palm-oil-malaysia-india/>.

A more overt linkage between motivation and action took place between Malaysia and North Korea in 2017. Malaysia banned all imports from North Korea (but continued to export to North Korea) following the apparent assassination by North Korean agents at Kuala Lumpur Airport of the Korean leader's half brother. Prior to that time, Malaysia had been one of the few states to continue trading with North Korea.[41]

Other cases have involved sensitivities to issues happening in the target's territory, rather than being an act by the target government. This was the case in 2010, where China imposed border restrictions on Norwegian salmon (discussed in more detail in section 2.9.2 below). The restrictions were in "apparent retribution" for the Nobel Peace Prize being awarded to Chinese dissident and human rights activist Liu Xiaobo, despite the Nobel Committee being an independent organisation not formally connected with the Norwegian Government, beyond the Norwegian Parliament having a limited role in appointing the members of the Nobel Committee.[42]

2.5.5 Relationships with Third Countries

Some instances of Weaponised Trade are about pressuring a country to change its relationship with a third country, or implemented by the instigator at the urging of a third country. For example, embargos against Qatar by Saudi Arabia, Egypt, Bahrain and the United Arab Emirates were at least in part to pressure Qatar to cut ties with Iran.[43] Similarly, the North Korea-Malaysia dispute described above was arguably brought to a head due to US pressure on Malaysia uphold the US line on sanctions against North Korea.[44]

Secondary sanctions are also designed to put pressure on the relationship with a third country. For example, the European Union, Canada and the UK were criticised as weaponizing trade against China in order to pressure China's relationship with Russia. China Daily argued, "It is wishful thinking for

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[41] 'Import Ban: North Korea–Malaysia', *Weaponised Trade and Economic Coercion Case Study Database* <https://economiccoercion.com/2017/06/30/import-ban-north-korea-malaysia/>.
[42] 'Salmon: Norway–China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2010/10/08/salmon-norway-china/>.
[43] 'Qatar', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/tag/qatar/>.
[44] James Chin, 'North Korea and Chinas predictable diplomatic divorce', *The Interpreter* (Lowy Institute , online, 22 March 2021) <https://www.lowyinstitute.org/the-interpreter/north-korea-malaysia-s-predictable-diplomatic-divorce>.

Canada, the EU and the UK to believe they can employ coercive means such as economic sanctions to exert pressure on China in the hope that the latter will change its stance to be in line with theirs."[45]

Specific tensions have also arisen around diplomatic recognition of third countries – most notably China's measures against Lithuania, Guatemala, Palau, the Netherlands and Eswatini over their diplomatic relationships with Taiwan.[46] For example, Palau is one of a limited number of states that have formal diplomatic recognition of Taiwan, and Lithuania's removal from the Chinese customs database was said to have been prompted at least in part by the opening of a Taiwanese Representative Office in Vilnius, as well as the downgrading of diplomatic relations between the two countries.[47] Just over one-third of all China-instigated weaponised trade cases in the database are connected to Taiwan-related political or diplomatic issues.

2.5.6 Broad Relationship Rupture

The final category that may prompt the weaponisation of trade is a broader rupture or deterioration in the political relationship between the instigator and the target. In these situations, the coercive measures are not usually responding to a single triggering event or discrete policy disagreement, but instead emerge from an accumulation of tensions, grievances, strategic distrust, or geopolitical rivalry. The resulting measures may therefore be more diffuse, prolonged, and multi-sectoral than coercive actions linked to a specific territorial dispute, diplomatic incident, or human rights controversy.

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[45] Editorial, 'Politicizing trade with sanctions is blinkered, futile and self-harming', *China Daily* (online, 26 February 2025) <https://www.chinadaily.com.cn/a/202502/26/WS67bf0103a310c240449d76fe.html>.

[46] See: 'Customs Database: China–Lithuania', *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2021/11/30/customs-database-lithuania-china/*>, 'Coffee and Macadameias: Guatemala–China', *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2024/05/31/coffee-and-macadamias-guatemala-china/*>, 'Tourism: Palau–China', *Weaponised Trade and Economic Coercion Case Studies Database* https://economiccoercion.com/2017/11/30/tourism-palau-china/ , 'Medical Supplies & Boycott Threat: Netherlands–China', *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2020/04/30/netherlands/*>, and 'Travel Restrictions: Eswatini–China', *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2020/01/31/travel-restrictions-eswatini-china/*>.

[47] Customs Database: China–Lithuania', *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2021/11/30/customs-database-lithuania-china/*>.

In some cases, the rupture is comprehensive, affecting almost all aspects of the bilateral relationship. In others, the deterioration remains concentrated within politically sensitive sectors while broader economic engagement continues.

The tensions between Australia and China from approximately 2018 to 2022 illustrate this dynamic. The rupture was precipitated by a deterioration in relationship between the two governments across a wide range of political issues, discussed further in Section 2.10.2 below. While there were multiple incidents of Weaponised Trade impacting barley, coal, lobster, wine, timber, hay & chaff, grapes, copper, beef & lamb, and cotton,[48] other Australian exports, particularly iron ore, continued, and Australia's exports to Chine reached an all time high in mid-2021.[49] The incident was relatively brief given the long history of trade between Australia and China, with tensions being primarily between governments rather than involving industries or the general public.

By contrast, the measures imposed against Qatar by Saudi Arabia, Bahrain, the United Arab Emirates, and Egypt in 2017 reflected a far more comprehensive breakdown in relations. The "Quartet" measures involved not only restrictions on trade, but also diplomatic severance, transport blockades, restrictions on aviation and shipping access, and expulsion measures affecting Qatari nationals, disrupting commercial and individual relationships.[50]

It is not always possible to identify cause and effect. Over time, disputes may 'niggle' and accumulate and become mutually reinforcing, transforming isolated coercive incidents into broader patterns of antagonism and relationship rupture. In this sense, Weaponised Trade can serve as both a symptom and an accelerant of deteriorating geopolitical relationships.

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[48] 'Australia', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/tag/australia/>.
[49] Department of Foreign Affairs and Trade (Cth), *DFAT Declassified – LEX5124* (FOI Disclosure, Reference LEX5124, 12 May 2022) <https://www.dfat.gov.au/sites/default/files/dfat-foi-lex5124.pdf>. See also, Australian Exports to China*, Trading Economics* (Web Page) <https://tradingeconomics.com/australia/exports-to-china>.
[50] 'Qatar', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/tag/qatar/>.

2.6 Formal v. Informal Measures

Formal measures refer to trade restrictions that are enacted via a written legal instrument. This can take the place of a dedicated enactment, but can also consist of the amendment of existing law to expand coverage, the initiation of legal action such as an antidumping investigation, the issuance of a formal policy document, or individual administrative decisions such as the import licence conditions for a corporation.

Informal measures are not based on written, verifiable documents, but are typically based on verbal instructions, a lack of action, non-official or non-public instructions, or on the concerted steps taken by non-government actors (such as consumers). Informal measures are especially challenging, because there is no evidentiary basis on which to challenge the measure, and at the same time the instigator retains plausible deniability.

In some instances, the measure is neither solely formal nor informal. For example, many countries have a form of administrative guidance that is in the nature of advice or constitute a persuasive but non-binding instruction on how to interpret a legal requirement. One such example is the Japanese government's provision of *gyōsei shidō,* described as a 'lifted eyebrow' that may be either informally written or verbal.[51] It can be incredibly effective in facilitating the weaponisation of trade without creating a trail of evidence.

For example, China's allegations of economic coercion by Australia in relation to the ban on Huawei and ZTE had a legal basis in Australian legislation, which enable ministerial directions to be made, but the ministerial directions were said to be delivered informally, by phone call to impacted companies.[52] In another example, France's national cybersecurity agency announced a de facto ban on local carriers using Huawei, "strongly recommending" that the products not be used. The organisation's head told media that "there won't be a total ban… [however] for operators that are not currently using Huawei,

[51] Shiono H, 'Administrative Guidance in Japan (Gyosei-Shido)' (1982) 48(2) *International Review of Administrative Sciences* 239, <https://journals.sagepub.com/doi/10.1177/002085238204800215>.
[52] '5G Infrastructure: China–Australia', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2018/08/30/5g-infrastructure-china-australia/>.

we are [encouraging] them not to go for it."[53] Other examples of informal measures include customs delays, such as the informal ban on Australian lobster by China in 2020, where perishable shipments were stuck at Chinese customs facilities awaiting inspection.[54]

Other disputes involve a combination of formal and informal measures. For example, the Saudi Arabia embargo against Qatar consisted of a formal announcement of the severance of diplomatic relations, as well as official government instruments, such as a Circular limiting distribution of Qatari media content in Saudi Arabia. [55] Other informal measures included 'anti-sympathy measures' that were reported via social media but found not to be based on formal legal mechanism, and impacted the ability of Qatari companies from obtaining legal representation in Saudi Arabia.[56] In In other words, these informal measures came from political signalling, rather than policy embodied in a clearly promulgated legal text.

2.7 Targeting Patterns – Goods

The dataset demonstrates that Weaponised Trade does not target goods randomly, or all sectors equally. Coercive measures tend to cluster around sectors that combine political visibility, economic substitutability, strategic relevance, or commercial vulnerability.

Several themes and patterns emerge from the data about the types of goods that are most vulnerable to being targeted, and we discuss key categories in the sections below.

[53] '5G Infrastructure: China–France', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2020/07/01/5g-infrastructure-china-france/>.
[54] 'Lobster: Australia–China', *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2020/11/30/lobster-australia-china/*>.
[55] Panel Report, *Saudi Arabia — Measures Concerning the Protection of Intellectual Property Rights,* WTO Doc WT/DS567/R, (16 June 2020) [2.27]-[2.29], [7.115]-[7.150].
[56] Ibid, particularly relating to anti-sympathy measures [7.52]-[7.59].

Targeting Patterns - Goods

Goods can be targeted directly, or indirectly through measures that restrict their importation, export, transit or use.

GOODS CATEGORY	WHAT IT INCLUDES	HOW IT CAN BE TARGETED	EXAMPLES FROM THE DATABASE
LUXURY AND DISCRETIONARY GOODS	Wine, lobster, seafood and spirits.	Formal and informal bans, antidumping and countervailing duties investigations.	• Wine (Australia – China) • Brandy (France/EU – China) • Lobster (Australia – China)
FRESH & PERISHABLE FOODS	Fresh fruits, vegetables, seafood, meat and other products with short shelf life.	Sanitary and phytosanitary (SPS) measures, import bans, customs delays, enhanced inspections, clearance delays.	• Bananas (Philippines – China) • Pineapples (Taiwan – China) • Mangoes (Taiwan – China) • Table Grapes (Australia – China) • Seafood (Japan – China) • Beef & Sheepmeat (Australia – China) • Hay & Chaff (Australia – China) • Salmon (Norway – China)
FOOD, BEVERAGE & CONSUMER AGRICULTURE	Processed foods, beverages, edible oils, dairy and other consumer agricultural products.	Import bans, tariffs, quotas, sanitary and phytosanitary measures, regulatory barriers, consumer boycotts.	• Palm Oil (EU – Malaysia/Indonesia) • Alcohol & Dairy (EU – Indonesia) • Dried Fruits & Spices (India – Afghanistan) • Meat Products (EU – Russia) • Canola (Canada – China)
MINERALS, MINING & RESOURCE COMMODITIES	Minerals and raw materials extracted from the earth used in industry and manufacturing.	Export bans, import restrictions, tariffs, licensing, quotas, customs delays.	• Rare Earths (Japan – China) • Mining Commodities (Mongolia – China) • Copper Ore & Concentrate (Australia – China) • Coal (Australia – China) • Diamonds (Russia – European Union)
ENERGY PRODUCTS	Fossil fuels and energy products used for power, heating and transport.	Import bans, sanctions, tariffs, price controls, licensing restrictions.	• Gas (Russia – Moldova) • Crude Oil (Russia – EU) • Oil (Russia – EU)
AGRICULTURAL & INDUSTRIAL INPUTS	Agricultural commodities and other inputs used in production processes or as feedstocks.	Import restrictions, tariffs, quotas, sanitary and phytosanitary measures, export bans.	• Cotton (Australia – China) • Grain & Seeds (Ukraine – Slovakia) • Sand (Taiwan – China) • Barley (Australia – China)
TELECOMMUNICATIONS INFRASTRUCTURE	Physical equipment and devices used to build and operate telecoms networks, including 5G equipment.	Exclusion from procurement, bans, security reviews, licensing restrictions.	• 5G Infrastructure (China – Australia) • 5G Infrastructure (China – United Kingdom) • 5G Infrastructure (China – France) • 5G Infrastructure (China – Sweden) • 5G Infrastructure (China – Denmark) • 5G Infrastructure (China – Portugal) • 5G Infrastructure (China – Romania) • 5G Infrastructure (China – Latvia) • 5G Infrastructure (China – Costa Rica) • 5G Devices (multiple jurisdictions)
STRATEGIC TECHNOLOGY & ADVANCED MANUFACTURING	Critical technologies and high-value manufacturing inputs essential for advanced industries.	Export controls, import bans, licensing, tariffs, investment screening, technology access restrictions.	• Semiconductors (United States – China) • Semiconductor Technology (China – Netherlands) • Solar Panels (China – United States) • Chemicals / High Tech Materials (South Korea – Japan)
DUAL-USE, SECURITY & DEFENCE GOODS	Goods that have military applications or are sensitive for national security.	Export bans, licensing restrictions, secondary sanctions, import prohibitions.	• Defence Technologies (China – United States) • Dual Use Technologies (Cambodia – United States) • Xinjiang Products (United States – China)
VEHICLES	Passenger vehicles and motor vehicles, including electric vehicles.	Tariffs, import bans, quotas, regulatory approvals, investigation measures.	• Electric Vehicles (China – Canada) • Automobiles (EU – China)
WHOLE-OF-MARKET RESTRICTIONS	Broad restrictions affecting all or most goods traded between jurisdictions.	Embargoes, all-trade bans, customs database exclusions, comprehensive trade restrictions.	• All Trade (Qatar – Saudi Arabia) • All Trade (Qatar – UAE) • All Trade (Qatar – Bahrain) • All Trade (Qatar – Egypt) • Belarus – EU Trade Restrictions • Import Ban (Russia – Ukraine) • Customs Database (Lithuania – China)

2.7.1 Luxury and Discretionary Goods

First, many targeted goods are politically symbolic but economically non-essential. Luxury and discretionary products such as wine, lobster, seafood, spirits, and premium agricultural products appear repeatedly throughout the dataset. These products are often symbolic domestically within the target state, associated with particular regional industries, and capable of generating concentrated political pressure despite relatively limited macroeconomic significance. It is for similar reasons that visible and luxury products are targeted in WTO disputes where WTO Members are entitled to suspend concessions.[57] China's restrictions on Australian wine and lobster exports provide a good example.[58] In both cases, the measures generated substantial public and political attention within Australia because they affected identifiable export industries with strong regional constituencies and high media visibility. Wine and spirits particularly carry cultural significance as well as economic value. At the same time, from the perspective of the instigator, these goods were comparatively easy to substitute or forego domestically, reducing the economic costs of coercion. The restriction of luxury goods does not tend to harm consumers, and in the case of China was very much consistent with the Chinese Government's urging of party officials and citizens to focus on 'common prosperity' rather than seeking out luxury or decadence.[59] In this environment, there will be no vocal domestic constituency to object to imports being restricted.

2.7.2 Perishable Agricultural Goods

Perishable agricultural products are especially vulnerable to Weaponised Trade. Products such as bananas, pineapples, mangoes, table grapes, lychees, apples, beef, seafood, and other fresh produce recur frequently in

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[57] Benjamin H Liebman and Kara M Reynolds, 'Casualties of trade wars' (2022) 148 *European Economic Review*, 1 <https://doi.org/10.1016/j.euroecorev.2022.104202>.
[58] 'Lobster: Australia–China', *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2020/11/30/lobster-australia-china/*>; 'Wine 1: Australia–China' *Weaponised Trade and Economic Coercion Case Studies Database* < https://economiccoercion.com/2018/06/21/wine-1-australia-china/>; 'Wine 2: Australia–China' *Weaponised Trade and Economic Coercion Case Studies Database* < https://economiccoercion.com/2020/11/30/wine-australia-china/>;
[59] Reuters, 'China's bankers told to shun flashy clothes, five-star hotels in austerity drive', *ABC News* (online, 20 June 2023) <https://www.abc.net.au/news/2023-06-20/china-financial-sector-austerity-drive/102499254>.

the database. These sectors are vulnerable because they are highly dependent on uninterrupted market access, rapid customs clearance, and stable logistics chains. Even short delays at the border can render exports commercially worthless, which creates opportunities for coercion through ostensibly technical or administrative measures such as enhanced inspections, sanitary and phytosanitary testing, or customs delays. China's restrictions on Philippine bananas, Taiwanese pineapples, Australian table grapes, and Vietnamese lychees each demonstrate how highly perishable products can be disrupted through informal or semi-formal border interventions without formal measures.

2.7.3 Specialised v. Commoditised Goods

A third pattern concerns goods with limited alternative markets or highly specialised consumer demand. Certain products are difficult to "re-home" rapidly once access to a major export destination is interrupted, and are therefore vulnerable to being targeted. Wine and spirits again fit this category, as they are often tailored to particular consumer market taste preferences, packaging specifications, and labelling requirements, and potentially not be easily reconfigured.

In other cases, highly commoditised products have also been targeted, such as barley and other grains and cotton. It is important not to make generalisations about vulnerability to Weaponised Trade and substitutability without careful analysis of market structures for the particular commodity in question.

An instigator may be able to source these commodities easily from a non-targeted supplier[60], and from the perspective of the targeted exporter, suggesting these make a good target. From the perspective of the targeted exporter, commoditised products may be more easily sold or resold to alternative markets. In these types of situations, trade that is weaponised would then present shorter-term and/or less acute interruptions to a targeted business, as supply chains can adjust more easily. However each industry will be unique – coal and gas tend to be supplied on long-term contracts, with the

[60] See, 'Barley: Australia–China', *Weaponised Trade and Economic Coercion Case Studies Database*, where Chinese barley purchasers turned to exporters in France, Canada, Argentina and Ukraine <https://economiccoercion.com/2018/11/30/barley-australia-china/>.

terms and conditions dictating whether the contract can be modified in the event of economic coercion, but are also generally shipped Free on Board, meaning the buyer (typically from the instigating country) bears the risk and cost of shipping delays or refused clearance by customs.[61] In other cases, there may be few reliable suppliers of a particular commodity, as is the case of Australian iron ore for China.[62] This substantially decreases the risk of that commodity becoming the target of Weaponised Trade.

2.7.4 Strategic and Security-Related Goods

The final prominent category within the dataset involves strategically significant goods associated with national security, technological competition, and industrial capability. Unlike restrictions targeting luxury or politically symbolic consumer goods, these measures are often directed at sectors regarded as foundational to military capability, digital sovereignty, industrial resilience, or technological leadership. Telecommunications infrastructure, semiconductors, rare earth minerals, defence technologies, dual-use technologies, and advanced manufacturing equipment appear repeatedly throughout the database.

Two distinct but related coercive strategies emerge: import restrictions designed to exclude perceived strategic threats from the domestic economy, and export restrictions designed to deny adversaries access to strategically valuable goods, technologies, or inputs.

Import restrictions typically arise where the instigator considers foreign products or suppliers to pose a security, espionage, dependency, or systemic risk. In these cases, the objective is often defensive or preventative in character, although the measures may simultaneously impose substantial economic and political costs on the target state.

Import restrictions of this type possess several distinctive characteristics. First, they are frequently justified through the language of resilience,

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[61] For more information on Incoterms, see International Chamber of Commerce, Incoterms® 2020: ICC Rules for the Use of Domestic and International Trade Terms (ICC Publication No 723E, 2019) FOB A2, A3, B3. (Web Page) <https://iccwbo.org/business-solutions/incoterms-rules/>.

[62] Weihuan Zhou and James Laurenceson, 'Demystifying Australia-China Trade Tensions' (2021) 36(1) *University of New South Wales Law Research Series* 1, 2 <http://dx.doi.org/10.2139/ssrn.3806162>.

cybersecurity, trusted supply chains, or critical infrastructure protection rather than overt economic retaliation. Secondly, they tend to focus on sectors characterised by long-term dependence, where equipment, once installed, is embedded within domestic systems it becomes costly and technically difficult to remove. Thirdly, these measures often blur the distinction between legitimate national security regulation and coercive economic conduct. While many states frame such restrictions as defensive and sovereign regulatory choices, target states frequently characterise them as discriminatory or politically motivated economic coercion.

The extensive series of restrictions imposed on Chinese telecommunications firms such as Huawei and ZTE illustrates this pattern, with multiple disputes over China being banned from providing 5G infrastructure by Australia, the United Kingdom, Romania, Latvia, Costa Rica, and others.[63] These measures generally involved excluding Chinese suppliers from participation in domestic telecommunications infrastructure on national security grounds, particularly concerns regarding espionage, cyber vulnerability, or dependence upon potentially hostile foreign technology providers, but were regarded by China as Weaponisation of Trade due to Chinese technological superiority.

Disputes involving semiconductors and advanced technologies demonstrate a slightly different dynamic aimed at preventing access to technology to allow the target to further develop capabilities. Restrictions imposed by the United States,[64] Japan,[65] and the Netherlands[66] on semiconductor technology exports to China were not merely about immediate trade flows, but about constraining China's long-term technological development and access to strategically critical industrial capability.

Strategically significant goods exhibit a different vulnerability profile to luxury agricultural products. In agricultural coercion disputes, the instigator

[63] '5G Infrastructure', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/tag/5g/>.
[64] 'Semiconductor Technology: United States–China', *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2023/03/01/semiconductors-united-states-china/*>.
[65] 'Semiconductor Technology: China–Japan', *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2023/07/23/semiconductor-technology-china-japan/*>.
[66] 'Semiconductor Technology: China–Netherlands', *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2023/06/30/semiconductor-technology-china-netherlands/*>.

commonly exploits the target's dependence upon market access. In strategic technology disputes, however, the instigator frequently exploits the target's dependence upon access to scarce inputs, intellectual property, infrastructure, or technological ecosystems. The coercive leverage derives not from consumer substitution, but from technological bottlenecks and concentrated control over critical nodes within global supply chains.

The dataset further suggests that strategic goods disputes increasingly involve efforts not merely to punish immediate conduct, but to reshape long-term patterns of economic interdependence. Restrictions on 5G infrastructure, semiconductors, dual-use technologies, and advanced manufacturing systems are frequently embedded within broader policies of "de-risking", supply chain resilience, technological sovereignty, or strategic decoupling. In this respect, contemporary Weaponised Trade involving strategic goods often appears less episodic than coercive measures impacting agriculture or consumer goods. Instead, these measures tend to reflect attempts at enduring structural realignments in the global political economy.

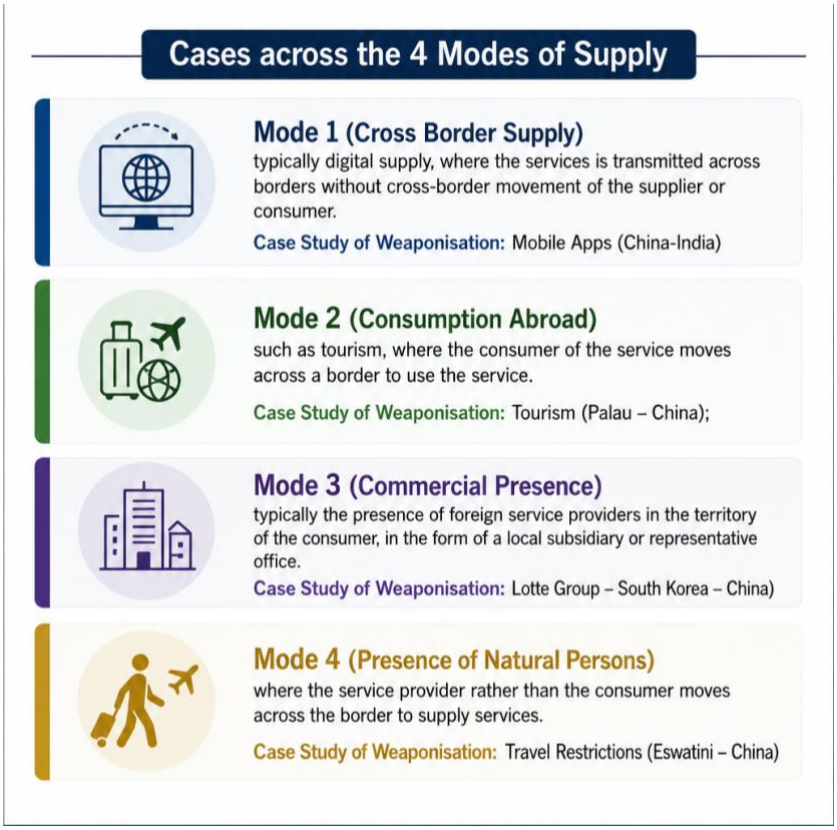
At the same time, these disputes reveal the growing difficulty of separating economic policy from national security policy. Strategic goods are increasingly regulated through overlapping frameworks involving export controls, investment screening, procurement restrictions, cybersecurity laws, sanctions regimes, and industrial policy. Consequently, allegations of Weaponised Trade in these sectors frequently arise precisely because the measures occupy an ambiguous space between legitimate sovereign regulation and coercive geoeconomic conduct.

2.8 Targeting Patterns – Services

Weaponised trade tends to primarily target goods, but services are also targeted. Typically, services coercion involves controlling consumer movement (particularly tourists and education), but also at times involves restrictions on foreign commercial establishment and service providers.

Chapter 1 sets out the methodology that this report uses for analysing services, noting that in trade law circles, services are classified in accordance with modes of supply. That taxonomy is not used for the database, as it obscures who was the instigator and target for the purposes of classifying

case studies.[67] The figure below for a further explanation of patterns of Weaponised Trade related to each of the modes of supply, and the correlated cases studies, but the remainder of this section will focus instead on broad categories of services that are impacted.



In GATS parlance, weaponisation of services typically involves:

- Controlling the demand for services by restricting consumption;
- Controlling demand by preventing the movement of consumers;
- Preventing the cross-border supply of digital services;
- Preventing the export of services by restricting the ability of domestic service providers to supply services in foreign target markets; or
- Controlling the flow of services across borders preventing foreign targets operating in the instigator's home market.

[67] For a detailed description of this methodology, see Chapter 1 of this report. See also, 'Methodology: Treatment of Weaponised Trade involving Services', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/geographic/methodology/>.

The distinction between goods and services is not always clear cut, as there are often services associated with goods (and vice versa), especially in the case of technology. The Netherlands semiconductor dispute illustrates how Weaponised Trade can extends beyond physical goods into their associated services and technical support functions. In addition to export licensing restrictions placed on exporting advanced lithography equipment to China, the Dutch government also restricted the provision of servicing and maintenance support for semiconductor manufacturing equipment already operating within China.[68] This is significant because highly specialised industrial technologies often depend upon ongoing cross-border services, including software updates, maintenance, calibration, replacement parts, and technical expertise. In sectors involving advanced manufacturing capability, restricting these services may be as commercially and strategically consequential as restricting the initial export of the equipment itself.

Other common categories of weaponised services, each examined in turn below, include:

- Education services;
- Travel and tourism;
- Digital and platform services; and
- Commercial presence and retail services.

A full list of categories from the case studies database is in the diagram below.

[68] 'Semiconductor Technology: China–Netherlands', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2023/06/30/semiconductor-technology-china-netherlands/>.

Targeting Patterns - Services

Services can be targeted directly, or indirectly through restrictions on the goods, platforms or infrastructure that enable their delivery.

SERVICE CATEGORY	WHAT IT INCLUDES	HOW IT CAN BE TARGETED	EXAMPLES FROM THE DATABASE
TOURISM & TRAVEL	Hospitality, travel, recreation, tour packages, aviation connectivity	Bans on tour groups, travel restrictions, visa limits, discouragement campaigns	• Palau – China • Taiwan – China • South Korea – China • United States – China • Cuba – United States • Eswatini – China • Iran – Saudi Arabia
EDUCATION SERVICES	International students, educational programs, training services	Limits on student numbers, warnings, accreditation pressure	• Higher Education (Taiwan – China)
DIGITAL & PLATFORM SERVICES	Apps, online platforms, digital content, software services, data services	App bans, platform removals, store delisting, data access restrictions	• Mobile Apps (China – India)
TELECOMMUNICATIONS SERVICES	Network infrastructure, connectivity, cloud and network management	Exclusion from networks, licensing restrictions, security exclusions	• 5G Infrastructure (China – Australia) • 5G Infrastructure (China – United Kingdom) • 5G Infrastructure (China – France) • 5G Infrastructure (China – Sweden) • 5G Infrastructure (China – Denmark) • 5G Infrastructure (China – Portugal) • 5G Infrastructure (China – Romania) • 5G Infrastructure (China – Latvia) • 5G Infrastructure (China – Costa Rica)
MAINTENANCE, REPAIR & TECHNICAL SUPPORT SERVICES	After-sales servicing, maintenance, repair, technical support, software updates	Restrictions on servicing, spare parts, technical support or software updates	• Semiconductor Technology (China – Netherlands) • Semiconductor Technology (China – Japan) • Semiconductors (United States – China)
COMMERCIAL PRESENCE / BUSINESS OPERATIONS	Retail, franchising, stores, offices, local operations, investment presence	Regulatory harassment, inspections, license revocations, discriminatory enforcement	• Lotte Group (South Korea – China)
ENTERTAINMENT, MEDIA & CULTURAL SERVICES	Broadcasting, streaming, concerts, film, content licensing, cultural exports	Content bans, performance cancellations, broadcasting restrictions, blacklists	• Entertainment (South Korea – China)
FINANCIAL & PAYMENT SERVICES	Banking, payments, clearing, settlement, insurance, capital markets	Payment restrictions, correspondent banking limits, asset freezes, clearing bans	• Currency / Financial Services (United States – Russia)
LOGISTICS, TRANSPORT & TRANSIT SERVICES	Shipping, aviation, port access, road transport, transit services	Port or airport bans, transit restrictions, route closures, logistics disruption	• All Trade (Qatar – Saudi Arabia) • All Trade (Qatar – UAE) • All Trade (Qatar – Bahrain) • All Trade (Qatar – Egypt)
STRATEGIC & DUAL-USE TECHNICAL SERVICES	Technical assistance, training, systems integration, engineering support	Export controls, technology support limits, training restrictions	• Defence/Dual Use Technologies (China – United States) • Defence Technologies & Secondary Sanctions (China – EU) • Dual Use Technologies (Cambodia – United States)

Services are increasingly bundled with goods and infrastructure.

In many cases, the coercive impact comes from restricting ongoing access, support, or participation rather than a one-off transaction.

2.8.1 Education Services

Like tourism, education is one of the most high-value services exports globally, and international education generally relies on the movement of the consumer to a host country for vocational or university studies. The economic value of education services relates not just to the fees that are received, but also the additional goods and services that a student uses during an extended stay. For example, in Australia education is the country's largest services trade, and contributes AUD$55billion per year directly to the Australian economy ($24.4 billion in fees and $30.4 billion in goods and services).[69] As a result, restrictions affecting student mobility can produce economic effects that extend well beyond educational providers themselves. The collateral benefits of education for diplomacy and as a form of soft power are well documented.[70]

Overt weaponisation tends to take place in the form of prohibitions on students completing education in the target country. For example, in 2020 China's Ministry of Education banned mainland students from commencing studies in Taiwanese universities, with international media arguing that the measure was retaliation for the for the re-election of pro-independence President Tsai Ing-wen.[71]

Education-related coercion may also operate through softer forms of deterrence. Warnings concerning safety, discrimination, political instability, visa uncertainty, or public health risks can influence student decision-making even where no formal prohibition exists, and state decisions to refuse recognition of foreign qualifications could also act as a form of weaponisation in the future.[72] China's official warnings concerning study in Australia during

[69] Department of Education (Cth), 'Education export income - Calendar Year' (Web Page, 4 May 2026) https://www.education.gov.au/international-education-data-and-research/education-export-income-calendar-year

[70] Joint Standing Committee on Foreign Affairs, Defence and Trade, Parliament of Australia, *Inquiry into Australia's Tourism and International Education Sections: Interim Report* (October 2023) ch 2, <https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Foreign_Affairs_Defence_and_Trade/Tourismandeducation/Interim_Report_-_Inquiry_into_Australias_International_Education_Sector/Chapter_2_-_The_value_of_international_students_to_Australia>.

[71] 'Higher Education: Taiwan–China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2020/04/30/higher-education-taiwan-china/>.

[72] Dirk van der Kley and Benjamin Herscovitch, *Protecting Education Exports: Minimising the Damage of China's Future Economic Coercion* (Policy Options Paper No 18, ANU National

2020 occurred against the backdrop of the COVID-19 pandemic and border closures[73], and while it was not described in most reporting as weaponised trade but rather self-correcting without the need for coercion,[74] the episode demonstrates how education services could become entangled in wider geopolitical disputes.

2.8.2 Tourism & Travel

Tourism & travel share a number of characteristics with education but generally involves larger volumes of individuals consuming foreign services for a shorter period of time.

Given the enormous economic value of tourism to many economies, it is a natural and very effective target of weaponisation, and so it is unsurprisingly one of the more frequently encountered targets in the services context.[75] For example, in 2024, there were around 146 million outbound Chinese tourists[76], with the Chinese tourism market worth an estimated 5.8 trillion Yuan[77] (approximately $1.2 Trillion Australian dollars at prevailing exchange rates). Given the economic power of Chinese tourism, even small deterrents can have profound impacts on target countries.

As discussed in Sections 2.9 below, tourism and travel are frequently restricted either by an explicit travel ban, or more often by consumer boycott. For example, in 2017, in light of Palau's diplomatic recognition of Taiwan, Chinese state-owned travel agencies were cautioned that Palau was not a permitted destination with Approved Destination Status, causing a

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Security Collage, May 2021) <https://nsc.anu.edu.au/sites/default/files/2024-06/Print_NSC_Policy%20Options%20Paper_no18.pdf>.

[73] Ministry of Education of the People's Republic of China, 'MOE Issues first warning statement in 2020 for students preparing to study abroad' (Press Release, 19 June 2020) <http://en.moe.gov.cn/news/press_releases/202006/t20200619_467021.html>.

[74] Van der Kley and Herscovitch (n 70) 1.

[75] For a list of case studies, see 'Tourism', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/tag/tourism>.

[76] 'China's Outbound Tourism Development Annual Report 2024 released online', *China Tourism Academy* (Web Page, 16 April 2025) <https://www.ctaweb.org.cn/en/xsjl/10128.html>.

[77] National Bureau of Statistics of China, 'Value added of China's tourism and related industries takes up 4.35% of GDP in 2024' (Press Release, 31 December 2025) <https://www.stats.gov.cn/english/PressRelease/202512/t20251231_1962220.html>.

substantial drop in income for Palauan businesses.[78] In other cases, the deterrent is more subtle than a ban, with both United States and Chinese governments each attempting to deter their citizens from travelling to the other's country in 2019, with warnings to 'exercise caution' and highlighting incidents targeting their nationals.[79]

2.8.3 Digital and Platform Services

Digital and platform services represent a growing category of Weaponised Trade. Unlike tourism and education, these services are generally supplied across borders electronically and therefore do not require the physical movement of either the consumer or the provider. This allows governments to restrict access directly through domestic regulation, technological controls, platform bans, licensing requirements, cybersecurity measures, or app-store restrictions.

This is a category of Weaponised Trade that is likely to significantly expand in a more securitised environment, and cases in the 2005-2024 period provide early insight into the possible dynamics. The most prominent example in the database is India's 2020 prohibition on a range of Chinese mobile applications, including TikTok and other widely used digital platforms. The restrictions were imposed following heightened tensions between India and China and were justified by the Indian Government on national security and data protection grounds. From China's perspective, however, the measures were characterised as politically motivated restrictions targeting successful Chinese digital firms.

Digital services differ from traditional services in several important respects. First, market access can often be restricted instantaneously and at comparatively low administrative cost. Secondly, digital platforms frequently benefit from network effects, meaning that exclusion from a market may rapidly erode a platform's competitiveness and long-term commercial viability. Thirdly, digital services increasingly occupy the intersection between trade, national security, privacy regulation, information control, and technological sovereignty. This makes it particularly difficult to distinguish

[78] 'Tourism: Palau–China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2017/11/30/tourism-palau-china/>.
[79] 'Tourism: United States–China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2019/06/30/tourism-china-us/>.

between measures that are genuinely protective and those that are coercive in nature. This case study illustrates how digital platforms have become strategically significant economic assets and how access to digital markets may be weaponised in the same manner as access to physical markets.

2.8.4 Commercial Presence and Retail Services

A distinctive category of weaponised services involves restrictions on commercial presence, corresponding broadly with Mode 3 services trade under the General Agreement on Trade in Services. These cases involve foreign firms operating within the instigator's territory through local subsidiaries, branches, representative offices, retail outlets, or other forms of commercial establishment. Rather than restricting cross-border trade flows, the coercive measure targets the ability of a foreign service provider to continue operating within the domestic market.

For example, in late 2016 and early 2017, China took various actions against South Korean company Lotte, in apparent retaliation for the company's involvement in the deployment of the US' Terminal High Altitude Area Defense (THAAD) system in South Korea. Lotte reported that their operations were subjected to an especially vigorous and extensive range of investigations by Chinese authorities, relating to fire safety, sanitation, taxation, and regulatory compliance. By March 2017, seventy-four of the company's ninety-nine outlets in China had reportedly been closed, while additional stores were closed by the company itself due to the combined impact of regulatory pressure and consumer boycotts. By 2022 the company reported the closure of its China-based operations entirely.[80]

2.9 Coercive mechanisms

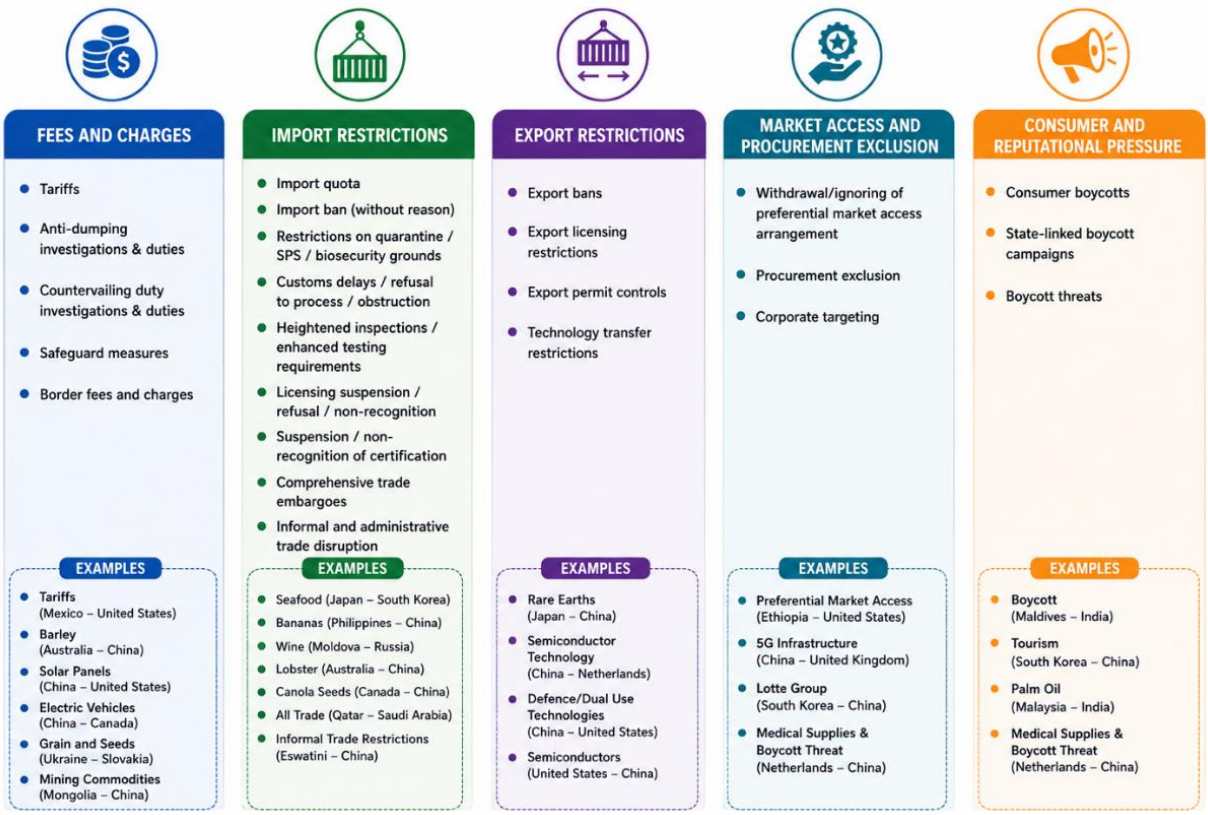
The dataset demonstrates that Weaponised Trade rarely operates through a single uniform mechanism. Rather, states employ a broad spectrum of coercive tools that range from highly formal legal restrictions to informal administrative disruption, selective non-enforcement, consumer mobilisation, and technologically targeted controls. These mechanisms vary

[80] 'Lotte Group: South Korea–China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2016/12/31/lotte-group-china-south-korea/>.

substantially in visibility, legal formality, evidentiary clarity, and economic effect. In many cases, the coercive impact derives not from outright prohibition, but from uncertainty, delay, signalling, or the strategic manipulation of regulatory dependence.

Goods-restrictive Weaponised Trade most frequently uses mechanisms or interventions at or before the border, including import and export prohibitions, customs procedures (particularly sanitary and phytosanitary measures) and fees. Import restrictions range from outright import bans and quotas to licensing suspensions, enhanced inspections, customs delays, and sanitary and phytosanitary measures. The main types are discussed below.

Less frequently, measures may be more 'behind the border', in the form of technical regulations, government procurement policies, or antidumping and countervailing investigation. The selection of mechanism inevitably is influenced by the nature of the targeted product, the political objectives of the instigator, and the extent to which the instigator seeks either visibility or plausible deniability.



2.9.1 Import Bans and Quotas

Import bans and quotas are amongst the most visible and economically disruptive forms of Weaponised Trade. These measures restrict or prohibit the entry of goods into the instigator's market, either completely or in specified quantities, and are particularly effective where the target economy is highly dependent upon access to that market. The dataset demonstrates that bans and quotas may operate through both formal legal instruments and informal administrative practices, with the latter often allowing governments to preserve plausible deniability while still generating substantial commercial disruption.

Formal import bans typically involve clearly identifiable legal or regulatory action. One prominent example is Russia's broad prohibition on food imports from several Western countries following sanctions imposed after the annexation of Crimea in 2014. These widely imposed bans were formalised in legislation and impacted food imports from the European Union, Australia, Canada, Iceland, Albania, Montenegro, Liechtenstein, Ukraine, and the United States.[81] These measures were officially announced and formed part of a broader geopolitical confrontation involving sanctions and countersanctions. Similarly, the Saudi Arabia-led embargo against Qatar involved formal restrictions on trade, transport, and commercial interaction, implemented through official government action.[82] In these cases, the visibility and comprehensiveness of the restrictions formed part of the coercive effect itself.

Other disputes demonstrate the use of more targeted or sector-specific bans. China's suspension of seafood imports from Japan following the release of treated wastewater from the Fukushima nuclear facility illustrates how import bans may be justified through public health or environmental concerns while simultaneously attracting allegations of coercive intent.[83]

Formal bans are also used in relation to services. For example, section 2.8.4 above describes the case study of the Dutch government banning its

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[81] See 'Russia', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/tag/russia/>.
[82] 'All Trade: Qatar–Saudi Arabia', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2017/06/05/saudi-arabia-bans-all-trade-with-qatar-in-june-2017/>.
[83] 'Seafood: Japan–China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2023/08/31/seafood-japan-china/>.

companies from providing maintenance and repair services of equipment located in China.[84]

Informal or de facto import bans are also common. These measures are often implemented through customs administration, licensing delays, intensified inspections, or unofficial instructions to importers, rather than through written legal instruments. China's restrictions on Australian lobster exports in 2020 are a widely cited example. While no formal ban was publicly announced, shipments reportedly remained stranded at Chinese customs facilities awaiting inspection, effectively preventing market entry.[85] Similar dynamics appeared in disputes involving Philippine bananas,[86] Vietnamese lychees,[87] and Taiwanese fruit products,[88] where enhanced inspections, customs disruption, or administrative obstruction created the practical effect of an import prohibition without a formally declared ban. Measures specifically related to health and safety are discussed further in Section 2.9.2 below.

Quotas or quantitative restrictions feature in several case studies, both formally and informally. For example, regarding Australian cotton, the Chinese government threatened to impose a quota at the same time that Chinese spinning mills were reportedly being discouraged from using Australian cotton.[89] In the rare earths dispute between China and Japan, there

[84] 'Semiconductor Technology: China–Netherlands', *Weaponised Trade and Economic Coercion Case Studies Database*. <https://economiccoercion.com/2023/06/30/semiconductor-technology-china-netherlands/>.
[85] 'Lobster: Australia–China', *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2020/11/30/lobster-australia-china/*>.
[86] 'Bananas: Philippines–China', *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2012/03/30/bananas-philippines-china/*>.
[87] 'Lychees: Vietnam–China', *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2014/05/01/lychees-vietnam-china/*>.
[88] As seen in; 'Mangoes: Taiwan–China' *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2023/08/31/mangoes-taiwan-china/>, 'Apples: Taiwan–China' , *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2021/09/30/apples-taiwan-china/*>, 'Pineapples: Taiwan–China', *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2021/03/31/pineapples-taiwan-china/*>.
[89] 'Cotton: Australia–China', *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2020/10/31/cotton-australia-china/*>.

were a range of measures that included quantitative restrictions, export price maintenance, and export bans.[90]

2.9.2 Sanitary and Phytosanitary Issues

Coercion can take place through ostensibly technical or administrative measures such as enhanced inspections, testing regimes, and requiring a degree of compliance over and above what is usually required. Health and safety issues are especially vulnerable to weaponisation precisely because there is often a sizeable discretionary element to inspection and enforcement.

For example, Russia imposed an import ban on Lithuanian dairy products, citing food safety concerns and notifying the WTO of emergency import restrictions due to the "detection of incompliance to microbiology, sanitary chemical and organoleptic requirements."[91] While this has been one of many notifications made by Russia against Lithuania over time[92], it was regarded by Lithuania as being a coercive response to broader tensions, especially Lithuania's role as president of the European Union.[93]

Other examples included using selective or inconsistent enforcement of SPS standards against politically targeted states while comparable products from other trading partners continue to enter the market under ordinary procedures. Case studies included:

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[90] 'Rare Earths: Japan–China', *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2010/09/30/rare-earths-china-japan/*>.
[91] Committee on Sanitary and Phytosanitary Measures, *Notification of Emergency Measures – Russian Federation – Milk and Dairy products*, WTO Doc G/SPS/N/RUS/35 (11 October 2013).
[92] For a full list of SPS notifications made by Russia against Lithuania, see Sanitary and Phytosanitary Information Management System, WTO Documents Online (Web Page) https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S008.aspx?NotifyingCountryList=%22Russian+Federation%22+OR+%22U.S.S.R.%22&AffectedCountryList=%22Lithuania%22&Language=ENGLISH&AttachmentSelection=BOTH&SearchPage=FE_S_S003&SubjectList=&languageUIChanged=true#.
[93] 'Dairy Products: Lithuania–Russia', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2013/11/23/dairy-products-lithuania-russia/>.

- Enhanced inspections with repeated sampling, testing and documentation checks, which slow clearance and increase spoilage risks for fresh products; [94]
- Suspending export permits[95] or failing to renew permits;
- Suspending bilateral technical engagement mechanisms, including quarantine inspections, plant audits, accreditation visits or regulatory cooperation processes necessary for maintaining export access; [96]
- Imposing heightened testing or certification requirements exceeding previous practice or international norms, such as more onerous microbiological testing, pest detection regimes, residue testing or additional certification demands;[97] and
- Adopting a more onerous SPS regime in response to a finding of pests – for example preventing an import rather than fumigating where this is the usual course of action.[98]

Claims of economic coercion can be difficult to assess in the SPS context because measures are often imposed within complex legal and scientific regulations and procedures, with states retaining substantial administrative discretion. As a result, coercive intent may be difficult to isolate from ordinary regulatory practice, although indicators of the timing, selectivity, or intensity of enforcement can suggest a coercive political objective.

2.9.3 Tariffs

Tariffs were relatively less common as a weaponised trade measure during the time period in the dataset, except by the United States under the first

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[94] 'Lobster: Australia–China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2020/11/30/lobster-australia-china/>. For further information pertaining to food quality and increased spoilage risks see, 'Salmon: Norway–China', *Weaponised Trade and Economic Coercion Case Studies Database* https://economiccoercion.com/2010/10/08/salmon-norway-china/

[95] 'Canola Seeds: Canada–China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2019/03/31/canola-seeds-canada-china/>.

[96] 'Hay and Chaff: Australia –China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2021/02/28/hay-and-chaff-australia-china/>.

[97] Examples include Russia's intensified sanitary scrutiny of Lithuanian dairy products, China's restrictions on Canadian canola and Taiwanese fruit, and China's extensive testing and import restrictions on Japanese seafood following the Fukushima wastewater release.

[98] 'Timber: Australia–China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2020/11/30/timber-australia-china/>.

Trump administration. This trend ramped up strongly in 2025 under the second Trump administration. The United States has been especially explicit in linking tariffs with non-trade concerns, but this occurred in the first Trump administration as well. For example, In May 2019 US President Donald Trump stated that the US would impose new tariffs on all US imports from Mexico, unless the Mexican government took decisive action to end the flow of undocumented migrants across the border.[99]

The dataset showed tariffs imposed along with other measures, such as additional border fees imposed alongside tariffs by China on Mongolian metals,[100] and the long running actions by the US against Chinese solar panels, which included tariffs alongside a range of other measures, including antidumping and countervailing duties.

2.9.4 Antidumping and Countervailing Duties

Antidumping and countervailing duties are formal legal measures which are often imposed for protectionist reasons but are done so as legitimate mechanisms available under the WTO Agreements. They can however also be used coercively, as they allow domestic investigators a wide margin of discretion that can be used to 'tilt' the outcome of an investigation so that a duty can be applied. This is a well-known weakness of the existing rules.

The most prominent examples are China's antidumping and countervailing measures against Australian barley (2018) and wine (2020), during a particularly fraught period in Australia-China relations. The duties were ultimately removed following an improvement in bilateral political relations, a sequence of events that reinforced perceptions that the investigations were connected to broader geopolitical tensions rather than solely conventional trade remedy concerns.

WTO rules allow investigating authorities unusually broad evidentiary and methodological discretion such as the scope under Article 6.8 of the Antidumping Agreement and Article 12.7 of the Subsidies and Countervailing Measures Agreement to rely on 'available facts' if information is considered

[99] 'Tariffs: Mexico–United States' *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2019/05/31/tariffs-mexico-united-states/>.
[100] 'Mining Commodities: Mongolia–China' *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2016/11/30/mining-commodities-mongolia-china/>.

not forthcoming or is considered to 'impede the investigation'. It allows for the investigating authority to be particular about the way in which evidence is presented, and the timelines, and to ignore otherwise relevant evidence. As Williams explains, in the barley dispute, Chinese authorities appeared unwilling to accept that production and price data could not be particularised in the requested fashion due to the structure of Australia's barley industry, and disregarded the submitted data.[101]

2.9.5 Consumer Boycotts

Consumer boycotts and politically encouraged purchasing (or non-purchasing) campaigns may appear to be spontaneous consumer responses to a political situation, and therefore outside the definition of Weaponised Trade. However, they also frequently emerge through quasi-official signalling, industry association guidance, state-linked media narratives, or informal administrative encouragement. This ambiguity can make them especially attractive tools of economic coercion because they allow states to exert economic pressure while avoiding direct governmental responsibility.

In many instances, governments do not formally prohibit trade but instead encourage consumers, distributors, retailers, or industry groups to reduce commercial engagement with the target state.

For example, boycotts in 2019 had a substantial impact on the Malaysian palm oil industry following criticism by Malaysian Prime Minister Mahathir Mohamad of India's actions in Kashmir and its citizenship reforms. In response, India's Solvent Extractors' Association of India (SEAI), the country's leading vegetable oil trade body, issued an advisory urging its 875 members to refrain from purchasing Malaysian palm oil because of "strained relations" between the two states. And to "show solidarity" with India by avoiding Malaysian imports.[102] Although India did not initially impose a formal import

[101] Brett Williams, "The Choice of 'Facts Available' in China – Anti-Dumping Duties on Imports of Barley from Australia WT/DS598" (June 2023) *Williams Trade Law Newsletter* No 2, 3 <http://www.williamstradelaw.com/files/WILLIAMS%20Brett_Lhd_2023%2006%20NwsLtr%20No%202%20Facts%20Available%20Barley.pdf>.

[102] Upasana Bhat and Pratik Jakhar, 'What's the link between palm oil and the Kashmir dispute?', *BBC News* (online,1 January 2020) <https://www.bbc.com/news/world-asia-50317980>

prohibition, the mechanism was an effective combination of industry pressure, political signalling and state encouragement.

Similarly, the Maldives-India boycott dispute showed the power of consumer nationalism amplified by social media. Following political tensions between the two countries, calls to boycott Maldivian tourism circulated widely within India, accompanied by online mobilisation encouraging consumers to redirect tourism expenditure toward domestic alternatives. While not necessarily state-directed in a formal sense, the dispute illustrated how governments, political elites, media actors and online campaigns may interact to create coercive economic pressure without the need for conventional trade restrictions.

Boycotts are also effective against foreign services – especially tourism and education – these are Mode 2 services in GATS terms and require the consumer to travel to the target country to 'consume' the service. In order to weaponise these services, it then becomes necessary to restrict or deter the consumer from travelling.

Because boycott activity can be framed as spontaneous consumer behaviour, patriotic solidarity, or independent commercial decision-making, it falls outside the conventional categories associated with formal trade restrictions. At the same time the economic effects may be severe, particularly where governments possess the capacity to shape media narratives, mobilise nationalist sentiment, or indirectly influence commercial intermediaries.

It is also worth noting that consumer boycotts are not just a potential targeting device, but also a type of civil society response to the weaponisation of trade in the target country. This type of response is discussed in Chapter 3 below.

2.9.6 Sanctions and Embargoes

Sanctions and embargoes frequently blur the boundary between economic coercion and the legitimate exercise of rights under international law. They may function as devices to deter or punish military escalation, but also may be precursors of or take place alongside kinetic conflict.

Embargoes operate at a whole-of-country level and are designed to impose widespread economic, political and symbolic isolation upon the target state. An embargo typically involves a formal prohibition on trade, transport, travel, and diplomatic engagement, often accompanied by restrictions on maritime

transit, aviation access, financial flows, or logistical connectivity. A sanction is typically more focussed, and will restrict particular types of services or goods, and may also place limitations on interaction with particular types of individuals.

When sanction-type measures are imposed, the instigator will often maintain that they are in fact legitimate corrective actions, or legitimate countermeasures. The target, on the other hand, will assert that they are illegitimate or coercive by nature. In many cases, the legal position is unclear.

There is a vast body of international legal scholarship concerning the legality and legitimacy of embargoes, sanctions and countermeasures, with questions frequently arising regarding proportionality, collective security, humanitarian impact, extraterritoriality, and consistency with international economic obligations. Within the framework of weaponised trade, however, the emphasis is less upon formal legal categorisation and more upon the use of economic interdependence as an instrument of strategic pressure. In this context, some autonomous sanctions in particular are characterised as forms of economic coercion where they are imposed outside the framework of United Nations Security Council authorisation, but equally are not corrective measures required or permitted by international law.[103] This issue is discussed further in Chapter 4 of this report.

Examples of these mechanisms within the case studies database are the coordinated measures imposed against Qatar in 2017 by Saudi Arabia, the United Arab Emirates and Bahrain. These measures extended far beyond ordinary trade restrictions to include severing diplomatic relations, prohibited trade, restricted airspace and maritime access, and extensive travel and logistical constraints. The resulting disruption affected food security, aviation routes, shipping networks, finance and regional supply chains.[104]

Russia's embargoes on food and agricultural imports from a wide range of countries as well as the European Union followed sanctions imposed after the annexation of Crimea. While formally framed as countermeasures

[103] See, for example, Maarten Smeets, 'Economic Sanctions and the WTO' in Peter AG Van Bergeijk (ed), *Research Handbook on Economic Sanctions* (Edward Elgar Publishing, 2021) 280. See also, Steve Charnovitz, 'Rethinking WTO trade sanctions' (2001) 95(4) *American Journal of International Law* 792.

[104] 'All Trade: Qatar–Saudi Arabia,' *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2017/06/05/saudi-arabia-bans-all-trade-with-qatar-in-june-2017/>.

responding to Western sanctions, the breadth of the restrictions transformed them into instruments of geopolitical signalling and economic retaliation.[105] Similarly, the European Union's restrictions on Russian crude oil following the invasion of Ukraine illustrate how sanctions measures are both widely used but also contested as coercive.

2.9.7 Export Restrictions

Export restrictions differ structurally from import restrictions because they rely upon asymmetries in supply rather than asymmetries in market access. Their effectiveness depends upon the instigator controlling access to a scarce, indispensable, or difficult-to-substitute input. This dynamic is particularly visible in the rare earths dispute between China and Japan in 2010.[106] China's restrictions on exports of rare earth minerals, tungsten, and molybdenum to Japan occurred against the backdrop of tensions surrounding the Senkaku/Diaoyu islands dispute. Because China occupied a dominant position in global rare earth processing and supply chains, the restrictions generated substantial concern regarding industrial vulnerability and strategic dependence within Japan and other advanced economies.

2.9.8 Selective Enforcement and Non-Enforcement of Rights

Coercion can also be implemented through selective regulatory enforcement rather than through explicit trade restrictions, as the Lotte case study in section 2.8.4 above demonstrates. Existing laws concerning taxation, planning, health and safety, environmental compliance, labour regulation, or consumer protection may provide governments with extensive discretion regarding investigation and enforcement.

One particularly unusual (and interesting) example emerged from tensions between Lithuania and China in 2021. Lithuanian exporters reported that the country had been removed from the Chinese Customs Database, making it

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[105] 'Food: European Union–Russia,' *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2014/04/01/food-european-union-russia/>.

[106] 'Rare Earths: Japan–China', *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2010/09/30/rare-earths-china-japan/*>.

impossible for Lithuanian goods to be imported into China.[107] This occurred in conjunction with a range of other informal measures that Lithuania described in its WTO complaint as " novel, numerous, recurrent, persisting and strongly correlated in temporal and substantive terms."[108] While this appears a one-off scenario, it serves as an important illustration of the kind of informal mechanisms that can be used to very effectively weaponise trade, while still allowing the instigator to maintain plausible deniability, for example by attributing the issue to a systems error.

The dispute between Moldova and Russia over gas supply is another illustration of this dynamic. In 2021, Russian state-owned enterprise Gazprom sought enforcement through arbitration of a relatively small and recent debt owed by Moldova, in the context of escalating tensions. While Gazprom was legally entitled to enforce the debt, it did so in context where larger and much longer-held debts owed by Russian-sympathetic region of Transnistria had not been pursued – USD11 billion as against USD 86 million.[109] The disparity of enforcement policy was one of the reasons that an otherwise legal entitlement was characterised as coercive.

2.10 Impacts of Weaponised Trade

Weaponised Trade causes a range of economic, social, political impacts, and systemic impacts which we discuss in more detail below. This chapter highlights the extent of these impacts rather than attempting to precisely quantify them. Government and industry may both have cause to either over- or understate the impact of Weaponised Trade measures. For example, industry might be tempted to overstate the impact to maximise the support offered by their government, or to understate the impact so as not to further unsettle relations with the instigating country. At the same time, government

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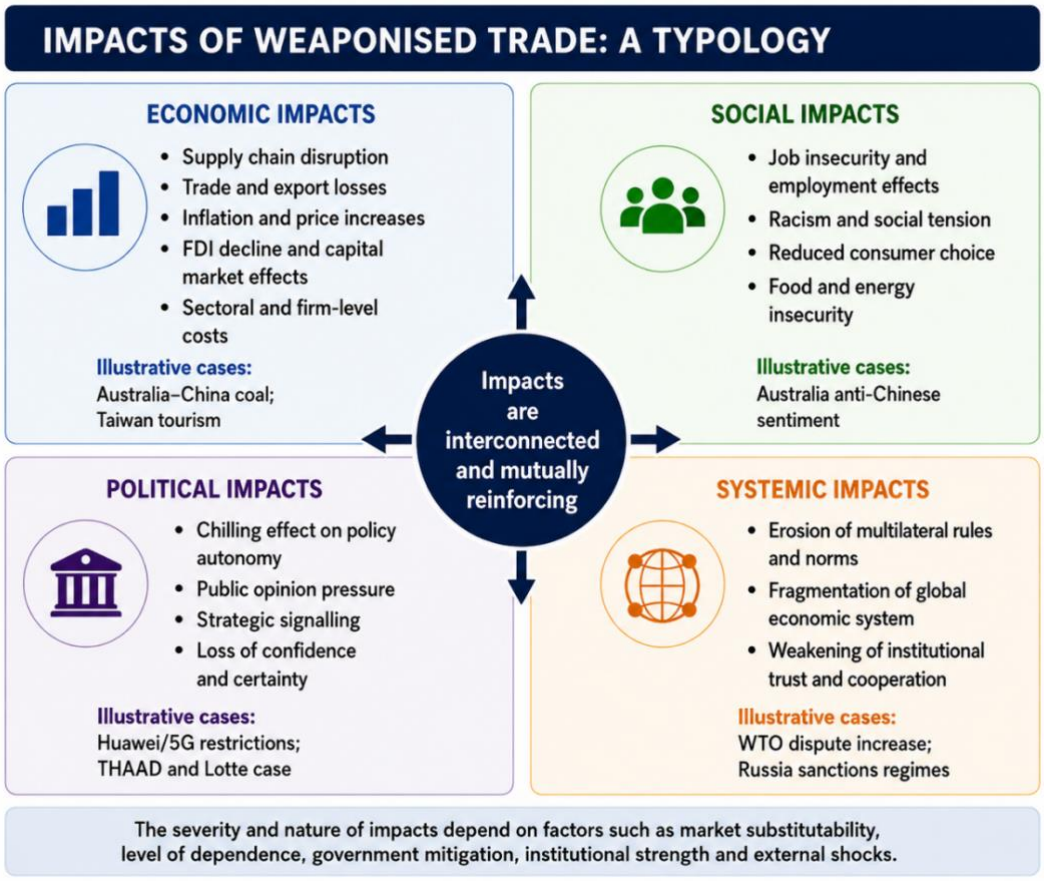
[107] 'Customs Database: Lithuania–China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2021/11/30/customs-database-lithuania-china/>.

[108] *China — Measures Concerning Trade in Goods and Services,* WTO Doc WT/DS610/1 (27 January 2022) (Request for Consultations by the European Union) <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/DS/610-1.pdf&Open=True>.

[109] 'Gas: Moldova–Russia, *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2023/09/30/gas-russia-moldova/*>. See further, Vladimir Solovyov, 'Transnistria's Energy Crisis Could Backfire on Moscow', *Carnegie Politika* (Commentary, 11 January 2025) <https://carnegieendowment.org/russia-eurasia/politika/2025/01/moldova-gas-crisis-solution>.

officials may be inclined to overstate the impact domestically to mobilise public sentiment against the instigator, or else understate the impact so as not to embolden or give satisfaction to the aggressor.



The impacts of Weaponised Trade are not always negative, and in several respects can produce positive impacts for target countries. For example, being able to withstand such measures can demonstrate resilience. Australia is a good example: the economic impacts of China's series of actions starting in 2020 were far less severe than many anticipated it would be, highlighting Australia's resilience.[110] Being targeted by Weaponised Trade can also prompt countries to pursue techno-industrial upgrading in key sectors, increasing their share of value-added production. Here again the Australian experience provides an example, as local timber processers encouraged government and industry to consider the Chinese ban as an opportunity to rebuild a

[110] Richard McGregor, 'Chinese Coercion, Australian Resilience' (Analysis, Lowy Institute, 20 October 2022) <https://www.lowyinstitute.org/publications/chinese-coercion-australian-resilience>.

manufacturing base and jobs in sawmills, noting that smaller domestic operators had frequently faced supply shortages.[111]

2.10.1 Economic Impacts

As the OECD acknowledges, it is difficult to precisely quantify the economic impact of economic coercion due to methodological difficulties such as the granularity of trade data and the ability to determine cause and effect.[112] Negative economic impacts can be offset or exacerbated by intervening variables occurring at the same time. Three examples illustrate this issue:

(1) The impact of China's actions against Australian coal might have been far worse had Russia not invaded Ukraine around the same time. Russia's military action resulted in significant supply shocks across global energy markets.[113] The IEA estimated in 2023 that global coal supply increased 8% to a record 8,634Mt in 2022 as China, India and Indonesia significantly expanded production in response to supply disruption triggered by the Russia Ukraine conflict. While total global supply increased, thermal coal exports declined approximately 10% to 157Mt and metallurgical coal exports decreased 14% to 35 Mt. The decline was due to Western sanctions on Russia as well as eastbound railway capacity bottlenecks which undermined Russia's capacity to redirect supply away from European markets.[114] Because of these supply shocks, Australia was able to find alternative destinations for its coal exports, significantly offsetting the impact of China's actions.[115]

(2) Between 2018 and 2020, tariffs increased sharply on bilateral trade between China and the United States. In the United States, import prices rose

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[111] Sandra Morello, 'Timber processor alarmed over 'massive amount' of softwood exported to China' *ABC News* (online, 2 September 2020) <https://www.abc.net.au/news/2020-09-02/softwood-resource-exported-to-china-amid-log-supply-insecurity/12617994>.
[112] OECD, *Trade impacts of Economic Coercion* (Trade Policy Paper No 281, OECD Publishing, May 2024) 4. <https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/05/trade-impacts-of-economic-coercion_044bdb0a/d4ab39b9-en.pdf>.
[113] International Energy Agency, *Coal Market Update — July 2023* (Report, July 2023) <https://iea.blob.core.windows.net/assets/6d364082-35fc-49cf-bf3e-c06a05a3445d/CoalMarketUpdate_July2023.pdf>.
[114] Ibid, 10-12.
[115] Commonwealth Treasury, *Treasury Ministerial Briefs and Departmental Materials Relating to China Trade Tensions* (FOI Disclosure FOI-3001, December 2021) <https://treasury.gov.au/sites/default/files/2021-12/foi-3001.pdf>.

in many targeted sectors, with tariff costs borne largely by US firms and consumers rather than, as President Trump repeatedly claimed, Chinese exporters.[116] Although bilateral trade contracted, firms were often able to substitute supply through alternative sourcing from third countries.[117] Meanwhile, China's exports remained comparatively resilient, aided by trade rerouting through intermediary economies and renminbi depreciation that partially offset tariff effects.[118]

(3) China's warnings against studying in Australia in 2020 coincided with the COVID-19 pandemic and Australia's closure of its borders to foreign nationals.[119] International education exports had been worth approximately A$40 billion in 2019, with China accounting for roughly one-third of the sector.[120] However, Australia imposed travel restrictions on arrivals from China on 1 February 2020 and closed its borders to all non-residents on 20 March 2020, at a time when more than half of Chinese student visa holders were outside Australia. The Reserve Bank of Australia reported that the mid-year intake for higher education programs in 2020 was about one-third lower than in 2019 and that the collapse in education and tourism exports

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[116] Mary Amiti, Stephen J Redding and David E Weinstein, 'The Impact of the 2018 Trade War on U.S. Prices and Welfare' (NBER Working Paper No 25672, National Bureau of Economic Research, March 2019) <https://www.nber.org/system/files/working_papers/w25672/w25672.pdf>.

[117] Pablo Fajgelbaum, Pinelopi Goldberg, Patrick J Kennedy, Amit Khandelwal and Daria Taglioni, 'The US–China Trade War and Global Reallocations' (NBER Working Paper No 29562, National Bureau of Economic Research, December 2021) <https://www.nber.org/system/files/working_papers/w29562/w29562.pdf>.

[118] Yingying Xu and Donald Lien, 'Dynamic Exchange Rate Dependences: The Effect of the US–China Trade War' (2020) 68 *Journal of International Financial Markets, Institutions and Money* 101238. See also, 'How the US-China Trade War Affected the Rest of the World, NBER Digest (online, April 2022) <https://www.nber.org/digest/202204/how-us-china-trade-war-affected-rest-world>.

[119] Stephanie Dalzell, 'Scott Morrison says Australia won't respond to Chinese "coercion" over warning about universities', *ABC News* (online, 11 June 2020) <https://www.abc.net.au/news/2020-06-11/australia-morrison-china-respond-coercion-on-universities/12342924>. See also, Yu Tao, 'Chinese Students Abroad in the Time of Pandemic: An Australian View' in Jane Golley et al (eds), *China Story Yearbook 2020: Crisis (ANU Press, April 2021)* <https://www.thechinastory.org/yearbooks/yearbook-2020-crisis/chapter-10-chinese-students-abroad-in-the-time-of-pandemic-an-australian-view>.

[120] Guay Lum, Viet Nguyen, Tim Robinson, Sarantis Tsiaplias and Jiao Wang, 'The Australian Economy in 2020–21: The COVID119 Pandemic and Prospects for Economic Recovery' (2021) 54(1) *The Australian Economic Review* 5, 7. <https://pmc.ncbi.nlm.nih.gov/articles/PMC8013290/pdf/AERE-54-5.pdf>.

subtracted around 1.5 per cent from GDP in the first half of 2020.[121] Against that backdrop, the independent impact of China's June 2020 warning to prospective students was significantly blunted.

The economic effects of Weaponised Trade tend to be limited in aggregate macroeconomic terms but highly concentrated at the sectoral and firm levels. OECD analysis of economic coercion finds that such measures typically generate "sudden, large and unexplained drops in trade flows" affecting specific products or sectors, while leaving other sectors largely unaffected, reflecting a pattern of strong microeconomic disruption without commensurate economy-wide contraction.[122] The OECD further emphasises that coercive measures operate primarily through trade reorientation, price effects, and substitution across trading partners, with broader macroeconomic spillovers difficult to generalise and outside the scope of its core modelling exercises.[123] Related OECD work on trade shocks and global value chains similarly shows that firms and sectors with greater diversification and international linkages are better able to absorb external shocks, whereas less diversified firms (typically smaller enterprises) exhibit greater vulnerability due to constrained capacity to reallocate supply chains or access alternative markets.[124] Accordingly, while aggregate GDP impacts are often modest in stylised scenarios of targeted trade disruption, the burden of adjustment is unevenly distributed, with smaller firms and highly exposed

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[121] Philipp Grozinger and Stephanie Parsons, 'The COVID-19 Outbreak and Australia's Education and Tourism Exports' (2020) *Reserve Bank of Australia Bulletin,* *https://www.rba.gov.au/publications/bulletin/2020/dec/the-covid-19-outbreak-and-australias-education-and-tourism-exports.html*.

[122] OECD, *Trade impacts of Economic Coercion* (Trade Policy Paper No 281, OECD Publishing, May 2024) 3 https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/05/trade-impacts-of-economic-coercion_044bdb0a/d4ab39b9-en.pdf.

[123] Ibid 7.

[124] Christine Arriola, Przemyslaw Kowalski and Frank van Tongeren, *Shocks in a Highly Interlinked Global Economy* (Trade Policy Paper No 283, OECD Publishing, June 2024) 16 <https://www.oecd-ilibrary.org/content/dam/oecd/en/publications/reports/2024/06/shocks-in-a-highly-interlinked-global-economy_e10fdec7/4a2f0127-en.pdf>. See also Commonwealth, 'Trade Tensions with China' (Question Time Brief, QTB No QB21-000063, 27 January 2021) 1-2, in Treasury (Cth), *Treasury Ministerial Briefs and Departmental Materials Relating to China Trade Tensions* (FOI Disclosure, FOI 3001, December 2021) <https://treasury.gov.au/sites/default/files/2021-12/foi-3001.pdf>.

sectors disproportionately affected relative to larger multinational enterprises with diversified export markets and sourcing networks.[125]

Beyond direct trade impacts, coercive measures have flow on effects through global value chains,[126] although these effects are generally partial and depend on substitutability and market structure.[127] In addition, perceptions of heightened geopolitical or sovereign risk may affect foreign direct investment, contributing to delayed investment decisions and portfolio reallocation, particularly in globally integrated sectors.[128]

Accordingly, the Productivity Commission emphasises that trade shocks in general and Weaponised Trade measures in particular should be assessed carefully and on the basis of a variety of data (such as direct trade effects, supply chain transmission, and investment-confidence) rather than GDP metrics alone, given the heterogeneous impacts across sectors, firms, and trading relationships.[129]

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[125] Ricardo A Hausmann and César A Hidalgo, The Network Structure of Economic Output (2011) 16(4) *Journal of Economic Growth* 309 <https://doi.org/10.1007/s10887-011-9071-4>. See also, Asian Development Bank, World Trade Organization and Others, *Global Value Chain Development Report 2021: Beyond Production (Report 2021)* <https://www.wto.org/english/res_e/booksp_e/00_gvc_dev_report_2021_e.pdf>.

[126] Above n 125. See also, Mike Aadams and Ron Wicks, *Standing up to Chinese Economic Coercion: Is Australia a Model of Economic Resilience?* (Working Paper No 13, Institute for International Trade, University of Adelaide, 2023) <https://web.archive.org/web/20241028043740/https://iit.adelaide.edu.au/ua/media/2201/wp13-mock-4.pdf> (archived).

[127] World Trade Organization, *World Trade Report 2023: Re-globalization for a Secure, Inclusive and Sustainable Future* (Report, WTO, 2023) <https://www.wto.org/english/res_e/booksp_e/wtr23_e/wtr23_e.pdf>. See also, Dan Andrews, Peter Gal and William Witheridge, *A Genie in a Bottle? Globalisation, Competition and Inflation* (Economics Department Working Paper No 1462, OECD Publishing, 20 March 2018) <https://doi.org/10.1787/deda7e54-en>.

[128] United Nations Conference on Trade and Development, *World Investment Report 2023: Investing in sustainable energy for all* (Report, United Nations 2023) <https://unctad.org/publication/world-investment-report-2023>. See also, International Monetary Fund, *World Economic Outlook – A Rocky Recovery* (APR Report, April 2023) ch 4 <https://www.imf.org/-/media/files/publications/weo/2023/april/english/text.pdf>. For further about global integration, see Shekhar Aiyar et al, *Geoeconomic Fragmentation and the Future of Multilateralism* (Staff Discussion Note SDN/2023/001, International Monetary Fund, 15 January 2023) <https://www.imf.org/-/media/files/publications/sdn/2023/english/sdnea2023001.pdf>.

[129] Productivity Commission, *Trade and Assistance Review 2021–22* (Annual Report, 2023) <https://assets.pc.gov.au/2025-08/Trade%20and%20Assistance%20Review%202021-22_0.pdf>. See also, Greg Thompson, Tim Murray and Patrick Jomini, *Trade, Employment and Structural Change: The Australian Experience* (OECD Trade Policy Papers No 137, OECD Publishing, 2012) <http://dx.doi.org/10.1787/5k9csf8jftbt-en>.

2.10.2 Political Impacts

The pressure emanating from Weaponised Trade measures is ultimately directed at political actors and the choices these actors make. Their purpose is not merely to disrupt trade, but to pressure the target state to adopt, modify, or abandon a domestic or foreign policy position.

Assessing political impact therefore requires attention to two distinct dimensions. The first is immediate policy compliance, i.e. whether the target state changed the contested policy in response to the coercive measure. The second is longer-term political conditioning, i.e. whether coercion reshaped future policy risk calculations, fragmented domestic political debate, or restructured the bilateral agenda in ways that outlast the episode itself. The first dimension is easier to observe; the second is often more consequential but harder to prove.

Immediate Policy Compliance

On the compliance dimension, China's coercive campaign against Australia was unsuccessful in its primary objective. China's 2020 "14 grievances" included Australia's Huawei 5G exclusion, foreign interference legislation, the call for an independent COVID-19 inquiry, and statements on Xinjiang, Hong Kong, Taiwan, and the South China Sea, among other matters.[130] Australia did not reverse those core positions publicly,[131] an outcome consistent with findings from comparable episodes in other jurisdictions.

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[130] Jonathan Kearsley, 'China shows official list of reasons for anger with Australia', *Nine News Australia* (online, 18 November 2020) <https://www.nine.com.au/australia-news/china-australia-tensions-beijing-government-grievance-list-with-canberra-20201118-p5y0sd.html>. For the Australian Government's assessment, see Department of Foreign Affairs and Trade (Cth), *DFAT Declassified – LEX5124* (FOI Disclosure, Reference LEX5124, 2022) <https://www.dfat.gov.au/sites/default/files/dfat-foi-lex5124.pdf>. See also Ye Xue, 'Balancing against China with confidence: Australia's foreign policy toward China in 2020–22' (2023) 18(1) *Asia Policy* 115, <https://www.nbr.org/wp-content/uploads/pdfs/publications/asiapolicy_18-1_xue_jan2023.pdf>

[131] James Laurenceson, Michael Zhou and Thomas Pantle, 'Interrogating Chinese Economic Coercion: The Australian Experience since 2017' (2020) 16(4) *Security Challenges* 3. See also; Naoise McDonagh and Sascha-Dominik Dov Bsachmaan, 'Economic Coercion and Grey Zone Competition: Reassessing the China-Asutralia Case' (2025) 98(1) *Pacific Affairs 53*; Weihaun Zhou and James Laurenceson, 'Demystifying Australia-China Trade Tensions' (2022) 56(1) *Journal of World Trade* 51; Matthew Reynolds and Matthew P Goodman, *Deny, Deflect, Deter: Countering China's Economic Coercion* (Report, Center for Startegic and International Studies, March 2023); *China's Economic Coercion* (Briefing PE 738.219, European Parliamentary Research Service, October 2022)

Longer-Term Political Conditioning

The conditioning dimension is harder to measure but should not be overlooked. Even where Weaponised Trade measures fail to produce immediate compliance, they may still influence future decision-making through several distinct mechanisms. They raise the perceived cost of antagonising a powerful trading partner, potentially altering bureaucratic and ministerial risk assessments. They may generate or strengthen domestic constituencies favouring accommodation. And they can prompt elite fragmentation, in which affected industries — in the Australia–China case, barley, wine, beef, and coal exporters — generate independent internal pressure for policy adjustment even where the government holds its position. The OECD notes that coercive threats may produce compliance without any measure being imposed, making such effects difficult to detect in trade data.[132]

Domestic political actors may further amplify these conditioning effects, sometimes in directions that complicate rather than resolve bilateral tensions. During the Australia–China dispute, Pauline Hanson called for a consumer boycott of Chinese goods, framing the appeal as a response to China's "recent economic attacks against Australia".[133] Chinese state media responded sharply, describing the boycott call as self-harming and "way too arrogant".[134] The episode is analytically useful not because Hanson's position represented Australian government policy, but because it illustrates a distinct mechanism: minority-party rhetoric can internationalise domestic political signalling and introduce additional noise into bilateral communications, making diplomatic repair harder for both sides regardless of government intent.

<https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/738219/EPRS_BRI%282022%29738219_EN.pdf>.

[132] OECD, *Trade Impacts of Economic Coercion* (Trade Policy Paper No 281, OECD Publishing, May 2024) <https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/05/trade-impacts-of-economic-coercion_044bdb0a/d4ab39b9-en.pdf>.

[133] Pip Christmass, 'Pauline Hanson calls for Australians to boycott Chinese products this Christmas', *7News* (online, 27 November 2020) <https://7news.com.au/politics/pauline-hanson/pauline-hanson-calls-for-australians-to-boycott-chinese-products-this-christmas--c-1663419>.

[134] Editorial, 'Australia's call to boycott Chinese goods arrogant: Global Times Editorial', *Global Times* (online, 1 December 2020) <https://www.globaltimes.cn/content/1208673.shtml>.

Conditioning effects can also run in reverse. One strand of empirical research on public opinion suggests that economic coercion may reduce support for policy change where citizens update their beliefs about who bears the costs of compliance.[135] Where coercion activates a rally-round-the-flag dynamic, it can harden public opinion and make accommodation politically more costly for the target government, even where accommodation might otherwise have been feasible.[136]

The political effects of Weaponised Trade are not limited to situations where the target state complies. Measures that fail to secure compliance may still succeed, at least partially, as instruments of political conditioning: by raising future risk assessments, fragmenting domestic coalitions, or displacing bilateral diplomatic bandwidth toward crisis management. Conversely, coercive campaigns may backfire by hardening public opinion and increasing the domestic political cost of compromise. Both possibilities must be assessed before any conclusion about political impact can be reached.

[135] Dimitar Gueorguiev, Daniel McDowell and David A Steinberg, 'The Impact of Economic Coercion on Public Opinion: The Case of US-China Currency Relations' (2020) 64(9) *Journal of Conflict Resolution* 1555 <https://ideas.repec.org/a/sae/jocore/v64y2020i9p1555-1583.html>.

[136] Johan Galtung, 'On the Effects of International Economic Sanctions: Examples from the Case of Rhodesia' (1967) 19(3) *World Politics* 378.

Political Impacts

Beyond Compliance: How Coercion Shapes Political Choices

The pressure emanating from Weaponised Trade measures is ultimately directed at political actors and the choices these actors make. Their purpose is not merely to disrupt trade, but to pressure the target state to adopt, modify, or abandon a domestic or foreign policy position.

Assessing political impact requires attention to two distinct dimensions. The first is **immediate policy compliance:** whether the target state changed the contested policy in response to the coercive measure. The second is **longer-term political conditioning:** whether coercion reshaped future policy risk calculations, fragmented domestic political debate, or restructured the bilateral agenda in ways that outlast the episode itself. The first dimension is easier to observe; the second is often more consequential but harder to prove. Neither is exhausted by asking whether the target state capitulated.

IMMEDIATE POLICY COMPLIANCE

Did the target change its contested policy?

AUSTRALIA – CHINA COERCIVE CAMPAIGN (2020)

Unsuccessful in achieving primary objective

China's 2020 "14 grievances" included Australia's Huawei 5G exclusion, foreign interference legislation, the call for an independent COVID-19 inquiry, and statements on Xinjiang, Hong Kong, Taiwan, and the South China Sea, among other matters.

Australia did not reverse those core positions publicly, an outcome consistent with findings from comparable episodes in other jurisdictions.

RESULT: NO COMPLIANCE

Core policy positions were not changed.

LONGER-TERM POLITICAL CONDITIONING

Did coercion reshape future politics?

RAISED FUTURE RISK CALCULATIONS

Increases the perceived cost of antagonising a powerful trading partner, altering bureaucratic and ministerial risk assessments.

DOMESTIC CONSTITUENCIES & FRAGMENTATION

Generates or strengthens constituencies favouring accommodation and prompts elite fragmentation. Affected industries (e.g. barley, wine, beef, coal exporters) generate internal pressure for adjustment.

CONDITIONING CAN BE HIDDEN OR REVERSE

OECD notes coercive threats may produce compliance without any measure being imposed, making such effects difficult to detect in trade data.

Economic coercion may also reduce support for policy change or trigger a rally-round-the-flag dynamic, hardening public opinion.

DOMESTIC POLITICAL AMPLIFICATION: ADDING NOISE TO BILATERAL RELATIONS



MINORITY RHETORIC

Pauline Hanson called for a consumer boycott of Chinese goods, framing it as a response to China's "recent economic attacks against Australia".



FOREIGN REACTION

Chinese state media replied sharply, describing the boycott call as self-harming and "way too arrogant".



BILATERAL NOISE

Minority-party rhetoric can internationalise domestic signalling and introduce additional noise into bilateral communications.



DIPLOMATIC FRICTION

This makes diplomatic repair harder for both sides, regardless of government intent.

SUMMARY

The political effects of Weaponised Trade are not exhausted by whether the target state complies. Measures that fail on the compliance dimension may still succeed, at least partially, as instruments of political conditioning: by raising future risk assessments, fragmenting domestic coalitions, or displacing bilateral diplomatic bandwidth toward crisis management.

Conversely, coercive campaigns may backfire by hardening public and elite opinion and increasing the domestic political cost of compromise. Both possibilities must be assessed before any conclusion about political impact can be reached.

2.10.3 Social Impacts

The social effects of Weaponised Trade are often indirect, unevenly distributed, and highly contingent on state and market responses. They can nevertheless be significant where coercive measures disrupt access to essential goods, services, or employment. The most immediate effects typically arise through employment insecurity in affected sectors, particularly where export restrictions or import disruptions produce firm closures, production cuts, or regional economic dislocation.[137]

In some circumstances, Weaponised Trade measures may also affect broader forms of human security, including health, energy, and food security. Restrictions affecting pharmaceuticals, medical inputs, or critical technologies can disrupt healthcare provision and public health resilience, while interruptions to energy supplies may create social hardship and political instability, particularly in import-dependent economies.[138] Likewise, disruptions to staple food imports or agricultural supply chains can exacerbate food insecurity and cost-of-living pressures, though the severity of these impacts depends heavily on the capacity of consumers to afford alternatives sources for like or alternative products, domestic reserves, and the effectiveness of government intervention.[139]

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[137] Productivity Commission, *Trade and Assistance Review 2021–22* (Annual Report, 20 July 2023) <https://assets.pc.gov.au/2025-08/Trade%20and%20Assistance%20Review%202021-22_0.pdf>. See also OECD, *Trade Impacts of Economic Coercion* (Trade Policy Paper No 281, OECD Publishing, May 2024) <https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/05/trade-impacts-of-economic-coercion_044bdb0a/d4ab39b9-en.pdf>.

[138] 'Gas: Russia–Moldova', *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2023/09/30/gas-russia-moldova/*>. On the energy security examples discussed, and broader work on geoeconomic vulnerability, see Shekhar Aiyar et al, *Geoeconomic Fragmentation and the Future of Multilateralism* (Staff Discussion Note SDN/2023/001, International Monetary Fund, 15 January 2023) <https://www.imf.org/-/media/files/publications/sdn/2023/english/sdnea2023001.pdf> and; Christine Arriola, Przemyslaw Kowalski and Frank van Tongeren, *Shocks in a Highly Interlinked Global Economy* (Trade Policy Paper No 283, OECD Publishing, June 2024) 16 <https://www.oecd-ilibrary.org/content/dam/oecd/en/publications/reports/2024/06/shocks-in-a-highly-interlinked-global-economy_e10fdec7/4a2f0127-en.pdf>.

[139] Food and Agriculture Organization, *The State of Food Security and Nutrition in the World 2023: Urbanization, Agrifood Systems Transformation and Healthy Diets across the Rural-Urban Continuum* (Report, FAO, 2023) < https://openknowledge.fao.org/server/api/core/bitstreams/1f66b67b-1e45-45d1-b003-86162fd35dab/content>. See also, World Trade Organization, *World Trade Report 2023: Re-*

Beyond material impacts, Weaponised Trade may also affect social cohesion. Where coercive episodes become politically salient or economically disruptive, public discourse may intensify social tensions, including hostility directed toward diaspora communities associated, fairly or unfairly, with the coercing state. The deterioration of social cohesion is not inevitable, but may be exacerbated where political actors or media narratives frame coercive measures in nation-centred or ethnic terms rather than geopolitical ones.[140]

Governments may either amplify or dampen the social effects of Weaponised Trade through public rhetoric. Where Weaponised Trade measures target everyday consumer goods (particularly food and agricultural products) coercive pressure may paradoxically strengthen social solidarity in the target state rather than erode it. Consumer "buycotts", in which individuals increase purchases of sanctioned domestic goods as an act of political support, represent a distinctive social response to Weaponised Trade measures. Chinese sanctions on Australia, Japan and Taiwan between 2020 and 2024 show that buycott effects were most pronounced when domestic products of the target country were promoted by political leaders, publicly consumed, and easily substitutable.[141]

The "Freedom Cheese" campaign in Lithuania provides an example of how Weaponised Trade can shape social solidarity and consumer behaviour in response to coercive economic pressure.[142] Taiwan's government-backed

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globalization for a Secure, Inclusive and Sustainable Future (Report, WTO, 2023) <https://www.wto.org/english/res_e/booksp_e/wtr23_e/wtr23_e.pdf>.

[140] On the India-Maldives relationship, see 'Boycott: Maldives–India', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2024/01/17/boycott-maldives-india>. On the relationship between geopolitical crises, public discourse, and anti-Asian racism in Australia, see e,g. Australian Human Rights Commission, *Concept Paper for Anti-Racism Framework* (Report, 2021) 6-7 <https://www.humanrights.gov.au/our-work/race-discrimination/publications/developing-national-anti-racism-framework-2021>. See also Xiao Tan and Yu Tao, 'COVID-19, Perceived Foreign Interference, and Anti-Chinese Sentiment: Evidence from Concurrent Survey Experiments in Australia and the United States' (2023) 45(3) *Journal of Intercultural Studies* 433.

[141] Victor Ferguson and Christina Lai, 'Sanction-busting Shoppers: Consumer 'Buycotts' as Defensive Economic Statecraft' (2026) *Review of International Political Economy*, 1, 13 <https://doi.org/10.1080/09692290.2026.2667945>.

[142] Danuta Pavilenene, 'Grybauskaite Presented Chancellor Markel with Lithuanian-Made Cheese', *The Baltic Course* (online, 25 October 2013) <https://www.baltic-course.com/eng/markets_and_companies/?doc=82612>; Jeremy Fleming, 'Lithuania Warns Russia over Cheese Ban and KGB Smears' *EurActiv* (online, 25 October 2013) <https://www.euractiv.com/news/lithuania-warns-russia-over-cheese-ban-and-kgb-smears/>; Max Seddon, 'Meet #FreedomCheese, Courtesy of Lithuania' *Buzzfeed News*

campaign following China's 2021 pineapple ban produced new orders equivalent to an entire year's prior China exports within one week.[143] Japan's '#Let's eat Japan!' scallop campaign generated a 37% year-over-year increase in domestic expenditure for scallops. These cases suggest that the social impact of Weaponised Trade may generate in-group affinity and solidarity that partially offsets their intended economic and political effects, particularly where the sanctioning state is perceived as a geopolitical rival and the triggering measures are seen as illegitimate.

By contrast, Australia's experience with Chinese restrictions on wine and lobster illustrates the limits of solidarity effects in the absence of coordinated cues: likely in an attempt to not further stoke tensions with China, the Morrison government explicitly declined to encourage domestic consumption[144] while wine sales declined.[145]

(Online, 15 October 2023) <https://www.buzzfeednews.com/article/maxseddon/meet-freedomcheese-courtesy-of-lithuania>; Rolandas Kačinskas (@RKacinskas) 'If you are not angry at milk, show some solidarity, join #freedomcheese action and buy #Lithuianian Cheese' (X (Formerly Twitter), 15 October 2013, 1:23 am) <https://x.com/RKacinskas/status/389758404027494400>.

[143] 'Pineapples: Taiwan–China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2021/03/31/pineapples-taiwan-china/>.

[144] Commonwealth of Australia, Prime Minister, *Press Conference, Canberra* (Scott Morrison, 1 December 2020) ("I'm not going to start telling Australians what they should drink."). Other politicians were more vocal about their support about Australian wine, using the moniker "Democracy wine", for further reporting see Michael McGowan, 'Democracy Wine: Politicians Worldwide Pledge to Drink Australian Wine in Stand against China' *The Guardian* (online, 2 December 2020) <https://www.theguardian.com/australia-news/2020/dec/02/democracy-wine-politicians-worldwide-pledge-to-drink-australian-wine-in-stand-against-china>. For further context on Chinese-Australia tensions, see also Tom Stayner 'China denies notions of economic revenge after Australia's push for a coronavirus inquiry' *SBS News* (online, 26 August 2020) <https://www.sbs.com.au/news/article/china-denies-notions-of-economic-revenge-after-australias-push-for-a-coronavirus-inquiry/ujz3dzjbg>.

[145] Victor Ferguson and Christina Lai, 'Sanction-busting Shoppers: Consumer 'Buycotts' as Defensive Economic Statecraft' (2026) *Review of International Political Economy*, 1, 13 <https://doi.org/10.1080/09692290.2026.2667945>.

Weaponised Trade and Social Impact: When Sanctions Strengthen Solidarity

The way political leaders communicate about trade coercion can shape how people respond. When sanctions target everyday items—especially food and agricultural products—they can unintentionally bring people closer together rather than drive them apart.

Consumer "buycotts" are a distinctive reaction: people intentionally buy more domestic products that have been targeted as a show of support. Chinese sanctions on Australia, Japan and Taiwan between 2020 and 2024 show that buycott effects were strongest when leaders promoted local products, those products were visibly consumed, and suitable alternatives were readily available.

STRONG SOLIDARITY EFFECTS: GOVERNMENT-BACKED CAMPAIGNS AND PUBLIC BUYCOTTS

LITHUANIA – "FREEDOM CHEESE" CAMPAIGN (2013)

Russia imposed restrictions on Lithuanian dairy imports amid rising political tensions.



The government and civil society launched the **"#FreedomCheese"** campaign, turning cheese into a symbol of resilience and encouraging people at home and abroad to buy Lithuanian dairy products.

RESULT: WIDESPREAD SOLIDARITY

The campaign gained international attention, strengthened national unity and supported a boost in dairy exports.

TAIWAN – PINEAPPLE BAN (2021)

China banned imports of Taiwanese pineapples, citing pest concerns.



The government launched **"Freedom Pineapple"**, with leaders publicly eating pineapple and encouraging the public to buy local.

RESULT: MASSIVE BUYCOTT RESPONSE

New orders in the first week matched a full year of Taiwan's pineapple exports to China in the previous year.

JAPAN – SCALLOP CAMPAIGN (2023)

China suspended imports of Japanese scallops.



The government promoted **"#Let's eat Japan!"** encouraging households to choose domestic scallops.

RESULT: STRONG CONSUMER RESPONSE

Household expenditure on scallops increased 37% compared with the same period the previous year.

These cases show that coercive trade measures do not always weaken a society. When people see sanctions as unfair and coming from a strategic rival, collective pride and mutual support can grow, softening the impact of economic pressure.

LIMITED SOLIDARITY EFFECTS: LACK OF COORDINATED PUBLIC MESSAGING



AUSTRALIA – WINE AND LOBSTER RESTRICTIONS (2020–2024)

China imposed tariffs and informal bans on Australian wine from 2020 and restrictions on lobster from 2020 onwards.



Despite calls for Australians to support affected producers, the government chose not to urge people to buy more wine or lobster.

RESULT: NO CLEAR BUYCOTT EFFECT

Domestic wine sales would have needed to rise by about 52% to offset the loss of the China market.

Instead, wine sales declined. Volume fell by 3.5% from 2019–20 to 2020–21 and by 7% from 2020–21 to 2021–22.

The social consequences of weaponised trade depend heavily on **context.** The nature of the targeted goods, the tone of political communication and how easily people can switch to domestic alternatives all influence whether coercion divides a society or strengthens its unity.

The effect of solidarity campaigns is often time-limited, as consumers tend to tire in their enthusiasm. At the same time, consumers may be frustrated where supply or distribution gaps, or even retailer inertia impact their ability to take part.

The social impact of Weaponised Trade is thus difficult to generalise and requires context-specific analysis sensitive to institutional resilience, government mitigation strategies, and pre-existing social and political cleavages.[146]

2.10.4 Systemic Impacts

Beyond their economic, political and social effects on individual firms, industries and governments, repeated instances of Weaponised Trade generate broader systemic consequences for the international economic system and for a rules-based system of trade. While individual disputes are generally bilateral, their effects can extend well beyond the immediate parties involved. Modern supply chains, logistics networks, financial systems and technology ecosystems are deeply interconnected, meaning that restrictions imposed against one state can create uncertainty and adjustment costs for businesses and governments elsewhere. In this respect, Weaponised Trade has implications not merely for the target and instigator, but also for the wider operation of the global trade system.

Weaponised trade measures also carry significant economic consequences that extend well beyond their immediate targets, with even the mere threat of tariffs capable of causing measurable harm globally. One example of this was President Trump's 2019 threats against Mexican imports, which triggered an estimated US$23 billion in projected costs and immediate share price drops across the global automotive industry.[147]

Tit-for-tat retaliation and escalation between target and instigator countries also means that a single instance of Weaponised Trade creates significant

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[146] Mike Aadams and Ron Wicks, *Standing up to Chinese Economic Coercion: Is Australia a Model of Economic Resilience?* (Working Paper No 13, Institute for International Trade, University of Adelaide, 2023) <https://web.archive.org/web/20241028043740/https://iit.adelaide.edu.au/ua/media/2201/wp13-mock-4.pdf> (archived).

[147] Naomi Tajitsu and Georgina Prodhan, 'Trump's Mexican tariffs threaten to disrupt auto sector', *Reuters* (online, 1 June 2019) <https://www.reuters.com/article/business/trumps-mexican-tariffs-threaten-to-disrupt-auto-sector-idUSKCN1T11TW/>.

uncertainty, which causes further widespread impacts. As discussed in Chapter 4, periods characterised by heightened trade tensions and geopolitical competition have coincided with significant increases in measures of global economic uncertainty. The anticipation of future restrictions can influence commercial behaviour almost as strongly as the restrictions themselves, particularly in sectors dependent upon long-term investments or highly integrated international supply chains.

Weaponised Trade has and will continue to have systemic impacts on international trade and the institutional framework of the WTO, which are also discussed further in Chapter 4. Repeated weaponisation of trade negatively affects perceptions of the legitimacy, predictability and effectiveness of the rules-based international order. As Chapter 4 explains, the post-war trading system was developed in part to separate economic relations from broader political and security disputes, and to encourage the resolution of disagreements through agreed rules and institutions rather than through economic pressure. Where governments increasingly rely upon unilateral restrictions, informal measures, or security-based justifications for trade intervention, confidence in those institutions may be weakened. This does not mean that the existing rules-based system is disappearing, nor that all security-related trade measures are necessarily illegitimate. However, the growth of Weaponised Trade appears to reflect, and may further contribute to, a broader trend in which economic policy, national security policy and geopolitical competition are becoming increasingly intertwined. These developments create challenges for the long-term stability and predictability of the international rules-based trade order.

2.11 Lessons Learned

The analysis above delivers insights into how Weaponised Trade has increased over time, and some of the reasons for this increase.

This chapter offers insights into the risk factors that can be used to help predict whether a product may be more or less vulnerable to economic coercion. These factors are summarised by the table below. While no sector is immune from Weaponised Trade, the dataset suggests that governments and industries can identify structural characteristics that increase exposure and, in some cases, proactively reduce those vulnerabilities before a dispute emerges. The Business Toolkit produced alongside this report helps translate

these insights into points of action for small and medium sized exporters in particular.[148]

One of the clearest lessons concerns the risks associated with concentrated market dependence. Products that rely heavily on a single export destination, or a small number of buyers, appear consistently more exposed to coercive disruption. This is particularly evident in sectors such as wine, barley, seafood, and certain agricultural exports. Diversification of export markets therefore remains one of the most important resilience strategies available to both governments and industry. Importantly, diversification should not be understood solely in geographic terms. Building relationships across multiple distributors, logistics providers, and downstream purchasers may also reduce vulnerability to politically motivated disruption.

The data further suggests that sectors dependent upon discretionary regulatory approvals are especially susceptible to coercive pressure. Products exposed to customs clearance, sanitary and phytosanitary inspections, licensing requirements, certification processes, or technical compliance assessments are particularly vulnerable because these mechanisms permit selective delay or enhanced scrutiny without necessarily requiring formal legal prohibition. This dynamic is especially visible in disputes involving food products, agricultural goods, and customs administration. Greater transparency, digitalisation, and institutionalisation of regulatory procedures may therefore reduce opportunities for arbitrary or politically motivated enforcement.

Another significant implication concerns strategic and technologically sensitive sectors. Telecommunications infrastructure, semiconductors, dual-use technologies, and critical minerals increasingly sit at the intersection of trade policy and national security policy. In these sectors, states appear increasingly willing to accept substantial economic costs in pursuit of resilience, technological sovereignty, or supply chain security objectives. This suggests that industries operating within strategically sensitive sectors should anticipate a heightened risk of future restrictions, particularly where supply chains involve geopolitical competitors or technologically concentrated chokepoints. For policymakers, this raises

[148] 'Weaponised Trade Resilience Toolkit for Australian SMEs', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/toolkit/>.

difficult balancing questions between openness, efficiency, resilience, and security.

The framework also suggests that product characteristics matter considerably. Perishable products with limited storage capacity or narrow shipping windows are especially exposed because even temporary disruption can generate immediate commercial loss. By contrast, goods that are storable, fungible, or easily redirected across markets appear relatively more resilient. Investment in storage infrastructure, logistics flexibility, and alternative transport routes may therefore form part of broader economic security and resilience strategies.

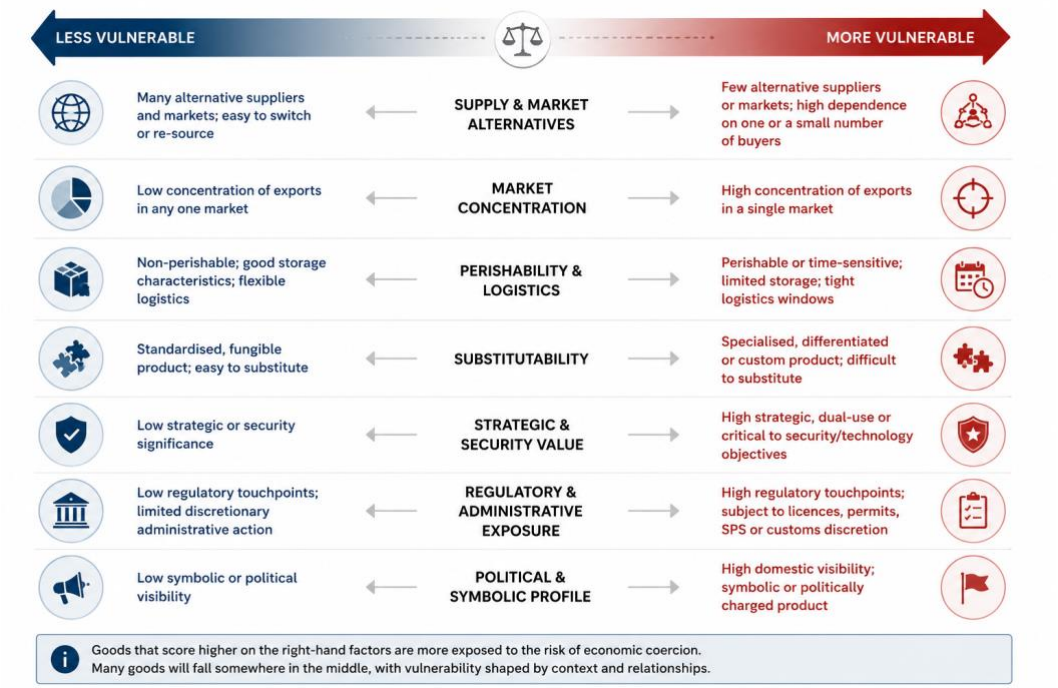
Similarly, services that depend upon the voluntary movement of consumers share several characteristics that make them attractive targets for weaponisation. As demand can often be redirected relatively quickly, governments can influence consumer choices through formal and informal signalling, and the economic costs are concentrated in identifiable institutions and local communities. At the same time, because education relationships are long-term in nature, coercive measures may produce additional long-term effects by disrupting institutional partnerships, alumni networks, research collaboration, and future patterns of people-to-people engagement.

At the same time, the data cautions against viewing vulnerability purely through an economic lens. Some products appear attractive targets precisely because they carry symbolic, cultural, or political significance disproportionate to their aggregate economic value. Highly visible industries associated with regional employment, national identity, or politically influential constituencies may become attractive coercive targets because they generate concentrated domestic political pressure within the target state. Governments therefore need to consider not only macroeconomic exposure, but also the domestic political salience of particular industries and communities.

Deep economic integration may generate prosperity and efficiency during periods of stable relations, but it can also create leverage where dependencies become asymmetric or strategically concentrated. This does not necessarily imply that deglobalisation or wholesale decoupling is either feasible or desirable. Rather, the evidence points toward the importance of calibrated resilience strategies: diversification without complete

fragmentation, strategic redundancy without excessive inefficiency, and risk awareness without abandoning the benefits of open trade.

Ultimately, the vulnerability framework presented here should be understood not as a predictive formula, but as a practical analytical tool. It provides governments, regulators, and industry participants with a structured way to identify sectors that may warrant closer monitoring, contingency planning, or resilience-building measures as geopolitical competition increasingly intersects with international trade and investment relationships.



CHAPTER 3

RESPONSES TO WEAPONISED TRADE





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Chapter 3: Responses to Weaponised Trade

3.1 Introduction

In this chapter we explore responses to Weaponised Trade, identify the various ways in which key actors (including governments, industry and civil society actors) have sought to mitigate the costs of specific hostile acts (via 'reactive measures') and minimise the potential impact of future aggression (via 'proactive measures').

While we consider key actors separately for analytical purposes, in reality these actors may coordinate or act in concert. For example, civil society responses to Weaponised Trade are often supported and encouraged by government and/or industry, as we discuss below.

In other cases, there are tensions and/or disagreements between government and industry over the most appropriate responses to Weaponised Trade. Government actors might prefer a strong and public reaction to discipline the instigator and deter future hostility. Industry may resist and argue for de-escalation and behind-closed-doors solutions aimed at restoring trade as swiftly as possible. The priorities of these groups do not always align and, at times, can be hard to reconcile.


ACTOR RESPONSES TO WEAPONISED TRADE MEASURES: OVERVIEW
WORK WITH IT
Accept and Operate Within
WORK AROUND IT
Find Alternative Routes
CONTEST IT
Challenge the Measure
ADAPT TO IT
Build Resilience for the Future
INDUSTRY RESPONSES
Business As Usual
Continue regular operations while monitoring the situation without major adjustments.
Anticipatory Compliance
Proactively comply with existing or expected requirements to reduce risks and costs.
Depoliticization and Downplaying Impact
Downplay political dimensions and minimize the perceived impact on business operations.
Short-Term Trade Diversion
Redirect exports/imports to alternative markets temporarily to avoid immediate disruptions.
Trade via Third Countries
Use third countries as intermediaries or transshipment hubs to maintain trade flows.
Engage the Public
Mobilize public opinion and media to build awareness and support against the measure.
Engage Government
Lobby and advocate government to intervene or take action against the measure.
Domestic Legal Challenges
Challenge the measure through domestic legal avenues and court proceedings.
Long-Term Trade Diversification
Diversify markets to reduce dependence on affected partners over the long term.
Relocation of Operations
Relocate production or operations to lower-risk jurisdictions or more favorable environments.
Innovation
Invest in innovation to improve products, processes, and competitiveness.
GOVERNMENT RESPONSES
Information Gathering and Troubleshooting
Gather data, monitor impacts, and resolve implementation issues.
Diplomacy and Conciliation
Engage in dialogue to ease tensions and seek amicable solutions.
Facilitating Short-Term Trade Diversion
Support industry in redirecting trade to alternative markets.
Financial Support to Industry
Provide financial assistance, credits, or guarantees to mitigate short-term impacts.
(Threats of) Retaliatory Actions
Impose or threaten countermeasures to signal resolve.
WTO
Complaints to the World Trade Organization (WTO)
File complaints and pursue dispute settlement through the WTO.
Facilitating Long-Term Trade Diversification
Negotiate and implement new trade partnerships and agreements.
Industry Upgrading
Support upgrading of industry capabilities and value chains.
Building New Trade Architecture
Build coalitions and shape rules for a fairer trading system.

3.2 Industry Responses

Most industry actions that can be tied to Weaponised Trade actions are reactive responses. However, as one academic commentator noted, these short-term efforts to "smooth things over and find a solution" are "on a parallel track to trying to find ways to insulate yourself in the future".[1] This reflects the possibility that industry takes more proactive measures in anticipation of potential Weaponised Trade or other trade disruptions without stating so publicly. Industry is often reticent to contribute to political tensions by discussing fears and potential responses publicly.

Objective	Responses	External Dependencies	Time Horizon
Preserve continuity	Maintaining Business as Usual; Trade Diversion	●●○○○ Few	Immediate (0–6 months)
Reduce compliance risk	Anticipatory Compliance	●●●○○ Moderate	Immediate (0–6 months)
Reduce uncertainty	Information Gathering	●●○○○ Few	Short-term (6–24 months)
Circumvent constraints	Grey-channel Trade	●●●●○ Many	Short-term (6–24 months)
Influence policy	Lobbying; Advocacy; Legal Challenges	●●●●○ Many	Medium-term (2–5 years)
Build resilience	Innovation	●●○○○ Moderate	Long-term (5+ years)
Reduce dependency	Diversification; Relocation	●●●●● Very many	Long-term (5+ years)

Time Horizon	Immediate (0–6 months)	Short-term (6–24 months)	Medium-term (2–5 years)	Long-term (5+ years)

In this section we focus on responses by industry based in the target or the instigator of the Weaponised Trade measure. There may also be responses by industry in third countries seeking to benefit from Weaponised Trade measures, such as increasing production to seize market share. For example, in the wake of Venezuela's restrictions on automobile imports from Colombia, in August 2009 a delegation from the Argentinian automobile industry led by Argentinian President Cristina Fernandez de Kirchner travelled to Caracas, to take advantage of "an opportunity due to the interruption of (Venezuela's) imports from Colombia, with automobiles as well as in the farm machinery,

[1] Delphi Roundtable (online, 10 November 2024) 1:46:57.

footwear and textile sectors".[2] Responses to Weaponised Trade measures are not confined to the instigating or target country. Rather, the disruption created by such measures – whether in the form of trade diversion or trade creation leading to the displacement of existing supply – is subject to a variety of factors: contract length, the extent of regulatory complexity, and consumer preferences.

3.2.1 Work With It: Business As Usual

In a number of the case studies, industry participants in the target country sought to ride out the imposition of the Weaponised Trade measures, complying with restrictions or tariffs and maintaining trade levels, to the extent possible. Where Weaponised Trade measures are not total bans on trade in the relevant goods or services, companies may seek to absorb any increased costs imposed by the measures, preserving their market share / presence in the hope that the measures are only temporary and that there will be a return to business as usual. This approach can be paired with efforts to depoliticise or deescalate tensions between the countries. For example, when President Trump announced that the US would be imposing steel and aluminium tariffs in early 2018, Brazil's aluminium industry:

> "[They] did not want to litigate, they accepted to enter into an agreement where they would shoulder [...] the bill of an extra 10%, I think, on their imports, I mean, the taxes would be increased by 10%. They thought this was a cheaper solution because it would be a quick fix, although an expensive one, than to litigate and generate a political problem out of what was happening. I think these cases are interesting because they show another way of dealing with the question. I don't know if it's a good one, but it certainly was a pragmatic one from the perspective of those specific sectors."[3]

While the imposition of steel and aluminium tariffs was not necessarily a case of Weaponised Trade as we define it – because the measures were not seeking political change of the other countries, but were aimed at protecting domestic US production capacity – this example demonstrates how sometimes

[2] Argentine Minister of Production, Debora Giorgi, Press Release (5 August 2009), quoted in 'Argentina Tries to Replace Colombia as Supplier of Vehicles to Venezuela', *MercoPress* (online, 6 August 2009) <https://en.mercopress.com/2009/08/06/argentina>.
[3] Delphi Roundtable (online, 10 November 2024) 1:33:47.

industry's response to trade measures is simply to weather the storm as best as possible.

In another example in response to Weaponised Trade measures, Micron Technology recalibrated its investments in China. After a security review, China announced in May 2023 that it would no longer approve the use of Micron's microchip processors in major Chinese infrastructure projects.[4] The company continued to expand its chip packaging facility Xi'an, announcing new investment of over US$600 million in June 2023, to demonstrate its "unwavering commitment to its China business and team".[5] While Micron's investment did not lead to regulatory rehabilitation in China, it reflected a hedging strategy: preserve manufacturing presence and commercial relationships in for the consumer market in China, while accepting exclusion from politically sensitive infrastructure markets.[6] That makes it a useful example of a multinational firm responding to economic security fragmentation: not through decoupling, but through selective de-risking.

3.2.2 Work With It: Anticipatory Compliance

Before any actual trade restrictions have been imposed, a situation of heightened political tensions may lead industry to be particularly careful to comply with regulations in order to avoid giving any potential justification for trade restrictions.

The Australian cotton industry had received signals through commercial channels and government contacts that Chinese spinning mills were being informally instructed to stop purchasing Australian cotton, with speculation

[4] Evan S. Medeiros and Andrew Polk, 'China's New Economic Weapons' (2025) 48(1) *The Washington Quarterly* 99, 113 <https://doi.org/10.1080/0163660X.2025.2480513>.
[5] Brenda Goh, 'Micron says it is committed to China, invests $602 Million in plant', *Reuters* (online, 16 June 2023) <https://www.reuters.com/technology/micron-invest-603-mln-factory-chinas-xian-over-next-few-years-2023-06-16/>.
[6] Hyunjoo Jin and Brenda Goh, 'Exclusive: Micron to exit server chips business in China after ban, sources say' *Reuters* (online, 18 October 2025) <https://www.reuters.com/business/autos-transportation/micron-exit-server-chips-business-china-after-ban-sources-say-2025-10-17/>.

that tariffs or other trade restrictions might follow.[7] At the time, nothing had been formally announced in writing by Chinese government channels.[8]

Nevertheless, producers had become particularly vigilant about compliance. One leading industry figure said that Australian firms had "been working very hard to make sure all the procedures and protocols and paperwork has [sic] been perfect because we know there's some tension there, but this has come out of the blue".[9] This suggests a strategy of to-the-letter compliance with regulatory and documentary requirements in an effort to minimise the risk of adverse administrative action, including suspension of import approvals or heightened customs scrutiny.

The episode is instructive for private-sector adaptation under geopolitical risk: firms respond to anticipated coercion by increasing procedural compliance and risk management, yet such strategies may fail when restrictions are politically discretionary rather than rule-based.

3.2.3 Work With It: Depoliticization and Downplaying Impact

Industry is often reticent to identify trade restrictions as being Weaponised Trade measures for fear of contributing to political tensions and potential escalation of trade tensions. For example, when Brazilian beef exporters faced a sudden imposition of SPS measures by China, the Brazilian producers adopted a deliberate strategy of de-escalating tensions, and instead:

> "tr[ied] to work technically through the technical channels of communication of [Brazil's] ministry of Agriculture and their counterparts in China. So we didn't see in the part of the corporate actors in Brazil any interest in politicizing or even incentivizing the

[7] Kath Sullivan and Lucy Barbour, 'Australia Cotton the Latest Casualty in Trade Tensions with China' *ABC News* (online, 16 October 2020) <https://www.abc.net.au/news/2020-10-16/china-disrupts-australian-cotton-trade/12771114>.
[8] Cotton Australia and Australian Cotton Shippers Association, 'Australian Cotton Industry Disappointed by apparent Chinese export changes' (Media Release, 16 October 2020) <https://cottonaustralia.com.au/assets/general/Media/Media-Releases/2020/Cotton-Australia-media-statement-Australian-cotton-industry-disappointed-by-Chinese-export-changes.pdf>.
[9] Kath Sullivan and Lucy Barbour, 'Australia Cotton the Latest Casualty in Trade Tensions with China' *ABC News* (online, 16 October 2020) <https://www.abc.net.au/news/2020-10-16/china-disrupts-australian-cotton-trade/12771114>.

> discourse that that was a case of weaponization of trade, although the loss was huge".[10]

Often tensions between the goals of industry and government arise with respect to whether trade barriers should be treated as Weaponised Trade measures or not. In some cases, industry may wish to avoid even being seen to cooperate with the government that is the target of Weaponised Trade measures. As one Delphi participant noted, Japanese industry took this view in relation to Chinese trade measures:

> "if it's seen that we have a connection with the Japanese government, that will put us in a position that is more difficult with our Chinese counterparts. We want to [...] build a wall between us and the government, even if that means we don't have support when we face regulatory issues or export issues or discrimination issues, things like that in China. So it was a very deliberate policy on the part of many companies to depoliticize too. The phrase they always used was they would separate politics from economics, have a clear divide".[11]

However, once China had imposed export restrictions on rare earths, which are a critical input for several Japanese manufacturers, industry then came around to working with the government:

> "the interests aligned because there was no avoiding it. And so it's this sort of special circumstance ...".[12]

A strategy that is related to the depoliticisation of the measures for industry is to downplay the impact of Weaponised Trade measures, at least in public announcements and comments. Particularly where companies are publicly listed there can be a strong incentive to minimise any potential losses that may result from Weaponised Trade measures.

In February 2012 China announced that it would reduce imports of Iranian oil, which presented a significant risk to Iranian industry as China had previously

[10] Delphi Roundtable (online, 10 November 2024) 1:33:47.
[11] Ibid, 1:36:38.
[12] Ibid.

been their largest export market. Senior Iranian industry officials denied that Chinese imports had decreased.[13]

A little-noticed disruption to Australian hay exports to China occurred in early 2021, when the export registrations of most Australian hay exporters expired and were not renewed by Chinese customs authorities (GACC). Unlike wine or barley, there was no formal tariff, public announcement, or written prohibition on hay. Instead, firms simply found their permits were lapsing without renewal, with Munro Patchett, then general manager of Australia's largest hay exporter Gilmac confirming that the company had not received approval for applications made six months earlier.[14] Patchett initially sought to minimise the suggestion that the move was politically motivated given that other Australian companies were still exporting because their permits did not expire until 2023. He instead suggested that the delay might instead reflect pandemic-related inspection problems.[15] Subsequent events made the broader significance clearer. By April 2021, Gilmac stated it would purchase around 60% less hay from Australian farmers because 25 of 28 Australian export licences had still not been renewed, effectively locking most exporters out of the Chinese market. China did not meaningfully reopen the market until 2023.[16]

Patchett's comments illustrate an important dynamic in politically sensitive trade disputes. Businesses chose to frame disruptions in technical or administrative terms to preserve commercial relationships and avoid escalation, even where geopolitical explanations are equally plausible. This episode shows how informal economic statecraft can be achieved through administrative inaction. Market access was constrained not by overt and specific legal measures, but by the non-renewal of routine regulatory approvals, exerting commercial pressure without actively acknowledging such a move.

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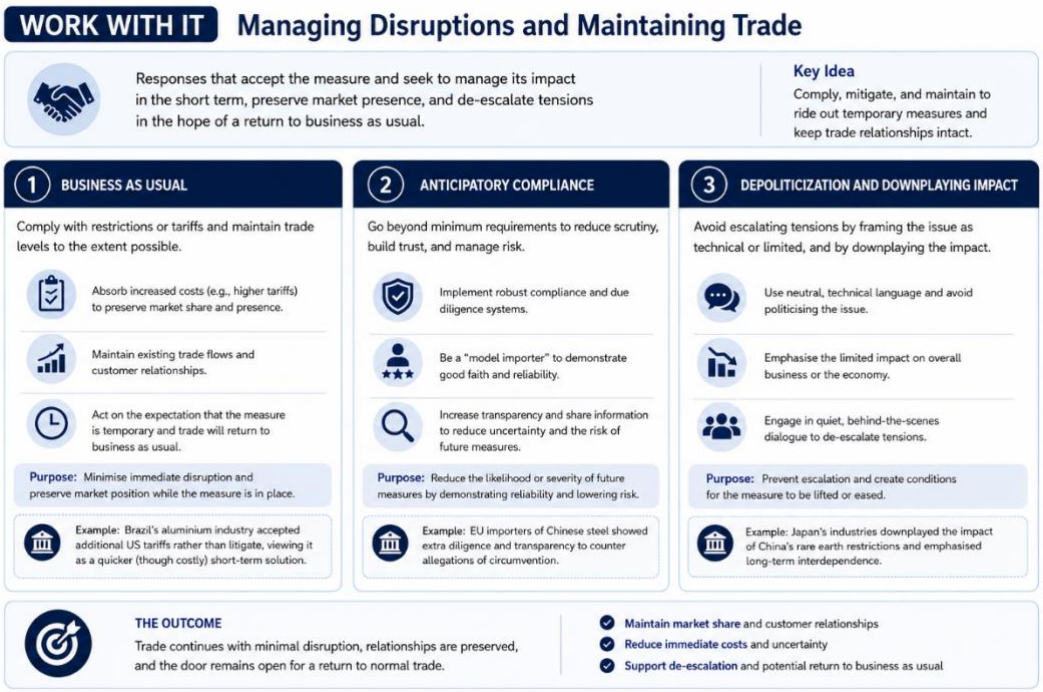
[13] 'Iran Denies China Cut Imports of its Oil Agency' *Reuters* (online, 27 April 2012). <https://www.reuters.com/article/world/iran-denies-china-cut-imports-of-its-oil-agency-idUSBRE83Q0JQ/>.

[14] Belinda Varischetti and Joanna Prendergast, 'Australian Hay Growers Brace for China Hit as export permits lapse amid trade tensions' *ABC News* (online, 24 March 2021). <https://www.abc.net.au/news/2021-03-24/hay-china-permits-lapse/100023200>.

[15] Ibid.

[16] Lucas Forbes, 'Exporters drop Aussie hay demand due to China trade woes', *ABC News,* (online, 20 April 2021) <https://www.abc.net.au/news/2021-04-20/china-export-problem-hits-hay-demand/100081272>.



3.2.4 Work Around It: Short-Term Trade Diversion

Another rapid response of industry as the target of Weaponised Trade measures is to seek alternative markets for their exports, or where the Weaponised Trade measure restricted imports, alternative sources for inputs. Government has a number of roles it can play in this regard: it may assist with identifying alternative markets, marketing of domestic products in new target markets, provide export finance, and assisting with logistical arrangements required for such temporary diversion of trade.

The extent to which trade diversion is successful in minimising the impact of Weaponised Trade depends on a variety of factors, including the availability of alternative markets and pricing in those markets. For example, following the EU's decision to ban almost all imports of crude oil and oil products from Russia, Russia producers sought out China, India and other economies in Asia as alternative markets.[17] High oil prices meant that Russian producers did not suffer as significant losses as might otherwise be expected from the loss of

[17] Timur Kulakhmetov, 'Russia's turn to the East: Energy exports to China and India' (Working Paper No 7, Energy Innovation Reform Project, 2024) 4 <https://innovationreform.org/wp-content/uploads/2024/03/2024-02-Russia-energy-china-and-india.pdf>.

the EU market, but some discounts were provided to buyers in China and India.[18]

In some instances, trade diversion may be complicated by the nature of the product and the timing of Weaponised Trade measures. In 2012, Philippine banana producers faced import restrictions imposed by China, purportedly due to SPS concerns.[19] The broader context in which these measures were taken is the maritime territorial dispute between China and the Philippines relating to the South China Sea's Scarborough Shoal. The SPS measures included the sudden revocation of necessary licenses and the imposition of new, more restrictive quarantine arrangements, including for goods that were already in transit.[20] The immediate impact of these measures was that around US$16 million worth of bananas spoiled while awaiting quarantine inspections. The ongoing impact of the measures for Philippine banana producers was severe, as the industry struggled to identify alternative markets for the bananas that were within shipping distance.[21]

Similarly, in 2014 Vietnamese lychee producers faced an unofficial import ban by China. The Vietnamese producers struggled to diversify trade and gain access to markets such as Australia, the United States, Malaysia and France. The differing Sanitary and Phytosanitary (SPS) requirements included irradiation and sulphur dioxide treatment resulting in trade impediments and additional costs.[22]

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[18] Lutz Kilian, David Rapson and Burkhard Schipper, 'The impact of the 2022 oil embargo and price cap on Russian oil prices' (Working Paper No 2401, Federal Reserve Bank of Dallas, March 2024) 45. <https://www.dallasfed.org/~/media/documents/research/papers/2024/wp2401.pdf>. See also, Joe McDonald, 'China's Russia dealings irk US, but don't breach sanctions', *Associated Press* (online, 1 June 2022) <https://apnews.com/article/russia-ukraine-putin-china-united-states-8c2466d549f6d082d0295cf0efb635d9>.

[19] Kesha West, 'Banana crisis blamed on Philippines-China dispute', *ABC News* (online, 29 June 2012) <https://www.abc.net.au/news/2012-06-29/an-banana-exporters-caught-in-philippines-china-dispute/4100422>.

[20] Renato Cruz De Castro, 'Facing up to China's realpolitik approach in the South China Sea dispute: The case of the 2012 Scarborough Shaol stand-off and its after', (2016) 3(2) *Journal of Asian Security and International Affairs* 157 <https://doi.org/10.1177/2347797016645452open_in_new>.

[21] 'Bananas: Philippines–China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2024/10/23/bananas-philippines-china>.

[22] 'Lychees: Vietnam–China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2014/05/01/lychees-vietnam-china/>.

The size and capacity of firms involved in a sector affected by Weaponised Trade will also impact the likelihood of successful trade diversion. For instance, major Australian wine producers with significant sales in China such as Treasury Wines had considered the possibility of trade restrictions and explored alternative plans prior to China's imposition of anti-dumping duties. As one industry expert noted, Treasury Wines "went into China expecting China to do what China ultimately did. And they had a big backup plan and they knew where they were going to send the wine if they did do it. And so they just, [executed that plan] [...] But [they] could only do that because they are a large player, smaller producers couldn't do that".[23]

In June 2020, ABARES published economic modelling estimating that China's 80.5% tariff would effectively eradicate Australian barley exports to China. Subsequent empirical analysis found that autonomous market adjustments substantially mitigated these projected losses, particularly through the diversification of exports to Saudi Arabia and other countries.[24]

On the other hand, small and medium-sized enterprises, particularly those who operate in a market niche, are more likely to struggle to find alternative markets for their products. Taiwanese-owned airline Palau Pacific Airways operated flights from Hong Kong to Palau which were predominantly taken by Chinese tourists. When China removed Approved Destination Status from Palau in late 2017 due to the Pacific nation's ongoing diplomatic ties with Taiwan, Palau Pacific Airlines' bookings dropped by over 50%, causing the airline to close in 2018.[25]

3.2.5 Work Around It: Trade via Third Countries

In numerous instances, the industry has reacted to Weaponised Trade import restrictions by shipping the goods to their ultimate destination via third countries. The legality of goods shipped via third countries depends on the

[23] Delphi Roundtable, (online, Canberra PM Session) 52:22.
[24] Liangyue Cao and Jared Greenville, 'Understanding how China's tariff on Australian barley exports will affect the agricultural sector' (Research Report No 20.14, Australian Bureau of Agricultural and Resource Economics and Sciences, June 2020) 2. See also Victor Ferguson, Scott Waldron and Darren Lim, 'Market Adjustments to Import Sanctions: Lessons from Chinese Restrictions on Australia Trade, (2020-21) 30(4) *Review of international Political Economy* 1255.
[25] Shaun Cameron, 'Palau faces the Dragon', *The Interpreter* (Lowy Institute, 15 March 2024) <https://www.lowyinstitute.org/the-interpreter/palau-faces-dragon>.

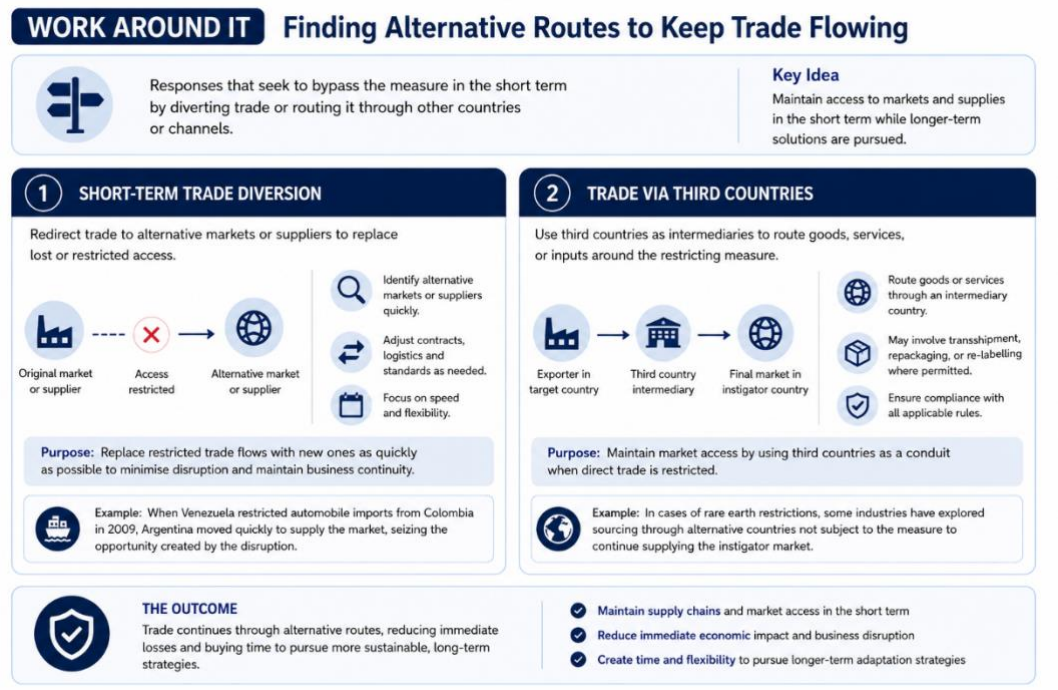
nature of the Weaponised Trade measures and may require that the goods be processed or modified in the third country.

In the wake of EU bans on imports of crude oil and oil products from Russia in late 2022, a 'loophole' in these mechanisms allowed buyers in the EU to legally purchase fuels that had been refined in a third country, yes, such as India or Türkiye, even though the oil originated from Russia.[26] Estimates suggest that in 2023 alone, the value of these oil sales to Russia was around €1 billion.[27] Similarly, when Japan removed South Korea "from their pre-approved export control list [for] semiconductor materials [...] the [Japanese companies] that were making those materials were very opposed to those measures and ended up finding a workaround to continue working with their South Korean buyers in Europe".[28]

There are also instances of goods that were the subject of Weaponised Trade measures being shipped to their ultimate destination through arguably illegal channels. Accessing markets through grey channels is not usually acknowledged by the export industry to have been a deliberate response to Weaponised Trade. However, the use of grey channels to circumvent Weaponised Trade measures has been established in numerous cases. One of the most commonly cited examples was Australian rock lobsters reaching the Chinese market – despite import restrictions imposed by China – through illegal reshipment (i.e. smuggling) from Hong Kong which is a separate customs territory and therefore was not affected by the ban imposed by China.[29] In 2019, lobsters from Maine similarly made their way into the Chinese market despite import restrictions, having been shipped through Canada.[30] The Lobster Council of Canada raised concerns over the

[26] Victor Jack, 'Putin banked €1B last year from EU fuel buys despite ban', *Politico Europe* (online, 23 February 2024) <https://www.politico.eu/article/vladimir-putin-russia-banked-1-billion-euros-2023-eu-fuel-despite-ban/>.
[27] Simone Tagliapietra, Georg Zachmann et al, 'The European Union-Russia energy divorce: state of play' (Analysis, 22 February 2024) 2 <https://www.bruegel.org/sites/default/files/2026-03/the-european-union-russia-energy-divorce%3A-state-of-play--9763_3.pdf>.
[28] Delphi Roundtable (online, 10 November 2024) 1:36:38.
[29] Ji Siqi and Su-Lin Tan, 'China-Australia relations: how smuggled lobsters take 'grey' channels to Chinese plates via Hong Kong', *South China Morning Post* (online, 7 July 2021) <https://www.scmp.com/economy/china-economy/article/3140019/china-australia-relations-how-smuggled-lobsters-take-grey>.
[30] Food and Agriculture Organization of the United Nations, 'Canada taking over the Chinese market?' (News, GLOBEFISH, 10 January 2019) <https://www.fao.org/in-

transhipment of US lobsters through Canada as could damage the Canadian lobster brand,[31] noting that rules of origin require the labelling of lobster caught in US waters as originating in the US even if processed in Canada.[32] Similarly, Chen and Garcia's analysis of Chinese restrictions on Norwegian salmon in 2010 identified "rerouting, falsifying country-of-origin certification, and smuggling" as potentially contributing to 50-70% of the Chinese market for the product.[33]



Industry may sometimes characterise trade restrictions as instances of Weaponised Trade measures to elicit a government reaction and/or public support. In these situations, the governments involved may be seeking to

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action/globefish/news-events/news/news-detail/Canada-taking-over-the-Chinese-market-/en>.

[31] See the remarks of Geoff Irvine (Lobster Council of Canada) reported in Paul Withers, 'How Trump's trade war could see US lobster industry use Canada as conduit to China', *CBC News* (online, 20 September 2018) <https://www.cbc.ca/news/canada/nova-scotia/maine-lobster-china-canada-tariffs-yarmouth-1.4750224>.

[32] Lori Valigra, 'Maine is sending Far More Lobsters to Canada as that Country's Exports to China Boom', *Bangor Daily News* (online, 14 September 2018) <https://www.bangordailynews.com/2018/09/14/news/maine-is-sending-far-more-lobsters-to-canada-as-that-countrys-exports-to-china-boom/>.

[33] Xianwen Chen and Roberto Garcia, 'Economic Sanctions and Trade Diplomacy: Sanction-Busting Strategies, Market Distortion and Efficacy of China's Restrictions on Norwegian Salmon Imports' (2016) 30(1) *China Information* 29-57. <https://journals.sagepub.com/doi/10.1177/0920203X15625061>.

minimise any suggestion of political motivation for the Weaponised Trade measures, while industry pushes for the political dimensions of the dispute to be recognised and addressed. An illustrative example is the reaction of the Philippines banana industry to restrictive quarantine measures imposed by China in early 2012. Banana growers in the Philippines pushed for their government to address the perceived political motivation for the measures – a maritime territorial dispute between Beijing and Manila relating to the South China Sea's Scarborough Shoal. The President of the Kidapawan Chamber of Commerce and Industry, Ramon Floresta, called on then-President of the Philippines, Benigno Aquino, "to immediately intervene and fast-track the settlement of the dispute".[34] As the Philippine government sought to downplay the link between the maritime dispute and any restrictions on banana imports, the industry similarly lobbied for public support.[35]

3.2.6 Contest It: Engage Government

Private sector responses to Weaponised Trade operate across a spectrum of actors: individual firms, industry associations, cross-sectoral coalitions, and transnational corporate actors. Each has distinct incentive structures and political weight. While individual firms may respond unilaterally through direct government engagement, industry associations typically dominate coordinated lobbying efforts. Associations solve the collective action problem inherent in lobbying, distribute retaliation risk away from individual firms, and carry greater political legitimacy with governments.

Lobbying itself can take multiple forms: executive and legislative engagement, formal trade remedy petitions, support for WTO dispute proceedings, and public campaigns. These responses are not static as immediate damage-

[34] Christine F Herrera, 'Fruit exports worth P700M rotting in four ports', *Manilla Standard* (11 May 2012), as reported in 'Philippines losing US $16M in bananas from Chinese reef dispute', *FreshFruitPortal* (online, 14 May 2012) <https://www.freshfruitportal.com/hemeroteca/2012/05/14/philippines-losing-us16m-in-bananas-from-chinese-land-dispute/>. See also Carlyle A Thayer, 'Standoff in the South China Sea', *YaleGlobal Online* (online, 12 June 2012) <https://archive-yaleglobal.yale.edu/content/standoff-south-china-sea>.

[35] Ariel Zirulnick, 'Philippines feels the Economic Cost of Standing up to China', *Christian Science Monitor* (online, 15 May 2012) https://www.csmonitor.com/World/Security-Watch/terrorism-security/2012/0515/Philippines-feels-the-economic-cost-of-standing-up-to-China>.

limitation efforts typically give way to medium-term structural adjustment lobbying and, over time, to institutional advocacy for broader policy reform.

Critically, private sector lobbying is subject to significant asymmetries. Politically organised industries are able to exert a high degree of influence, while diffuse consumer and downstream interests often remain underrepresented. This creates a risk of policy capture, where government responses to Weaponised Trade reflect sectoral interests rather than broader national interest considerations.

In the target state, where domestic industry bears the direct economic cost of Weaponised Trade measures, lobbying often targets the instigating government to secure exemptions or de-escalation. For example, despite Beijing's 2020-21 restrictions on barley, beef, coal, wine and other Australian imports, iron ore was left unaffected. This was in part due to major Australian mining industry players maintaining direct commercial channels with the China Steel and Iron association, which meant such a concentrated degree of market power provided leverage in Chinese pricing negotiations.[36] By comparison, in the instigating state, downstream industries that rely on disrupted imports may lobby their own government for relief, supply chain support, or alternative sourcing arrangements. This was most evident in the 2010 China–Japan rare–earth embargo. When China halted rare earth exports, Japanese auto and electronics manufacturers pressured the Japanese Ministry of Economy, Trade and Industry (METI) to intervene. This prompted a ¥100 billion supplementary budget allocation in October, the launch of the 'Rare Earths Comprehensive Plan', and state-supported investment in alternative sources, including the Lyanas project in Western Australia.[37]

3.2.7 Contest It: Domestic Legal Challenges

Industry may challenge the legality of the measures through the domestic legal system of the instigator, if there is a reasonable basis for such a challenge and industry perceives the risk for retaliation to be low. One notable example is the ban of Chinese suppliers Huawei and ZTE from the buildout of

[36] Richard McGregor, *Chinese coercion, Australian resilience*, (Analysis, Lowy Institute, October 2022) <https://www.lowyinstitute.org/publications/chinese-coercion-australian-resilience>.
[37] Kristin Vekasi, 'Politics, markets and rare commodities: responses to Chinese rare earth policy' (2019) 20 *Japanese Journal of Political Science* 2, 7 <https://doi.org/10.1017/S1468109918000385>.

Sweden's 5G frequency bands in November 2020. The Swedish regulator justified this decision on the basis of "assessments made by the Swedish Armed Forces and the Swedish Security Service".[38] A Swedish administrative court rejected Huawei's legal claim against the Swedish regulator in mid-2021.[39] Huawei's subsequent appeal to the Swedish Administrative Court of Appeal was unsuccessful.[40] The Swedish measure has remained in place as of 2026.

The case also shows that the Swedish governments action against Huawei and ZTE put their Swedish competitor Ericksson in a difficult position. Its CEO publicly stated that the company welcomes competition,[41] with Chinese commentators speculating that the statement was a tactic to safeguard Ericksson's position to compete in the Chinese market.[42]

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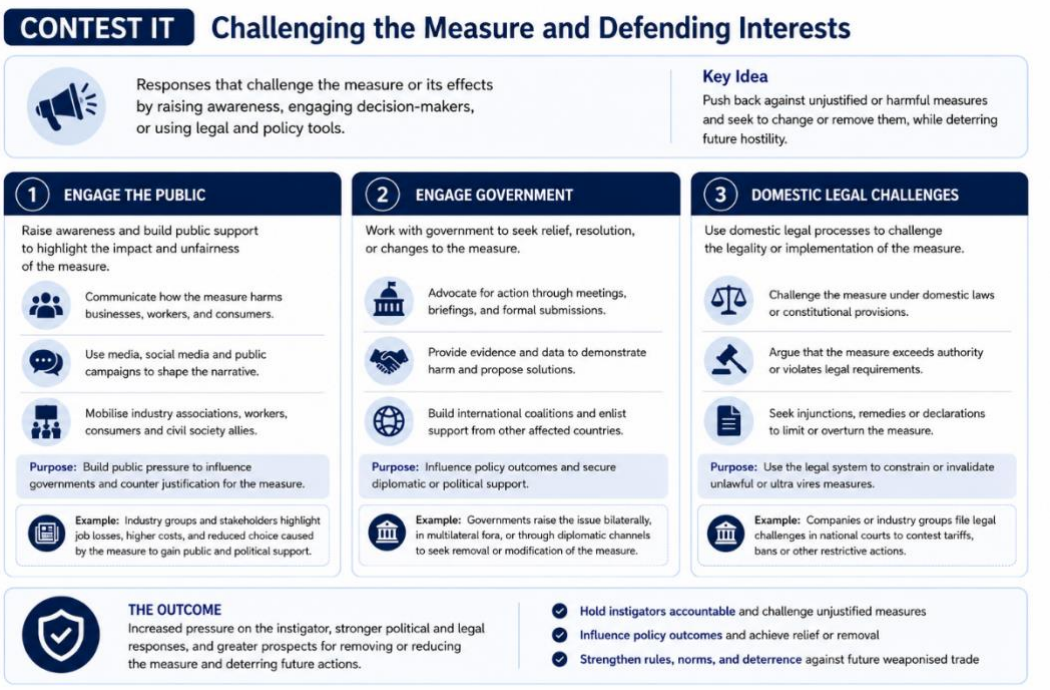
[38] Laurens Cerulus, 'Sweden bans Huawei, ZTE equipment from key parts of 5G network', *Politico Europe* (online, 20 October 2020) <https://www.politico.eu/article/sweden-bans-huawei-zte-from-key-5g-parts/>. Additionally, Swedish authorities reportedly required existing Huawei and ZTE products to be phased out of Swedish telecoms networks by January 2025.

[39] Johan Ahlander and Supantha Mukherjee, 'Swedish Court Upholds Ban on Huawei Selling 5G Network Gear', *Reuters* (online, 22 June 2021) <https://www.reuters.com/technology/swedish-court-upholds-ban-huawei-selling-5g-network-gear-2021-06-22/>.

[40] Supantha Mukherjee, 'Swedish Court Uphold Ban on Huawei Sale of 5G Gear,' *Reuters* (online, 22 June 2021) <https://www.reuters.com/business/media-telecom/swedish-court-upholds-ban-huawei-sale-5g-gear-2022-06-22>.

[41] Helena Soderpalm and Paul Sandle, 'Ericsson takes issue on Swedish ban on Huawei', *Reuters* (online, 19 November 2020) <https://www.reuters.com/technology/ericsson-takes-issue-with-swedish-ban-huawei-ft-2020-11-18/>.

[42] Ericsson threatens to leave Sweden, unwilling to lose Chinese market over Huawei ban', *Global Times* (online, 4 January 2021) <https://www.globaltimes.cn/page/202101/1211790.shtml>. In October 2023 China's leading telecommunications company Huawei filed a legal objection to this legislation in Costa Rica's constitutional court, due to its exclusion from 5G contracts. The claim was subsequently dismissed. See https://www.fundacionandresbello.org/en/news-and-analysis/costa-rica-%F0%9F%87%A8%F0%9F%87%B7-news/5g-disagreements-cause-tension-over-costa-rica-china-trade-agreement/



3.2.8 Adapt to It: Long-Term Trade Diversification

One of the best proactive strategies for industry to minimize the risks posed by Weaponised Trade measures is to diversify its customer base (for exporters) and its supply chain (for importers). Japanese industry, with support from the Japanese government, worked to diversify sources of rare earth imports after China suddenly imposed an export ban on these commodities in 2010.[43] While short-term efforts to find alternative suppliers can be seen as a reaction to China's export ban, Japanese companies also worked over the long-term to create new suppliers.

For example, in June 2010, Sumitomo Corporation of Japan formed a 49%/51% joint venture with Kazatomprom (Kazakhstan's National Nuclear Company) to establish a rare earth production facility in Kazakhstan. The first such facility opened in 2012.[44] Other Japanese companies also engaged with

[43] Keith Bradsher, 'Amid tension, China blocks vital exports to Japan', *The New York Times* (online, 22 September 2010) <https://www.nytimes.com/2010/09/23/business/global/23rare.html>. See also 'Rare earths: Japan-China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2010/09/30/rare-earths-china-japan/>.
[44] Kristin Vekasi, 'Politics, markets, and rare commodities: Responses to Chinese rare earth policy' (2019) 20(1) *Japanese Journal of Political Science* 2, 9 <https://doi.org/10.1017/S1468109918000385>.

counterparts in Kazakhstan, and similar joint ventures were pursued with other potential rare-earth suppliers, including Australia and Vietnam.[45]

While there are few examples of industry actively seeking to diversify their markets due to a fear of Weaponised Trade measures, but before the actual imposition of such measures, the potential value of this response was widely recognized by experts throughout the Delphi discussions. For example, as one commentator noted:

> "I do think industry has learned lessons from the [DFAT consultation] process, which is one, engage with them one on one all the time and two, diversify your market yesterday before you're told."[46]

3.2.9 Adapt to It: Relocation of Operations

One of the more extreme potential responses to Weaponised Trade measures is for businesses to relocate their operations to avoid the relevant measures. Given the costs involved in moving operations, industry is only going to consider this possibility where the impact of the measure outweighs the costs (such as capital expenditure, regulatory compliance or signalling costs). Relocation is a more likely option when a business already has operations in different countries and can expand an existing operation to supply the relevant market, rather than needing to establish a new facility. After Canada announced a 100% tariff on electric vehicles imported from China, reports surfaced that Tesla would relocate manufacturing for the Canadian market from its Chinese factories to its factories in either the United States or Germany.[47]

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[45] Stephen Blank, 'Kazakhstan completes major uranium and rare earths deals with Japan' (2012) 9(144) *Eurasia Daily Monitor* <https://jamestown.org/kazakhstan-completes-major-uranium-and-rare-earths-deals-with-japan/>. See also, on the Japan-Australia and Japan-Vietnam rare earths joint ventures, Yvonne Ball, 'Lynas and Japan's Sojitz strike rare earths alliance', *The Australian Financial Review* (online, 24 November 2010) <https://www.afr.com/markets/commodities/lynas-and-japan-s-sojitz-strike-rare-earths-alliance-20101124-j58i0; Phuong Thu, 'Japan-owned firm begins rare earth exploitation', *Vietnam Investment Review* (online, 3 December 2014) <https://vir.com.vn/japan-owned-firm-begins-rare-earth-exploitation-31753.html>.

[46] Delphi Roundtable (online, Canberra PM Session) 58:59.

[47] Rob Gillies, 'Canada imposes a 100% tariff on imports of Chinese-made electric vehicles, Matching the US', *AP News,* (online, 27 August 2024) <https://apnews.com/article/canada-china-evs-tariffs-0cd68ba7533bc6e7111cdd5811c8889c>.

Treasury Wine Estates (TWE) has undergone a significant relocation of operations following the imposition of punitive trade measures by China during 2020. Justified as anti-dumping and countervailing duties, these were widely understood to be a response to Australia's independent inquiry into the origins of COVID-19, hence China weaponizing trade through economic coercion against Australia. The measures were challenged through WTO dispute settlement proceedings,[48] alleging inconsistent price suppression, violating articles 3.1 and 3.2 of the Anti-Dumping Agreement.[49] A mutually agreed solution was notified 29 March 2024, with China removing its duties on Australian bottled wine.[50]

Prior to the imposition of these measures and the subsequent proceedings, China represented approximately 30% of TWE's earnings. Faced with near total lockout from the lucrative Chinese market, TWE attempted to ameliorate the 2020 measures taken by the Chinese government by pursuing a diversification strategy. This involved acquiring a 75% equity acquisition in Ningxia Stone & Moon Winery Co, meaning the estate could source grapes from the Ningxia region and continue production in the Chinese wine market without directly importing Australian product.[51] TWE reallocated wine destined for China to alternative foreign markets such as the US and Europe, as well the domestic Australian market.[52]

On trademark, TWE actively defended its IP, spending millions annually on enforcement, maintaining Chinese court support against counterfeiting, and winning a five-year dispute against a "Benfu" trademark squatter.[53] Notably, Chinese authorities continued cooperating on IP enforcement throughout the

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[48] Panel Report, *China – Anti-Dumping and Countervailing Duty Measures on Wine from Australia,* WTO Doc WT/DS602/R (19 April 2024) [1.1-2.1]. <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/DS/602R.pdf&Open=True>.

[49] Australia, First Written Submission, *China – Anti-Dumping and Countervailing Duty Measures on Wine from Australia* (WTO Panel, DS602, 29 April 2022) [198] <https://www.dfat.gov.au/sites/default/files/ds602-australias-first-written-submission-bci-redacted.pdf>.

[50] Senator the Hon Penny Wong et al, 'Resolution of Wine Dispute with China' (Joint Media Release, 28 March 2024) <https://www.foreignminister.gov.au/minister/penny-wong/media-release/resolution-wine-dispute-china>.

[51] Simon Evans, 'Bordeaux, Napa, Ningxia? Penfolds elevates China to prestige terroir', *The Australian Financial Review* (online, 10 December 2024) <https://www.afr.com/companies/agriculture/bordeaux-napa-ningxia-penfolds-elevates-china-to-prestige-terroir-20241210-p5kx6s>.

[52] Bloomberg, 'Treasury Wines to retreat from China', *Taipei Times* (online, 1 December 2020) <https://www.taipeitimes.com/News/biz/archives/2020/12/01/2003747865>

[53] Tommy Chen and Max Jones, 'Treasury Wines secures important court win in China to protect Penfolds brand', *Allens* (Insight, 1 September 2022) <https://www.allens.com.au/insights-news/insights/2022/09/Treasury-Wine-secures-important-court-win/>.

sanctions period, itself evidence that the coercion was politically, not commercially, targeted.[54]

3.2.10 Adapt to It: Innovation

Where alternative markets are not readily available, industry has sometimes innovated to enable access to new markets or overcome Weaponised Trade measures to maintain access to existing markets. Innovation can include technological improvements to overcome logistical barriers to accessing potential markets. In March 2021, China imposed an import ban on pineapples from Taiwan.[55] Prior to this ban, over 90% of Taiwan's pineapple exports had gone to China. Industry bodies and governments worked to identify alternative markets, including Australia, but exports to Australia needed to meet strict biosecurity regulations. New techniques were developed which allowed the pineapples to have the crown bud removed without causing the fruit to rot, and when paired with fumigation, this enabled pineapples to be exported to Australia.[56]

There have also been instances of industry developing new products to circumvent Weaponised Trade measures. Several of the Delphi participants identified the 2022 example of Nvidia which faced US export restrictions and then developed new chips that could be exported to China without violating these restrictions:[57]

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[54] University of Technology Sydney, 'In Conversation with Treasury Wine Estates CEO Tim Ford', (YouTube, 18 May 2023) 00:24:00 <https://www.youtube.com/watch?v=1JL250HOTXo>.

[55] Tim McDonald, 'China and Taiwan Face off in Pineapple War', *BBC News* (online, 20 March 2021) <https://www.bbc.com/news/business-56353963>.

[56] Kim Honan, 'Is Australia about to import pineapples from Taiwan amid China trade ban?', *ABC News* (online, 10 March 2021) <https://www.abc.net.au/news/rural/2021-03-10/is-australia-about-to-import-pineapples-from-taiwan/13231088>. See also: Yang Yuan-ting and Jake Chung, 'Taiwan to export pineapples to Australia', *Taipei Times* (online, 4 March 2021) <https://www.taipeitimes.com/News/taiwan/archives/2021/03/04/2003753223>.

[57] NVIDIA Corporation, Current Report (Form 8-K, Commission File No 0-23985) (US Securities and Exchange Commission, 26 August 2022) <https://www.sec.gov/Archives/edgar/data/1045810/000104581022000146/nvda-20220826.htm>. See also Jane Lee, 'Nvidia offers new advanced chip for China that meets US export controls', *Reuters* (online, 8 November 2022) <https://www.reuters.com/technology/exclusive-nvidia-offers-new-advanced-chip-china-that-meets-us-export-controls-2022-11-08/>.For subsequent developments, see Chris McGuire, 'China's AI Chip Deficit: Why Huawei Can't Catch Nvidia and U.S. Export Controls Should Remain' *Council of Foreign Affairs,* (Web Page, 15 December 2025)

> "Nvidia is changing the types of, the type of chips that they are producing to send to, to China as a way to comply with the US export restrictions."[58]

This new product development provoked a rethinking of the export restrictions by the US government, which then rewrote the rules to prevent the export of Nvidia's new chips.[59] The category of 'gray zone chips' for products that didn't meet the technical specifications would have made them subject to the export and still needed to be reported to the US government:

> "Nvidia decided to, like that they were going to comply with the rules as written, but create a chip that would be able to continue to be exported to China. And then a year later, basically the US government said, we didn't want you to do that. So now we're rewriting the rules. So the A100 is now no longer allowed to be exported. And by the way, we're creating this new class of like, kind of what we're calling gray zone chips that don't fall into our technical specifications for being kind of, for requiring or for having a presumption of denial for a license. But you still are going to have to, if you're in that gray zone, you're still going to have to report this to us so that we can sort of monitor and see if we want to do something about it."[60]

Nvidia's actions are a clear example of industry responding to Weaponised Trade measures – and responses to such measures – that are designed to restrict the flow of trade for certain products. In this instance, this meant that Nvidia developed a product with lesser capabilities so as to not run afoul of export restrictions, while maintaining access to a – in the case of China: large and lucrative – market.

<https://www.cfr.org/articles/chinas-ai-chip-deficit-why-huawei-cant-catch-nvidia-and-us-export-controls-should-remain>.

[58] Delphi Roundtable (online, 10 November 2024) 1:46:13.

[59] Implementation of Additional Export Controls: Certain Advanced Computing Items; Supercomputer and Semiconductor End Use; Updates and Corrections, 88 Federal Register 73458 (25 October 2023) <https://www.federalregister.gov/documents/2023/10/25/2023-23055/implementation-of-additional-export-controls-certain-advanced-computing-items-supercomputer-and>.

[60] Delphi Roundtable (online, 10 November 2024) 1:51:18.



3.3 Government Responses

In this section, we consider the responses of governments to instances of Weaponised Trade. States have deployed a combination of reactive and proactive responses. In some cases, governments choose to not publicly or directly acknowledge instances of Weaponised Trade. This is particularly the case where the impact of these measures is deemed minimal or insignificant, where firms can swiftly activate alternative markets for affected products or services, or where a (public) response could increase the likelihood of escalation from the instigator or other governments seeking to exploit a vulnerability.

Decisions of this kind are typically made at the highest levels of government involved in foreign policy decision-making, though on occasion sub-national levels of government or relevant specialised agencies are involved in shaping and directing responses.[61] As with industry and civil society actions, government responses to Weaponised Trade measures are typically reactive. However, when compared to industry and civil society groups, states are better equipped to act strategically to redirect long term trade flows, taking

[61] Alexander Kuznetsov, *Theory and Practice of Paradiplomacy* (Routledge London, 1st ed, 2014).

into account a range of motivations in addition to the market imperatives that often dominate business decision-making.

One crucial reactive decision to be taken early on by a state experiencing Weaponised Trade measures is the degree to which they decide to seek a diplomatic pathway of conciliation with the imposing state, or alternatively seek to maintain or expand any behaviours viewed as having contributed to the triggering of Weaponised Trade mechanisms (see *figure 1*). Notably, some states that initially follow one of the strategies outlined below may switch to another category, particularly following a change in government.



Assertive and conciliatory government responses to Weaponised Trade.

Assertive or escalatory responses to cases of Weaponised Trade are those in which a government insists on not changing its aggravating position or policy and/or retaliates (or threatens to retaliate) against the imposing party, either through its own actions or through the actions of its international partners and allies (or a combination). Any such strategy may be motivated by a desire to deter future cases of Weaponised Trade by the instigating party, the wish to signal strength and maintain status in international relations, or domestic pressures from stakeholders.

Governments frequently respond to alleged Weaponised Trade measures by recommitting themselves to the earlier measure, even where they lack the capacity to do so. For instance, following alleged weaponisation of trade on Malaysia's palm oil exports by India in 2019, the Malaysian Prime Minister told

the press that "[w]e speak out our minds and we do not retract and change" but also dismissed the idea of retaliation floated by an advisor, saying that "[w]e are too small to take retaliatory action".[62]

3.3.1 Work With It: Information Gathering and Troubleshooting

One frequent reactive and domestically-focused government response to a perceived instance of Weaponised Trade involves swiftly bringing together key local stakeholders and interest groups. Such groups are often brough together on a regular basis and until the matter is resolved in order to gain as full a picture as possible of the impact on industry and of preferred responses.

The Australian government's response to China's trade measures across various products in the early 2020s provides an instructive example of this information gathering and troubleshooting role:

> "The first thing DFAT did was set up a regular weekly, even twice-weekly stakeholder [meeting] where all the industry bodies came on and reported on a daily almost basis. 'We just failed to get this into that port' or 'this hasn't happened'. It was a bit like the COVID response. The first thing was for the government to get information from the business community and quickly and consistently … and this was a mechanism to achieve that. And I think on that front, Australia did pretty well."[63]

Dialogue with industry participants can also be helpful in understanding what government responses or remedies may be appropriate. Again, in the words of one Australian industry association representative:

> "… officials in Canberra … have sought to test their thinking with us on remedies and approaches, but also understanding the economic ramifications that exist. [For example] DFAT and the minister's office wanted to test whether we should take a case to the WTO on [a sanctioned product] … Our response was, well, first of all, that's a misunderstanding of the issue here. It's a geopolitical issue, not a trade issue … if you want to resolve this,

[62] 'We Speak our Mind, Don't Retract': Malaysian PM stands by his Kashmir Remark at UN' *Statesman* (online, 23 October 2019) <thestatesman.com/world/speak-mind-dont-retract-malaysian-pm-stands-kashmir-remark-un-1502813424.html>.
[63] Delphi Roundtable Participant, Retired Government Official (Canberra, 10 November 2023) 0:50:44.

> you need to resolve the geopolitical issue before you can get anywhere close to unrolling the trade issue. So, we resisted [the government]. We absolutely supported them taking an action [to support other industries] against China on those fronts. But we saw no value or purpose in spending effort on the [coal] issue at all."[64] (Anonymous)

A common governmental response to the sudden imposition of Weaponised Trade measures is to establish cross-departmental coordination mechanisms involving industry and other key stakeholders to support information exchange and troubleshoot emerging disruptions. Australia's Trade Resilience Service (TRS), operational for 12 months from April 2026, is a good example: a temporary government initiative delivered through Austrade's Go Global Toolkit in response to supply chain disruptions caused by the conflict in the Middle East. Primarily targeting SMEs, it provides intelligence, insights and advice on shipping availability, freight costs, and insurance, while liaising with major commodity exporters and sharing information across government through the Trade Diversification Network.[65] It complements the government's broader $50 million Accessing New Markets Initiative. The TRS addresses supply chain volatility driven by geopolitical conflict rather than economic coercion directly, making it a partial but instructive analogue for Weaponised Trade response mechanisms.

However, private firms are not invariably willing participants in such arrangements. As one commentator noted, businesses may be reluctant to share information because "there are all sorts of barriers to firms feeling comfortable doing that", [66] including concerns about exposing confidential commercial information relating to supply chains, sourcing strategies, and production processes.[67]

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[64] Delphi Interview Participant, Industry Association Representative, (online, May 2023) 00:18:29, Interview 1.

[65] Australian Trade and Investment Commission (Cth), 'Trade Resilience Service' (Web Page, launched 15 April 2026) <https://export.business.gov.au/freight-and-shipping/trade-resilience-service>.

[66] Delphi Roundtable (online, 10 November 2024) 1:46:57.

[67] See Jenny Bates, 'The Changing Global Economic Order' (Heywood Fellowship Paper, Blavatnik School of Government, University of Oxford, January 2026) 13. <https://www.bsg.ox.ac.uk/sites/default/files/2026-01/The%20Changing%20Global%20Economic%20Order.pdf>.

3.3.2 Work With It: Diplomacy and Conciliation

At the other end of the spectrum of diplomatic responses are those of a conciliatory nature. They may entail restitution, changed behaviour intended to satisfy the demand of the country imposing Weaponised Trade measures and/or, in rare instances, a public apology. Strong conciliatory behaviour is more likely where Weaponised Trade measures impose major material or social costs, where mitigation strategies are unavailable or ineffective, and where the support of other geopolitically aligned partners or allies is unavailable or not forthcoming.

One such example is Mongolia's response to alleged Weaponised Trade measures from China in December 2016, which targeted Mongolia's mining commodities, following a visit to Mongolia by the Dalai Lama which angered the Chinese government. Mongolia's initial diplomatic position was that the Dalai Lama had been invited to the country by a religious institution, and that the Mongolian government was therefore powerless to intervene. However, with Mongolia lacking diplomatic backing from rival powers, and with its geographic positioning as a landlocked country sharing a lengthy border with China and Russia, Mongolia's then-foreign minister ultimately conceded that "[t]he government feels sorry [for any misunderstanding]" and publicly committed that "during the full term of this government, the Dalai Lama will not be allowed to visit Mongolia even for religious purposes".[68] Another case of strong conciliation as a government response to alleged Weaponised Trade measures is that of the Maldives, which faced measures from India targeting its tourism industry in January 2024 following comments from officials in the Maldives government directed at Indian Prime Minister Narendra Modi. In this case the Maldives government took rapid action in suspending the implicated officials from their posts, and by giving an apology to India that freely acknowledged the inappropriateness of their behaviour.[69]

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[68] Tsend Munkh-Orgil, Foreign Minister of Mongolia, quoted in Michael Kohn, 'Mongolia Vows No More Dalai Lama Visits After China Turns Screws', *Bloomberg* (online, 22 December 2016) <https://www.bloomberg.com/news/articles/2016-12-21/mongolia-vows-no-more-dalai-lama-visits-after-china-turns-screws>. See also 'Mining Commodities (Mongolia-China)', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2016/11/30/mining-commodities-mongolia-china/>.

[69] Reuters, 'Maldives suspends three deputy ministers for insulting Indian Prime Minister Narendra Modi', *ABC News* (online, 8 January 2024) <https://www.abc.net.au/news/2024-01-08/maldives-government-suspends-deputy-ministers-for-insulting-modi/103295356>.

In other cases, government responses that ostensibly appear to be highly conciliatory require more careful analysis, as they do not always reflect a genuine or long-term commitment to a behavioural shift favouring the interests of the imposing state. Instead, concessions designed to enable the cessation of Weaponised Trade measures may be intentionally vaguely worded to avoid meaningful implementation, or else designed to provide the 'conciliatory' state time to diversify their trade away from the imposing state's control.

For example, in 2019, Mexico faced threats of Weaponised Trade measures – in the form of step tariffs against all imports from Mexico over time – by the Trump administration unless the Mexican government took decisive action to end the flow of undocumented migrants across the Mexico-US border.[70] Through a joint declaration, the two countries reached a consensus that enabled US President Donald Trump to claim victory, averting implementation of these tariffs.[71] The arrangement included stepped up migration enforcement by Mexico throughout its territory as well as ancillary measures,[72] but was sufficiently vague that it is unclear if any major new, actioned commitments were conceded by Mexican diplomats.[73]

An alternative strategy exists for governments which seek to pursue a conciliatory approach in the face of Weaponised Trade measures, but are unable or unwilling to offer concessions on the issue of contention. In such cases, governments may seek to garner, and importantly: balance, domestic pressures from different stakeholders and interest groups. This is difficult to achieve in situations in which there are strong voices demanding conciliation

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See also, 'Tourism: Maldives-India', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2024/01/17/boycott-maldives-india/>.

[70] Walter Ewing, 'Trump's Tariffs will hurt US and Mexico economies, not manage Central American migration', (Blog Post, American Immigration Council, 3 June 2019) <https://www.americanimmigrationcouncil.org/blog/trumps-tariffs-hurt-economy/>.

[71] 'Tariffs: Mexico-United States', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2019/05/31/tariffs-mexico-united-states/>.

[72] Joint Declaration and Supplementary Agreement between the United States of America and Mexico, signed 7 June 2019, TIAS 19-607 (entered into force 7 June 2019) <https://www.state.gov/wp-content/uploads/2019/09/19-607-Mexico-Migration-and-Refugees.pdf>.

[73] Curtis A Bradley, Jack L Goldsmith and Oona A Hathaway, 'The rise of nonbinding international agreements: An empirical, comparative and normative analysis' (2023) 90(5) *University of Chicago Law Review* 1281, 1292 fn. 40 <https://chicagounbound.uchicago.edu/cgi/viewcontent.cgi?article=6349&context=uclrev>.

(e.g. impacted industry groups) and more assertive responses. Governments may respond by maintaining their initial position or policy, while simultaneously seeking to make concessions in policy areas likely to curry favour with the imposing state.

For example, following South Koreas' 2016 decision to station a battery of the US Terminal High Altitude Area Defence (THAAD) in its territory, China allegedly employed substantial Weaponised Trade measures.[74] In 2017, the incoming liberal administration of President Moon Jae-in sought to restabilise and normalise relations with China – in part because the measures were damaging the profits of the Lotte Group conglomerate and other Korean firms – but President Moon was restrained from a full policy reversal: it would have been viewed negatively by South Korea's key security ally and it would have been framed by Moon's domestic opponents as weakness, giving in to the interests of China and North Korea. Therefore, the Moon administration instead publicly committed to a new, so-called 'Three No's' policy: no additional THAAD batteries, no joining the US' middle defense network, and no making of a trilateral military alliance with Tokyo and Washington. All of these were seen to be in the interests of Beijing but none met China's demand to remove the existing new THAAD battery.[75]

Another illuminating example of a 'middle way' conciliatory diplomatic response followed China's ban on imports of Norwegian salmon following the 2010 of the Nobel Peace Prize to pro-human rights activist Liu Xiaobo by the Norwegian Nobel Committee.[76] After China imposed these restrictions on salmon imports, Norwegian Prime Minister Erna Solberg in 2014 refused to meet with the visiting Dalai Lama (Norwegian leaders had never previously taken this step). When justifying this decision, the Norwegian Prime Minister

[74] 'Lotte Group: South Korea-China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2016/12/31/lotte-group-china-south-korea/>.
[75] Cheol-Hee Park, 'South Korea's "Three No's" for China: How sustainable are they?' (EAP Policy Debates, No. 86, East Asia Foundation, 5 December 2017) <https://www.keaf.org/en/book/EAF_Policy_Debates/South_Koreas_Three_Nos_for_China_How_Sustainable_Are_They>.
[76] Ivar Kolstad, 'Too big to fault? Effect of 2010 Nobel Peace Prize on Norwegian exports to China and foreign policy' (2020) 41(2) *International Political Science Review* 207 <https://doi.org/10.1177/0192512118808610>.

stated that "[w]e just know that if we do [meet the Dalai Lama], we're going to remain in the freezer for even longer".[77]

Finally, a more subtle reactive conciliatory step taken by responding governments is the dispatch of previously unscheduled special delegations of high-ranking diplomats to the instigator. This may signal a desire for dialogue and diplomatic solutions and a proactive willingness to send diplomats to the imposing state. For example, in the above-mentioned case of US Weaponised Trade measures on Mexico in 2019, the Mexican government immediately responded by sending a diplomatic delegation to Washington led by foreign minister Marcelo Ebrard.[78] Similarly, in March 2006 Moldova responded to alleged Weaponised Trade measures by Russia by rapidly sending a delegation to Moscow. In 2012, following alleged Weaponised Trade from China targeting the Philippines' banana exports, the Philippines sent a delegation to China to discuss China's expected standards and customs procedures for banana imports.[79]

In other cases, government-led delegations to imposing states are sent much later, such as after the election of a new government (which provides an 'off ramp' for the dispute and an opportunity for a reset in relations). For example, in the foremention case of alleged Chinese Weaponised Trade on South Korea from 2016, the incoming Moon administration sent a delegation led by President Moon to China for a bilateral summit in late 2017, with the delegation including well known celebrities from Korea's entertainment industry to assist in the lobbying for an end to China's Weaponised Trade measures that had previously targeted South Korea's entertainment industry.

3.3.3 Work Around It: Facilitating Short-Term Trade Diversion

During instances of Weaponised Trade, it is common for all major stakeholders in targeted countries to respond by calling for a reactive strategy

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[77] Isaac Stone Fish, 'Blame Norway, why is Oslo kowtowing to Beijing and stiff-arming the Dalai Lama?', *Foreign Policy* (online, 6 May 2014) <https://foreignpolicy.com/2014/05/06/blame-norway/>.

[78] Franco Ordoñez, 'Mexican government privately warns Trump administration of counter tariffs', *National Public Radio* (online, 3 June 2019). <https://www.npr.org/2019/06/03/729402832/mexican-government-privately-warns-trump-administration-of-counter-tariffs>.

[79] 'Bananas: Philippines-China', *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2012/03/30/bananas-philippines-china/*>.

of trade diversification. This strategy is less viable in instances of landlocked countries where transportation of goods into the country are targeted by a more powerful neighbouring state – such as Mongolia when facing Weaponised Trade from China in 2016 – or a country that is otherwise engaged in a kinetic war impacting the safe passage of its exports – such as Ukraine's grain exports since 2022.[80] States may also struggle with diversification strategies where the impacted products and supply chains are capital and technology-intensive, and held in near-monopolies by a small number of geopolitically aligned states. This particularly applies to China's semiconductor industry, which has been targeted by well-coordinated US-led Weaponised Trade since at least 2023.[81] In this case, constrained by the unavailability of trade diversification, China has responded instead by seeking to develop domestic alternatives to imported products, catalysed by reforms to its domestic industrial strategy.[82]

In most cases, however, governments attempt to facilitate trade diversion by identifying or expanding access to alternative markets. Eswatini is a good example of a country trying to diversify the origin of its import: facing alleged Weaponised Trade measures in the form of informal restrictions on exports from China from 2020, the Government of Eswatini gradually expanded its diplomatic and economic relations with other East Asian states to lessen its reliance on one trading partner.[83]

Moreover, governments can and do regularly step in to help firms targeted by Weaponised Trade measures to temporarily divert products to new markets in

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[80] 'Mining Commodities: Mongolia-China', *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2016/11/30/mining-commodities-mongolia-china/*>. See also 'Grain and Seeds: Ukraine-Slovakia', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2023/09/30/grain-ukraine-slovakia/>.

[81] 'Semiconductor Technology: China-Japan', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2023/07/23/semiconductor-technology-china-japan/> and; 'Semiconductor Technology: China-Netherlands', *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2023/06/30/semiconductor-technology-china-netherlands/*>.

[82] Sujai Shivakumar, Charles Wessner and Thomas Howell, 'China's localization drive in semiconductors gains impetus from allied chip export controls', (Analysis, Center for Strategic and International Studies, 24 March 2026) <https://www.csis.org/analysis/chinas-localization-drive-semiconductors-gains-impetus-allied-chip-export-controls>.

[83] Nokukhanya Musi, 'Eswatini seeks to expand Asia ties while navigating tricky China-Taiwan winds', *Voice of America English News* (online, 26 July 2024) <https://www.voanews.com/a/eswatini-seeks-to-expand-asia-ties-while-navigating-tricky-china-taiwan-winds-/7714634.html> .

order to mitigate the immediate economic shock.[84] To this end, governments have worked closely with allied countries to investigate the possibility of expanding exports on a temporary basis. For example, there is evidence of the Australian government working closely with the Indonesian government to explore temporarily increasing Australian exports of beef and dairy in response to Russian trade sanctions throughout the 2010s.[85]

Governments can help firms manage the logistics of short-term trade diversion. Even where firms have a wide variety of customers, they may still benefit from government support in further activating those markets in times of crisis.

In the words of one Australian industry commentator:

> "I mean, it's sort of easy for me to sit here now, having not done any of the work, and say, oh, the market worked and it cleared, but there were a lot of people scrambling really hard to make that all happen [...] [I]t's very easy to say Indonesian coal got diverted to China and then Queensland coal that was going to China ended up in India. But even just the logistics of which ships can go where and where can you unload and who manages the stockpile and how's it blended was an awful lot of quick, fast work done to make sure that that wasn't all going to fall over."[86]

A related, and important, role for governments is raising awareness among industry of the potential risks of bad faith actors seeking to capitalise on the chaos and uncertainty that often emerges in the aftermath of Weaponised Trade measures. Bad faith actors might lure industry participants into false schemes or into schemes that try to circumvent restrictions that may have long term repercussions not only for individual companies, but for entire industries. Government insight can provide transparency and expose what one participant essentially referred to as a "spiv":

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[84] Ken Heydon, *The Trade Weapon: How Weaponizing Trade Threatens Growth, Public Health and the Climate Transition* (Wiley & Sons, 2023) 1986-1988.
[85] Karen Barlow, 'Russia bans Food Imports from Australia, US, EU over Sanctions; Julia Bishop "Disappointed" by Russian Retaliation', *ABC News* (online, 7 August 2014) <https://www.abc.net.au/news/2014-08-07/russia-bans-food-imports-from-australia-us-eu/5656434>
[86] Interview with Delphi Interview Participant, Industry Association Representative, (Delphi Interview 2, online, 8 January 2024) 00:16:15–00:16:52.

> "[There were] lots of unhelpful kind of spivs in the background too, running around saying, oh, you know, look, I'm from New Zealand, you could send me your coal and then I can sell it to China for you, going, oh, a, we don't sell coal. [...] That kind of sounds a bit illegal. Yeah, maybe not."[87]

Governments can rally the support of allies for consumer-oriented campaigns aimed at offsetting the costs of Weaponised Trade. Following China's ban on Australian wine, the Australian government supported global efforts aimed at encouraging consumers in Europe and the US to buy Australian wine, which was dubbed "freedom wine".[88] Learning directly from this experience, Taiwanese authorities responded to China's alleged Weaponised Trade measure targeting its pineapple exports through a 'freedom pineapple' campaign, with exports targeted at those states deemed to be more geopolitically sympathetic to Taiwan's interests, such as Japan and Australia.[89]

However, there is little evidence to suggest the success of these consumer-focused campaigns. These campaigns did little to help smaller Australian wine exporters reliant on the Chinese market, as their capacity to re-direct their exports was limited.[90]

3.3.4 Work Around It: Financial Support to Industry

Where an instance of Weaponised Trade leads to the significant or protracted disruption of export markets, governments often step in with direct financial assistance for the impacted industry. This assistance can take various forms; some illustrative (though not exhaustive) examples are offered below.

- **Cash Grants & Subsidies:** In the United States, direct cash grants to farmers were common in response to the US-China trade tensions in 2019. The first Trump administration provided US$14.5 billion to crop

[87] Delphi Interview Participant, Industry Association Representative, (online, 8 January 2024) 00:16:54–00:17:13, Interview 2.
[88] Nick Aspinwall, 'Taiwan touts Australian "Freedom Wine" in opposition to Chinese tariffs', *The Diplomat* (online, 7 December 2020) <https://thediplomat.com/2020/12/taiwan-touts-australian-freedom-wine-in-opposition-to-chinese-tariffs/>. See also
[89] 'Pineapples: Taiwan-China', Weaponised Trade and Economic Coercion Case Studies Database <https://economiccoercion.com/2021/03/31/pineapples-taiwan-china/>
[90] Trish Gleeson, Donkor Addai and Liangyue Cao, 'Australia's wine in China – Impact of China's anti-dumping duties' (ABARES Research Report No 21.10, Australian Government Department of Agriculture, Water and the Environment, July 2021).

farmers (including corn, cotton, soybean, wheat) and dairy and pork producers to compensate for losses resulting from Chinese tariffs.[91] Another example is the European Union's response to US tariffs on steel and aluminium in 2018. The measures imposed retaliatory duties on a range of US imports, including steel, aluminium and agricultural products, under Regulation 2018/886.[92] The EU argued that these so-called 'rebalancing mechanisms' were in line with its WTO obligations, which permit such mechanisms in response to foreign protectionism.[93] Similarly, Taiwan provided US$35.3 million in direct subsidies to its pineapple growers in response to alleged Weaponised Trade measures from China in 2021.[94]

- **Government Procurement:** The Trump administration introduced a direct food purchase program to assist US producers impacted by the US-China trade war. Under this program, the US Agricultural Marketing Service purchased US$1.2 billion in commodities from US producers, which were subsequently distributed to emergency food assistance and child nutrition programs.[95]
- **Trade Remedies:** The first Trump and the Biden administrations have both imposed significant tariffs on imports deemed to be supported by "unfair" assistance from foreign governments, especially China. This includes tariffs on steel and aluminium, EVs, solar cells, ship-to-shore cranes, batteries, battery components, critical minerals, and medical products.[96]

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[91] United States Department of Agriculture, 'USDA announces Support for Farmers Impacted by Unjustified Retaliation and Trade Disruption' (USDA Press Release No. 0078.19, 23 May 2019) <https://www.usda.gov/about-usda/news/press-releases/2019/05/23/usda-announces-support-farmers-impacted-unjustified-retaliation-and-trade-disruption>.

[92] *Commission Implementing Regulation (EU) 2018/886 of 20 June 2018 on certain commercial policy measures concerning certain products originating in the United States of America* [2018] OJ L 158/5.

[93] European Union External Action Service, 'EU adopts rebalancing measures in reaction to US steel and aluminium tariffs' (Press Release, 20 June 2018) <https://www.eeas.europa.eu/node/46934_en>.

[94] 'Pineapples: Taiwan-China', *Weaponised Trade and Economic Coercion Case Studies Database* <*https://economiccoercion.com/2021/03/31/pineapples-taiwan-china/*>.

[95] US Department of Agriculture, 'USDA Launches Trade Mitigation Programs' (Press Release, 4 September 2018) <https://www.usda.gov/about-usda/news/press-releases/2018/09/04/usda-launches-trade-mitigation-programs>.

[96] Office of the United States Trade Representative, *Notice of Modification: China's Act's Policies and Practices Related to Technology Transfer, Intellectual property and Innovation,* 89 Fed Reg 76581 (18 September 2024)

- **Low Interest Loans & Tax Incentives:** The South Korean government has provided a significant range of supports for local firms, especially those in export-oriented industries, to offset costs associated with reduced export opportunities stemming from Weaponised Trade measures.[97] Similarly, when facing informal restrictions on tourism from China in 2016, Taiwanese authorities provided US$960 million in preferred loans to the affected industry (following major industry-led civil society demonstrations demanding government support).[98] Another example is China's coercive measures against Lithuania over its decision to permit Taiwan to open a Representative Office in Vilnius in 2021. The United States responded, extending a US$600 million export credit through the US Export-Import Bank to support Lithuanian trade in high-tech goods, services, and renewable energy.[99]
- **Support for Affected Workers:** Responding in part to US tariffs as well as domestic pressures in 2007, the EU rolled out the European Globalisation Adjustment Fund (EGF). A targeted assistance scheme, the EGF supported workers displaced by major structural changes in world trade patterns due to globalisation.[100] The EGF cofinanced active labour market measures, including financial aid and retraining programs with the aim of reintegrating redundant workers into employment.

  The United States operated a comparable scheme, the Trade Adjustment Assistance (TAA) program, established by the *Trade Expansion Act of 1962*, and substantially restructured by the *Trade Act*

<https://www.federalregister.gov/documents/2024/09/18/2024-21217/notice-of-modification-chinas-acts-policies-and-practices-related-to-technology-transfer>.

[97] 'Lotte Group: South Korea-China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2016/12/31/lotte-group-china-south-korea/>.

[98] 'Tourism: Taiwan-China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2015/05/31/tourism-taiwan-china/>.

[99] Valbona Zeneli, *'Lithuania's policy on China: An unlikely EU trailblazer'* (Report, 10 November 2025) <https://www.atlanticcouncil.org/in-depth-research-reports/report/lithuanias-policy-on-china-an-unlikely-eu-trailblazer/>.

[100] Roberto Bendini, 'A Brief Comparison of Globalisation Adjustment Funds in the EU and the US' (In-Depth Analysis No PE 522.350, Policy Department, Directorate-General for External Policies, European Parliament July 2014) 4-10 <https://www.europarl.europa.eu/RegData/etudes/briefing_note/join/2014/522350/EXPO-INTA_SP(2014)522350_EN.pdf>.

of 1974.[101] Under its expanded provisions, the TAA provided eligible workers with retraining, income support, and re-employment services when job losses stemmed from import competition or offshoring to US FTA partners.[102] These provisions lapsed on 30 June 2021, narrowing eligibility to a pre-2009 baseline, which excluded service-sector workers and those displaced by offshoring to countries without a US trade agreement, notably, China.[103] Termination provisions took effect on July 1, 2022, preventing the Department of Labour from investigating new petitions, certifying the eligibility of worker groups, or determining the available benefits and services for trade-affected workers. The TAA remains phased out as of May 2026, with the petition processing system having been decommissioned in May 2025.[104] Though reauthorisation legislation is pending in both houses of Congress, none have passed.[105]

3.3.5 Contest It: (Threats of) Retaliatory Actions

Where retaliatory measures are threatened or imposed, responses can take several forms depending upon the specific attributes and resources of the states involved. Powerful, well-resourced states with supply chains susceptible to Weaponised Trade may retaliate through their own forms of Weaponised Trade measures – either targeting the same industry or by way of cross-retaliation targeting an industry in which they may have relatively less to lose than the instigator.

For example, following Japan's Weaponised Trade measures on leading edge semiconductor technology exports to China, China credibly threatened to retaliate if Japan imposed any further measures. In such a situation, the credibility of threats and actions depends in part on a given state's track record of their willingness to take actions that may contravene international regulations and norms governing behaviour. It also depends at least in part on the extent to which one state enjoys 'escalation dominance' over the other

[101] Ibid, 7-8.
[102] Ibid, 8-11.
[103] United States Department of Labor, Employment and Training Administration, *Trade and Adjustment Assistance for Workers (TAA) Program: Impacts of Program Termination* (Fact Sheet, 3 March 2025) 1.
[104] Ibid.
[105] Trade Adjustment Assistance Reauthorization Act of 2025, S 1449, 119th Congress (2025-2026)(US).

through their economic, diplomatic, or even military resources.[106] In rare cases, states with comparatively few material resources or weaponisable supply chains may threaten asymmetric retaliation through other resources available to them.[107]

Another noteworthy example are the retaliatory measures by Belarus in June 2024 against measures adopted by the EU limiting member states' dual use technology exports to Belarus. Belarussian President Alexander Lukashenko threatened to suspend policing the border to prevent flows of undocumented migrants into the EU in response, saying the EU "[places] a noose around my neck in the form of sanctions and then demand that I protect the EU from the flow of these migrants? That won't happen."[108]

Where states are unable to retaliate for fear of further escalation by the original imposing party, or where they have few weaponisable relations with the imposing state, they may choose to seek or invoke the support of a more capable or powerful partner or ally.

Ireland's proposed Occupied Territories Bill provides an example. First introduced by Independent Senator Frances Black in 2018, the bill sought to prohibit trade in goods and services between Ireland and emanating from Israeli settlements in the occupied Palestinian territories of the West Bank, East Jerusalem, and the Golan Heights.[109] Following the International Court of

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[106] The concept of 'escalation dominance' originates in Cold War game theory, see Herman Kahn, *On Escalation: Metaphors and Scenarios* (Routledge, revised ed, 2010) ch 2. In the current context of Weaponised Trade, see Henry Farrell and Abraham L. Newman, 'Weaponized Interdependence: How Global Economic Networks Shape State Coercion' (2019) 44 *International Security* 42.

[107] Muflih Hidayat, 'Rare Earth Dependencies Threatening Modern Military Supply Chains', *Discovery Alert* (online, 13 March 2026) <https://discoveryalert.com.au/strategic-materials-dependencies-military-vulnerabilities-2026/>.

[108] Sou-Jie van Brunnersum, 'Lukashenko Refuses to Block Migrants at Belarus-EU Border, Pushing Poland to seek China's help', *Info Migrants* (online, 20 July 2024) <https://www.infomigrants.net/en/post/59254/lukashenko-refuses-to-block-migrants-at-belaruseu-border-pushing-poland-to-seek-chinas-help>. Similarly, in response to alleged Weaponised Trade measures from Russia impacting its meat exports in 2005, Moldova threatened to block Russia from joining the WTO unless the measure was rescinded. Milestii Mici, 'EU Warns Russia over Trade 'Threats' to ex-Soviet Bloc' *BBC* (Online, 12 September 2013) <https://www.bbc.com/news/world-europe-24061556>.

[109] *Control of Economic Activity (Occupied Territories) Bill 2018* (Ireland) (No 6 of 2018) <https://data.oireachtas.ie/ie/oireachtas/bill/2018/6/eng/initiated/b0618s.pdf>. See also *Legal Consequences Arising from the Policies and Practices of Israel in the Occupied Palestinian Territory, including East Jerusalem* (Advisory Opinion) (International Court of Justice, General List No 186, 19 July 2024) <https://www.icj-cij.org/sites/default/files/case-related/186/186-20240719-pre-01-00-en.pdf>.

Justice's July 2024 advisory opinion that states have an obligation to end trade with such settlements, the Irish government formally revived the legislation, now retitled the Israeli Settlements (Prohibition of Importation of Goods) Bill 2026.[110]

Lacking material capacity to retaliate against Ireland directly, Israel responded by leveraging its diplomatic relationship with the United States. US officials, including the US ambassador to Israel Mike Huckabee, publicly condemned the bill, characterising it as evidence of 'diplomatic intoxication', cautioning that its passage would not go unnoticed in Washington.[111] US pressure meant the version approved by Cabinet on 26 May 2026 excludes services which account for approximately 70% of Ireland's trade with Israel, reflecting a protection of multinational jobs in Ireland from US retaliatory measures.[112] At the time of writing, the Bill has been approved by Cabinet, but has not yet completed its passage through the Oireachtas. Foreign Minister Helen McEntee has stated her intention to enact the Bill before the Dáil's summer recess in July 2026.[113]

3.3.6 Contest It: Complaints to the World Trade Organization

Where instances of Weaponised Trade measures are alleged to be WTO non-compliant, the target state may respond by launching (or threatening to launch) a complaint before the WTO dispute settlement system. In response to China's claims of Australian wine being 'dumped' in November 2020, and

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[110] *Israeli Settlements (Prohibition of Importation of Goods) Bill 2026* (Ireland) <https://data.oireachtas.ie/ie/oireachtas/bill/2026/57/eng/initiated/b5726d.pdf>. See also Department of Foreign Affairs and Trade (Ireland), 'Minister McEntee Welcomes Cabinet Approval of Bill to Prohibit Goods from Israeli Settlements' (Press Release, 26 May 2026) <https://www.gov.ie/en/department-of-foreign-affairs/press-releases/minister-mcentee-welcomes-government-approval-of-text-of-the-israeli-settlements-prohibition-of-importation-of-goods-bill-2026/>.

[111] Kara Fox, 'US Envoy to Isarael Tell Ireland to "Sober Up" over Occupied Palestinian Territories Bill', *CNN* (online, 16 July 2025) <https://edition.cnn.com/2025/07/16/europe/us-envoy-ireland-palestinian-territories-bill-intl>.

[112] Cormac McQuinn and Ellen Coyne, 'Government's plans to exclude services leaves Occupied Territories Bill "gutted", claims Opposition', *The Irish Times* (online, 26 May 2026) <https://www.irishtimes.com/politics/2026/05/26/ban-on-services-from-occupied-palestinian-territories-could-harm-ireland-most-says-martin/>.

[113] Harry McGee, 'Long-delayed Occupied Territories Bill to be brought to cabinet but will exclude services', *The Irish Times* (online, 26 May 2026) <https://www.irishtimes.com/politics/2026/05/26/long-delayed-occupied-territories-bill-up-for-discussion-at-cabinet-meeting/>.

the imposition of significant tariffs on Australian wine exports, the Australian government filed formal dispute settlement proceedings at the WTO. In that complaint, the Australian government argued that China's measures were inconsistent with the WTO Anti-Dumping Agreement, the Agreement on Subsidies and Countervailing Measures, and the GATT.[114]

A similar example is Canada's referral of China to the WTO Dispute Settlement Body for its alleged targeting of Canada's canola exports in 2019.[115] Canada claimed that "China's measures relating to the importation of Canadian canola seed appear to be inconsistent with China's obligations under the WTO Agreement".[116] Instead of formal adjudicated outcome, the dispute was resolved when China restored export permits to the affected Canadian firms and an improvement in bilateral relations after the September 2021 prisoner exchange involving Meng Wanzhou.[117] Although a WTO panel was formally composed in November 2021, Canada ultimately suspended proceedings in August 2022, allowing the case to lapse without a final ruling.[118] This episode illustrates how governments may invoke WTO processes as a signalling and pressure mechanism in response to alleged Weaponised Trade measures, even where disputes are ultimately resolved through diplomatic and political accommodation rather than a legal ruling.

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[114] Australia's WTO disputes against China arising from the 2020 economic coercion campaign: *China – Anti-Dumping and Countervailing Duty Measures on Wine from Australia* (see fn 46-47) [Panel Report]. See also *China – Anti-Dumping and Countervailing Duty Measures on Barley from Australia*, WTO Doc WT/DS598 (disputed initiated 16 December 2020, proceedings suspended August 2023, following China's removal of duties) <https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds598_e.htm>.

[115] 'Canola Seeds: Canada-China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2019/03/31/canola-seeds-canada-china/>.

[116] Andrew Mullen, 'Canada escalates complaint over China's block on its canola seed exports, requests WTO panel' *South China Morning Post* (online, 23 June 2021) <https://www.scmp.com/economy/global-economy/article/3138421/canada-escalates-complaint-over-chinas-block-its-canola-seed >.

[117] BBC News, 'Huawei executive Meng Wanzhou freed by Canada arrives home in China' (Web Page, 26 September 2021) <https://www.bbc.com/news/world-us-canada-58690974>.

[118] World Trade Organization, 'DS589: China – Measures Concerning the Importation of Canola Seed from Canada' (Web Page, 31 August 2023) <https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds589_e.htm>.

3.3.7 Adapt to It: Facilitating Long-Term Trade Diversification

As noted at the outset, trade diversification can significantly reduce the risks associated with Weaponised Trade. Specifically, diversification can minimise the potential impact of Weaponised Trade by limiting reliance on a specific trade partner. Proactive diversification (e.g. through further market access and trade facilitation) paves the way for future trade diversion.

For these reasons, as instability in the global trade arena has intensified over the past decade, governments around the globe have deployed various tactics in pursuit of trade diversification. In contrast to reactive trade diversification outlined above, proactive trade diversification is distinct from any one instance of Weaponised Trade and seen in the broader context of proactively 'friend-shoring' supply chains among geopolitically aligned states.

Notably, the intensification of the US-China trade war saw dedicated trade diversification strategies become commonplace in many countries, often backed by significant funding. For example, in 2024, the US Department of Agriculture announced a US$300 million fund to help US agricultural producers diversify their export markets in response to long-term, ongoing trade tensions with China.[119] The grants, allocated through the US Commodity Credit Corporation, were awarded to more than 60 organisations representing a wide range of American producers and intended to help them develop new markets in under-served regions including Africa, Latin America and the Caribbean.[120] This scheme formed part of the Biden Administration's wider Regional Agriculture Promotion Program worth US$1.2 billion.[121] This program built on initiatives developed under the first Trump administration, including the Foreign Agricultural Service's (FAS) Agricultural Trade Promotion Program (ATP).[122] That program extended $200 million to US producer associations to

[119] United States Department of Agriculture, 'USDA Awards $300 Million to diversify export markets for U.S. Agriculture' (Press Release No 0092.24, 21 May 2024). <https://www.usda.gov/about-usda/news/press-releases/2024/05/21/usda-awards-300-million-diversify-export-markets-us-agriculture>.

[120] Ibid.

[121] *Regional Agricultural Promotional Program,* 88 Fed Reg 80092 (17 November 2023) (codified at 7 CFR pt 1489).

[122] United States Department of Agriculture, 'USDA Launches Trade Mitigation Programs' (Press Release, No 0172.18, 4 September 2018) <https://www.usda.gov/about-usda/news/press-releases/2018/09/04/usda-launches-trade-mitigation-programs>.

help develop foreign markets for U.S. agricultural products and "help mitigate the adverse effects of other countries' restrictions."[123]

Beyond 'great power' initiatives, we are also witnessing the emergence of strategies by so-called 'middle powers' or 'secondary states' to diversify trade relations and create stronger regional ties that might re-balance economies in the context of the US-China rivalry.

Canada's CanExport Program is an instructive case of a government financial assistance program that supports expansion into new markets to drive structural adjustment and lessen trade disruptions.[124] The program provides matching grants to small and medium-sized enterprises, seeking to develop export opportunities in markets where they have limited or no existing sales.

South Korea's 2017 New Southern Policy, launched under the Moon Jae-in administration, is an example of such an initiative.[125] One of the economic pillars of the New Southern Policy was to deepen South Korea's trade, investment and technology ties with Southeast Asian states and India. It was designed as an insurance against growing economic coercion and trade hostilities between the US and China.[126]

As another example of a friendshoring initiative, and a result of the strategic importance of the global semiconductor industry, the Biden administration worked to bolster chip supply chains among its Northeast Asian partners and allies under the so-called "Chip 4 Alliance".[127]

Due to its energy vulnerability and the potential of, inter alia, Russia weaponising energy supplies, many EU countries have sought to reorient their

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[123] See above.

[124] Trade Commissioner Service, 'CanExport SMEs' (Web Page, 23 March 2026) <https://www.tradecommissioner.gc.ca/en/our-solutions/funding-financing-international-business/canexport-smes.html>.

[125] Zoe Lee Sohyun, 'Middle powers and power asymmetry: How South Korea's free trade agreement strategy with ASEAN changed under the New Southern Policy' (2023) 29(3) *Contemporary Politics* 318, 319.

[126] Françoise Nicolas, 'The economic pillar of Korea's New Southern Policy: Building on existing assets' (*Notes de l'Ifri – Asie.Visions* No 120, French Institute of International Relations, February 2021) 17 <https://www.ifri.org/en/papers/economic-pillar-koreas-new-southern-policy-building-existing-assets>.

[127] Peter C Y Chow, 'Chip-Four alliance for a resilient global semiconductor industry' in Peter C Y Chow (ed), *Technology Rivalry Between the USA and China* (Palgrave Macmillan, 2024) 269, 270. See also Sarvashi Naik, 'Strengthening the Chip 4 Alliance or driving it apart?' (Commentary, Indo-Pacific Studies Center, 27 April 2025) <https://www.indo-pacificstudiescenter.org/commentaries/chips-act-chip4-alliance>.

energy sources to other suppliers.[128] Initiatives like the REPowerEU plan attempt to reduce their dependence on Russian gas from roughly 45% in 2021 to just 12% by 2025.[129] This pivot has involved shifting to new primary suppliers, such as Norway for pipeline gas and the United States for liquefied natural gas (LNG), while rapidly expanding domestic LNG infrastructure and accelerating the transition to renewable energy sources. Although this diversification has effectively mitigated immediate supply vulnerabilities and cut Russian oil imports down to 2% from 27% over the same time period,[130] it has introduced new geopolitical and economic challenges, including exposure to global LNG price volatility, higher overall energy costs, and increased competition with international markets.[131]

3.3.8 Adapt to It: Industry Upgrading

In some instances, the desire to avoid Weaponised Trade measures can have a galvanising impact on local industry. It may prompt government and industry to consider dedicated joint strategies to promote local industry upgrading to move up the value chain and boost job creation. It is oftentimes difficult to categorise government or private action as either entirely proactive or entirely reactive. In the following example the action was reactive to a specific instance of Weaponised Trade, but was designed to minimise the risk from future Weaponised Trade measures.

China's suspension of timber imports from Australia in November 2020 provided a strategic opportunity for Australia's timber-exporting states, insofar as it prompted industry and government to consider the long-term

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[128] International Energy Agency, *A 10-Point plan to Reduce the European Union's Reliance on Russian Natural Gas* (Reports, 3 March 2022) <https://www.iea.org/reports/a-10-point-plan-to-reduce-the-european-unions-reliance-on-russian-natural-gas>.

[129] European Commission, 'REPowerEU - phase out of Russian energy imports' (Web Page, 22 April 2026) <https://energy.ec.europa.eu/strategy/repowereu-phase-out-russian-energy-imports_en>.

[130] European Commission, 'REPowerEU - 4 years on (Web Page, 4 April 2026) <https://energy.ec.europa.eu/strategy/repowereu-phase-out-russian-energy-imports/repowereu-4-years_en>.

[131] Raj Sawhney and Joseph Majkut, *Beyond Russian Gas: Trade-offs in EU Liquefied Natural Gas Diversification* (Report, Center for Strategic and International Studies, May 2026) 15, 19-20 <https://csis-website-prod.s3.amazonaws.com/s3fs-public/2026-05/260515_Sawhney_Russian_Gas_0.pdf?VersionId=T3cMgZaAyQHqUEre8Jd0IrhQwTBSgsAv >.

development of onshore timber processing activities.[132] Timber processing has the potential to deliver significant value to the Australian economy through value added and job creation.[133] To capitalise on this opportunity, the South Australian government launched a $19 million package to support the development of the state's forest and timber industries in 2022.[134] Similarly, in response to Japan's suspension of export high-tech components to South Korea in 2019, the South Korean government initiated a US$6.48 billion R&D fund to reduce reliance on Japanese imports and encourage national self-reliance.[135] This included materials and equipment items used to make chips, displays, batteries and automobiles.

3.3.9 Adapt to It: Building New Trade Architecture

In addition to collective political pressure against economic coercion, allies are increasingly creating the building blocks of a new trade architecture. Some of these building blocks are of a general and non-binding nature, others are clear preferential trade agreements aimed at friendshoring.

A June 2023 joint declaration by the governments of Australia, Canada, Japan, New Zealand, the United Kingdom and the United States of America specifically condemned "[t]he use of trade-related economic coercion and non-market-oriented policies and practices" which, it said, "threatens and undermines the rules-based multilateral trading system and harms relations between countries".[136] The same statement called for joint

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[132] 'Timber: Australia-China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2020/11/30/timber-australia-china/>.

[133] Department of Agriculture and Water Resources, *Growing a Better Australia – A Billion Trees for Jobs and Growth: National Forest Industries Plan* (2018) 6-7 <https://www.agriculture.gov.au/sites/default/files/sitecollectiondocuments/forestry/national-forest-industries-plan.pdf>.

[134] Premier of South Australia, 'State government delivers $19 million to grow SA's forest and timber industries' (Media Release, June 9 2022) <https://premier.sa.gov.au/media-releases/news-archive/state-government-delivers-$19-million-to-grow-sas-forest-and-timber-industries>.

[135] Hyunjoo Jin, 'South Korea to Spend 6.5 Billion on R&D to Cut Reliance on Japanese Imports' *Reuters* (online, 5 August 2019) <https://www.reuters.com/article/us-southkorea-japan-laborers-ministry/south-korea-to-spend-6-5-billion-on-rd-to-cut-reliance-on-japanese-imports-idUSKCN1UV00M/>.

[136] Governments of Australia, Canada, Japan, New Zealand, the United Kingdom and the United States of America, 'Joint Declaration Against Trade-Related Economic Coercion and Non-Market Policies and Practices' (*United States Trade Representative*, 9 June 2023) <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2023/june/joint-

work towards tackling Weaponised Trade mechanisms, including through "[the] sharing of information, data and analysis concerning these policies and practices as well as exploring the development of new diplomatic and economic tools that support and reinforce the rules-based multilateral trading system in responding to these challenges".[137] In April 2024, the US State Department established a new, team to lead the US response to any perceived Weaponised Trade measures implemented by China against its allies and partners.[138]

While the Australian government attempted to negotiate the suspension of import permits for beef into China,[139] it also highlighted a diversification strategy. In comments to media in 2022, the Australian Trade Minister highlighted the conflict as a driver to advance other preferential trade agreements: "That's why the UK Free Trade Agreement was so important and the increased access that we got for our meat into the UK market was so important. [...] That's why we continue to keep working on a European Union Free Trade Agreement while I've been in weekly negotiations with my Indian counterpart on an Indian Free Trade Agreement".[140]

The pursuit of new economic agreements – both bilateral and plurilateral – has been a common response to the intensification of Weaponised Trade and constitutes a key instrument for pursuing trade diversification. Australia's conclusion of trade agreements with the United Kingdom and the European Union is an example of this kind of geopolitically oriented diversification strategy.[141] Obstacles that had stalled negotiations in prior years were set aside in 2026 in light of new geopolitical and geoeconomic realities.

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declaration-against-trade-related-economic-coercion-and-non-market-policies-and-practices>.

[137] ibid.

[138] Peter Martin and James Mayger, 'US Creates Team to Counter China's Trade 'Coercion' Tactics', *Bloomberg* (online, 29 April 2024) <https://www.bloomberg.com/news/articles/2024-04-28/us-firm-steps-in-when-china-is-seen-as-a-bully-not-a-partner?srnd=us-politics&sref=TBDibEcD>.

[139] 'Beef and Sheep Meat: Australia-China', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2020/05/31/beef-and-sheepmeat-australia-china/>.

[140] Megan Hughes and Laura Mayers, 'Meat industry calls for dialogue with China as trade war continues for second year', *ABC News* (online, 1 February 2022) <https://www.abc.net.au/news/rural/2022-02-01/meat-industry-calls-for-end-to-trade-war-with-china/100795230>.

[141] *Australia-United Kingdom Free Trade Agreement* signed 17 December 2021, [2023] ATS 3 (entered into force 31 May 2023). See also Department of Foreign Affairs and Trade (Cth),

The same is true for the UK's pursuit of membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).[142] In the words of Marco Forgione, Director-General of the Chartered Institute of Export & International Trade in London:

> "At a time when global trade has been weaponised, this partnership can help the UK establish resilient and robust supply chains across Southeast Asia, Central and South America. In a world of growing geopolitical uncertainty, the expanding trading community of CPTPP nations offers an important counterpoint."[143]

Among economic arrangements, the US-initiated Indo-Pacific Economic Framework for Prosperity (IPEF) (2022) is an example of a response to an environment of increasingly Weaponised Trade. With a major focus on promoting cooperation for economic resilience, IPEF was designed to create stable supply chains amongst allied countries (via so-called "friendshoring" and "re-shoring") and reduce trade dependence on China.[144] There are two caveats: first, the extent to which this objective has been achieved is questionable;[145] second, the IPEF future is doubtful given that the second

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'Australia-European Union Free Trade Agreement' (Web Page) <https://www.dfat.gov.au/trade/agreements/not-yet-in-force/aeufta> (Not yet in force, negotiations concluded 24 March 2026). On the analytical framing of these agreements as a response to economic coercion, see Justin Brown, 'Countering Chinese economic coercion: enhanced cooperation between Australia and Europe' (Research Note, Lowy Institute, 27 April 2023) <https://www.lowyinstitute.org/publications/countering-chinese-economic-coercion-enhanced-cooperation-between-australia-europe>.

[142] *Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP),* opened for signature 8 March 2018, [2018] ATS 23 (entered into force 30 December 2018). See also for UK membership: *Protocol on the Accession of the United Kingdom of Great Britain and Northern Ireland to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership,* opened for signature 16 July 2023, [2024] ATS 22 (entered into force 15 December 2024).

[143] Department for Business and Trade and Greg Hands, 'Businesses Set to Benefit as UK Concludes Tax Agreement with Peru and Ratifies Deal to Join Major Indo-Pacific Trade Bloc' (Press Release, 17 May 2024) <https://www.gov.uk/government/news/businesses-set-to-benefit-as-uk-concludes-tax-agreement-with-peru-and-ratifies-deal-to-join-major-indo-pacific-trade-bloc>.

[144] Pushkar Reddy and Ridhish Rajvanshi, 'Unravelling Friendshoring in the Indo-Pacific Economic Framework for Prosperity and Forging a Novel Form of Standard Setting' (2024) 19(3) *Global Trade and Customs Journal,* 181, 182 <https://doi.org/10.54648/gtcj2024031>.

[145] Shaofeng Chen, 'Reflecting on IPEF's impact and charting the future: a perspective of US domestic politics' (2024) 6 *China International Strategy Review* 319, 334-335 <https://doi.org/10.1007/s42533-024-00173-6>.

Trump administration has not endorsed its continuation and indeed the 2025 USTR Trade Policy Agenda did not even mention IPEF.[146]

3.4 Paradigm Shift: From Cooperation to Anti-Coercion Legislation

Prior to the onset of Weaponised Trade, international trade relations and international trade law was generally seen as cooperative. That paradigm has shifted with governments either expanding or sharpening existing legislation to respond to economic coercion measures, or enacting new 'anti-coercion legislation'.

This type of legislation typically foreshadows governments taking punitive measures in response to Weaponised Trade or other forms of coercion by a foreign state. Some have enacted specific legislative measures, such as the European Union, China and the United States. Other countries, like Japan, have enacted legislation to promote economic security.[147] Yet others, such as Taiwan, have debated the introduction of anti-coercion legislation.[148]

The legality of such measures, under both public international law and WTO law, of such measures continues to be debated.[149] Given that Weaponised

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[146] Office of the United States Trade Representative, *The President's 2025 Trade Policy Agenda* (Report, March 2025) <https://ustr.gov/sites/default/files/files/reports/2025/President%20Trump's%202025%20Trade%20Policy%20Agenda.pdf>.

[147] The Japanese legislation is not a mechanism to respond to instances of economic coercion, but rather aims to expand economic resilience through providing support for domestic industry. See *Act on the Promotion of Ensuring National Security Through Integrated Implementation of Economic Measures* (Japan) Act No 43 of 2022 ['Act on the Promotion of Ensuring National Security Through Integrated Implementation of Economic Measures' (Act No 43 of 2022)' *Japanese Law Translation* (Web Document) <https://www.japaneselawtranslation.go.jp/en/laws/view/4523/en>.

[148] Russell Hsiao and Benjamin Sando, *Chinese Communist Party Lawfare and Economic Coercion Against Taiwan* (Report, Global Taiwan Institute, April 2025) 1–2 <https://globaltaiwan.org/wp-content/uploads/2025/06/OR_PRC-Lawfare-and-Economic-Coercion-Against-Taiwan-V4.pdf>.

[149] From a legal and strategic perspective, anti-coercion legislation is a novel response and significant departure from previous practice. The report, therefore, treats this type of response with greater detail. For conflicting views from the 2000s, see Gabrielle Marceau and Julian Wyatt, 'Dispute Settlement Regimes Intermingled: Regional Trade Agreements and the WTO' (2010) 1 Journal of International Dispute Settlement 67; Pieter Jan Kuijper, 'Does the World Trade Organization Prohibit Retorsions and Reprisals? Legitimate "Contracting Out" or "Clinical Isolation" Again?' in M.E. Janow, V. Donaldson and A. Yanovich (eds), *The WTO: Governance, Dispute Settlement, and Developing Countries* (Juris Publishing 2008).

Trade measures continue to proliferate, the debates of the 2000s and 2010s surrounding the legality of such measures appears less relevant today than it did a decade ago.

3.4.1 European Union

The EU created the Anti-Coercion Instrument (ACI) on 27 December 2023. This was a response to what then-EU Commissioner for Trade Valdis Dombrovkis called the increasing tendency of "trade [...] being weaponised".[150] Dombrovkis identified China as one of the main drivers of this development, giving the examples of blocking Lithuanian exports after the Baltic state announced the opening of mutual diplomatic offices with Taiwan and China demanding multinational companies sever their ties with Lithuania or face the potential exclusion from the Chinese market.[151]

The EU itself describes the objective for the ACI as being a deterrent and a "way to respond [to] coercion" from third countries which allows "the Union to formally identify instances of economic coercion and to respond, where possible through dialogue and engagement, but also – as necessary – through response measures".[152]

The ACI is noteworthy for leveraging the economic power of the entire EU in instances in which one of its Member States might be the target of economic coercion. This amounts to an economic self-defence equivalent of Article 5 NATO Treaty. This wide-ranging, and potentially highly politicised, competence is constrained by qualified majority voting. This requires the involvement of the European Council and thus the Member State

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[150] Executive Vice-President and Commissioner for Trade, Valdis Dombrovskis, 'EU strengthens protection against economic coercion', available at https://ec.europa.eu/commission/presscorner/detail/en/ip_21_6642. See generally, Viktor Szép, 'The legislative history of the EU's anti-coercion instrument' (2024) (25) *ERA Forum* 127 <https://doi.org/10.1007/s12027-024-00784-x>.

[151] John O'Donnell and Andrius Sytas, 'Exclusive: Lithuania braces for China-led corporate boycott' *Reuters* (online, 9 December 2021) <https://www.reuters.com/world/china/exclusive-lithuania-braces-china-led-corporate-boycott-2021-12-09/>. See also, Steven Blockmans, *Lithuania, China and EU Lawfare to Counter Economic Coercion: Breaking Bad?* (Policy Insights No 2021–21, Centre for European Policy Studies, December 2021) <https://cdn.ceps.eu/wp-content/uploads/2021/12/PI2021-20_Lithuania-China-and-EU-lawfare.pdf>.

[152] European Commission, 'Questions and Answers regarding the Anti-Coercion Instrument', (Web Page) <https://policy.trade.ec.europa.eu/enforcement-and-protection/protecting-against-coercion/qa-regarding-anti-coercion-instrument_en>.

governments in the decision-making process, rather than the European Commission alone.[153] The potentially wide application of the ACI will likely be limited by the general hesitation of international actors to characterise economic coercion as a breach of the customary rule of non-intervention.[154]

The ambiguity of the legality of this and similar measures under international (economic) law is implicitly recognised in Article 2 of Regulation 2023/2675, according to which

> "economic coercion exists where a third country applies or threatens to apply a third-country measure affecting trade or investment in order to prevent or obtain the cessation, modification or adoption of a particular act by the Union or a Member State, thereby interfering in the legitimate sovereign choices of the Union or a Member State".[155]

The requirements for a determination by the European Commission and the Council of the European Union whether a measure amounts to economic coercion include:

- the intensity and duration of the third-country measure;
- whether the measure reflects a pattern of interference;
- whether and the extent to which the measure interferes the EU's or a member state's sovereignty;
- whether the third country is acting on the basis of an internationally recognised, legitimate concern; and

[153] Mathieu Duchâtel, 'Effective Deterrence? The coming European Anti-Coercion instrument' (Expression, Institut Montaigne, 2 December 2022) <https://www.institutmontaigne.org/en/expressions/effective-deterrence-coming-european-anti-coercion-instrument>.

[154] *Military and Paramilitary Activities in and against Nicaragua (Nicaragua v United States of America) (Merits)* [1986] ICJ Rep 14. But see European Commission, *Commission Staff Working Document Impact Assessment Report Accompanying the Proposal for a Regulation of the European Parliament and of the Council on the Protection of the Union and its Member States from Economic Coercion by Third Countries,* SWD (2021) 371 final, 8 December 2021 12 <https://www.astrid-online.it/static/upload/trad/tradoc_159963.pdf>. Outlining relatively minor infractions which might trigger the ACI.

[155] Regulation (EU) 2023/2675 of the European Parliament and of the Council of 22 November 2023 on the protection of the Union and its Member States from economic coercion by third countries [2023] OJ L 2023/2675.

- whether good faith attempts were made to settle the matter through international coordination or adjudication.[156]

Notably, before any EU action can be taken, the offending measure must be attributable to a third party in according with customary rules of international law.[157]

Detailed procedures for such a determination are laid out in Articles 4 and 5 and will have to take into account information from a variety of sources, including industry and other stakeholders. If "injury to the Union" is found to have resulted from an act of economic coercion, the EU can take a range of measures against the offending country. EU measures can only be taken subsequent to an "adequate opportunity for consultation" and failure by the offending country to remedy the situation.

The types of measures available are included in Annex I of the ACI and comprise a range of potential measures at the disposal of the EU. They include the (re-)imposition of customs duties and other non-tariff measures beyond MFN levels; restrictions on transit goods and participation in public tender procedures; measures and restrictions on services, intellectual property rights; restrictions on access to capital markets; and classification of goods under EU acts regulating chemicals and SPS requirements.[158]

Any countermeasure taken by the EU must be "proportionate and not exceed the level of injury to the Union, taking into account the gravity of the economic coercion, its economic impact on the Union or a Member State and the rights of the Union and its Member States".[159] The EU acknowledges that EU responses "may consist of measures that amount to the non-performance of

[156] Article 2(2) Regulation (EU) 2023/2675 of the European Parliament and of the Council of 22 November 2023 on the protection of the Union and its Member States from economic coercion by third countries [2023] OJ 2 1/23.
[157] Article 3(1) Regulation (EU) 2023/2675 of the European Parliament and of the Council of 22 November 2023 on the protection of the Union and its Member States from economic coercion by third countries [2023] OJ 2 1/23.
[158] Annex I Regulation (EU) 2023/2675 of the European Parliament and of the Council of 22 November 2023 on the protection of the Union and its Member States from economic coercion by third countries [2023] OJ 2 1/23.
[159] Article 11(1) Regulation (EU) 2023/2675 of the European Parliament and of the Council of 22 November 2023 on the protection of the Union and its Member States from economic coercion by third countries [2023] OJ 2 1/23. See here also https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52021SC0371

international obligations towards the third country".[160] Finally, the European Commission must take into account the effects on EU economic actors when designing and implementing anti-coercion measures.[161]

While arguably originally designed as a deterrent for strategic rivals such as China and Russia, it was considered for activation in 2026 due to escalating tariff threats and political tensions involving the U.S. and Greenland.[162]

3.4.2 China

Unlike the EU, with its newly developed and single instrument, China has a number of legal tools at its disposal to counter Weaponised Trade measures. China has shifted from being defensive in security-related matters to being increasingly proactive.[163]

The Foreign Trade Law was initially promulgated in 1994, but has been amended several since its inception. It allows for the imposition of import and export controls on any goods, services, and technologies for the protection of national security, public interests, or public morals amongst other reasons (Articles 16 and 26). It provides for the possibility of remedial measures if China's interests are affected by any country with which China has entered into an international economic and trade treaty or agreement (Article 47).

China passed several measures to extend the reach of its existing legislative measures. The National Security Law, passed as an umbrella framework under Xi Jinping in 2015, supercharged the Foreign Trade Law and the relevant

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[160] Article 8(4) Regulation (EU) 2023/2675 of the European Parliament and of the Council of 22 November 2023 on the protection of the Union and its Member States from economic coercion by third countries [2023] OJ 2 1/23.

[161] Article 11(2) Regulation (EU) 2023/2675 of the European Parliament and of the Council of 22 November 2023 on the protection of the Union and its Member States from economic coercion by third countries [2023] OJ 2 1/23. See here also https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52021SC0371

[162] Markus Wagner, 'As Trump's Threats over Greenland Escalate will Europe use its Trade Bazooka?', *The Conversation* (online, 21 January 2026) <https://theconversation.com/as-trumps-threats-over-greenland-escalate-will-europe-use-its-trade-bazooka-273797>. See also, Mario Monti and Sylvie Goulard, 'This is what the EU's Trade Bazooka was Meant For', *Politico* (online, 21 January 2026) <https://www.politico.eu/article/this-is-what-eu-trade-bazooka-was-meant-for>.

[163] Weihuan Zhou, Huiqin Jiang and Zhe Chen, 'Trade vs. Security: Recent Developments of Global Trade Rules and China's Policy and Regulatory Responses from Defensive to Proactive' (2023) 22 World Trade Review 193, 205 <https://doi.org/10.1017/S147474562200026X>.

implementing regulation.[164] Economic interests were increasingly seen through the lens of national security.[165] While Article 19 of the National Security Law brings economic security under the purview of national security, subsequent provisions extend to financial security, food security, energy security, cyber security, and security interests relating to the advancement of technological and innovative capability, sustainable development, the public health system (Articles 20-33).[166]

A range of complementary and implementing legislation followed. The Unreliable Entity List (UEL) (2020) has the dual function of preventing foreign entities from seriously impacting the legitimate interests of Chinese entities, national security, and economic development; and of targeting foreign entities which discriminate against or stop carrying out normal commercial activities with Chinese entities based on non-commercial considerations.[167]

The revised Catalogue of Technologies Prohibited and Restricted from Export (2020) refined China's capability to craft economic security measures, while the Export Control Law (ECL) (2020) pertains to items related to 'the maintenance of national security and national interests' (Articles 1 and 2) and

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[164] Foreign Trade Law of the People's Republic of China, Order No. 22 of the President of the People's Republic of China, 12 May 1994, effective 1 July 1994, revised by Order No. 15 of the President of the People's Republic of China on 6 April 2004 and Order No. 57 of the President of the People's Republic of China on 7 November 2016, available at http://ipr.mofcom.gov.cn/zhuanti/jkblh/iplaws/trade/dwmyf.pdf. See ibid 207.

[165] State Council Information Office of China (2011) '"China's Peaceful Development" White Paper', September 2011, <https://english.www.gov.cn/archive/white_paper/2014/09/09/content_281474986284646.htm>. See generally You Ji, 'China's National Security Commission: theory, evolution and operations' (2016) 25(98) *Journal of Contemporary China* 178. <https://doi.org/10.1080/10670564.2015.1075717>.

[166] *National Security Law of the People's Republic of China* (PRC), Order No 29, 1 July 2015 (translation available at https://www.chinalawtranslate.com/en/2015nsl/). For a general discussion, see Congyan Cai, 'Enforcing a New National Security? China's National Security Law and International Law' (2017) 10(1) *Journal of East Asia and International Law* 4 <https://doi.org/10.14330/jeail.2017.10.1.04>. This extensive framework was critiqued as being overly broad and ambiguous and providing too much discretion for the government to institute economically detrimental measures against trade partners. See also Reuters, 'US, Japan, EU team up to warn China of concerns over new security laws', *The Guardian* (online, 1 March 2016) <https://www.theguardian.com/world/2016/mar/01/us-japan-eu-team-up-to-warn-china-of-concerns-over-new-security-laws>.

[167] See *Provisions on the Unreliable Entities List* (PRC), Order No 4/2020, Ministry of Commerce of the People's Republic of China, 19 September 2020. For further details, see Qingxiu Bu, 'Between a Rock and a Hard Place: Unreliable Entity List vis-à-vis the US Entity List' (2021) 19(3) *Journal of International Trade Law and Policy* 65 <https://doi.org/10.1108/JITLP-08-2020-0048>.

authorizes countermeasures in cases where other countries' recourse to export controls affect China's national security and interests (Article 48).[168]

The Anti-Foreign Sanctions Law (AFSL) entered into force in 2021.[169] Building on and expanding UEL measures and the Extra-Territorial Rules, the AFSL was seen as an important step to combat foreign sanctions, unilateralism, and discrimination, and any measures that interfere with China's internal affairs and adversely affect China's national security and economic interests (Articles 1–3). It mandates the creation of an expansive list of entities that would be the target of countermeasures, including restrictions on visa and entry into China, deportation, seizing or freezing property within the territory of China, banning or restricting activities with Chinese entities, and any other measures that the Chinese government considers necessary (Article 4-6).

The Rules on Counteracting Unjustified Extra-Territorial Application of Foreign Legislation and Other Measures 2021 (Extra-Territorial Rules) target the extraterritorial application of foreign laws and other policy instruments that prohibit or restrict commercial activities between Chinese entities and entities of a third country (Article 2).[170] The reporting requirements for Chinese entities (Articles 5-7 & 12) are designed to protect such entities from foreign imposition and obtain support from the Chinese government where a MOFCOM-issued injunction causes them a significant loss (Article 11).

Overall, these measures demonstrate the expansion of China's national security concerns into economic matters, treating them as equally important to traditional security concerns.

3.4.3 United States

Similar to China, the US has several different legislatives avenues through which to counter what it considers to be economic coercion. Trade policy falls under federal jurisdiction in the US. While formally falling under the

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[168] See *Announcement on the Amendment of Catalogue of Technologies Prohibited and Restricted from Export* (PRC), Announcement No 38/2020, Ministry of Commerce and Ministry of Science and Technology, 28 August 2020. See also *Export Control Law of the People's Republic of China* (PRC), Order No 58 of the President of the People's Republic of China, 1 December 2020

[169] Anti-Foreign Sanctions Law of the People's Republic of China, Order No. 90, President of the People's Republic of China, 10 June 2021. See Zhou, Jiang and Chen (n 132) 209.

[170] Rules on Counteracting Unjustified Extra-Territorial Application of Foreign Legislation and Other Measures, Order No. 1/2021, Ministry of Commerce of the People's Republic of China, 9 January 2021.

competency of Congress, Congress has largely delegated this authority to the executive branch (i.e. the US President).

Tool	IEEPA	Section 232	Section 301	Section 338	Section 122
Tool	IEEPA	Section 232	Section 301	Section 338	Section 122
Legal Basis	International Emergency Economic Powers Act	Trade Expansion Act of 1962	Trade Act of 1974	Tariff Act of 1930	Trade Act of 1974
Description & Limits	Allows the president to restrict trade during a declared national emergency. No maximum tariff rate. No need for Congress or public input.	Enables tariffs for national security reasons. Requires a Commerce Department investigation and public comment. No cap on tariffs.	Targets unfair foreign trade practices. Requires USTR investigation and stakeholder input. No statutory tariff limit.	Permits retaliatory tariffs up to 50% against countries that impose discriminatory or burdensome trade barriers on US goods. Rarely used with questionable compatibility under current WTO and USMCA rules.	Allows temporary tariffs or quotas during balance-of-payments emergencies. Capped at 15% for 150 days. After 150 days, continuation requires congressional approval.
Susceptibility to Legal Challenges	High	Limited	Moderate	High	Moderate

Section 301

Section 301 of the Trade Act 1974[171] is the most well-known tool and is designed to remedy alleged violations of US trade agreements, including trade in goods and services, as well as investment. Such infringements include (1) violations that deny U.S. rights under a trade agreement, (2) "unjustifiable" actions that "[burden] or [restrict]" U.S. commerce, and (3) "unreasonable" or "discriminatory" actions that "[burden] or [restrict]" U.S. commerce. It grants the Office of the United States Trade Representative (USTR) investigative authority with respect these unfair foreign trade practices. If a positive determination of a violation has been made, USTR has a range of remedies at its disposal. This includes:

- the imposition of duties or other import restrictions (with a preference for duties over other forms of import restrictions);
- the withdrawal or suspension of trade agreement concessions; or

[171] Trade Act of 1974,19 USC § § 2411-2420 (2018) (Title III: 'Relief from Unfair Trade Practices') <https://www.law.cornell.edu/uscode/text/19/2411>.

- entering into a binding agreement with the foreign government to either eliminate the conduct in question (or the burden to U.S. commerce) or compensate the United States with satisfactory trade benefits.

The level of mandatory action under Section 301 should "affect goods or services of the foreign country in an amount equivalent in value to the burden or restriction being imposed by that country on" U.S. commerce.[172]

Historically, the provision was used to pressure US trading partners during the GATT era (in a total of 95 cases) and prepare the ground for formal dispute settlement under the WTO (35 cases to May 2024).[173] Under the first Trump administration, section 301 was widely used as a tool to deploy unilateral sanctions against US trading partners.[174]

Section 232

Section 232 of the Trade Expansion Act of 1962 is concerned with threats to U.S. national security. The provision authorizes the Secretary of Commerce to conduct investigations to determine the effects of imports of any article on the national security of the United States. In order to make that determination, the Secretary of Commerce shall consider the following elements:

- domestic production needed for projected national defense requirements;
- domestic industry's capacity to meet those requirements;
- related human and material resources;
- the importation of goods in terms of their quantities and use;
- the close relation of national economic welfare to U.S. national security;
- loss of skills or investment, substantial unemployment and decrease in government revenue; and
- the impact of foreign competition on specific domestic industries and the impact of displacement of any domestic products by excessive imports.[175]

This provision requires inter-agency notifications and collaboration and results in a report to the President who has the authority to adopt, modify or

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[172] 19 U.S. Code § 2411 (a)(3).
[173] Danielle M Trachtenberg, *Section 301 of the Trade Act of 1974* (CRS In Focus NO IF11346, Congressional Research Service, 13 March 2026) <https://crsreports.congress.gov/product/pdf/IF/IF11346>.
[174] Ibid.
[175] §1862(d). Safeguarding national security.

reject the recommendations made by the Secretary of Commerce. The President thus has broad power to adjust imports, including through the imposition of tariffs.[176]

In 2018, Section 232 was famously used to impose 10 and 25 per cent tariffs on aluminium and steel, respectively, against all countries due to imports of these products "threaten[ing] to impair U.S. national security".[177] A WTO panel subsequently found that these tariffs violated Articles I and II GATT and could not be justified under Article XXI GATT.[178]

International Emergency Economic Powers Act (IEEPA)

IEEPA is a general-purpose authority that lets the executive branch respond to unusual and extraordinary foreign threats to the US national security, foreign policy or economy.[179] The legislative intention for IEEPA was to limit presidential power to such declarations only in response to threats originating outside of the US. Measures that presidents can take include the freezing or blocking of assets of foreign governments or foreign nationals abroad.[180] IEEPA so far not been used to place tariffs on imported goods, although its similarity with the Trading with the Enemy Act (TWEA) from which it branched off, suggests that it might be used in such a way. Indeed, President Nixon invoked TWEA in 1971 to justify a 10 percent import tariff due to a balance-of-payments crisis and which the U.S. Court of Customs and Patent Appeals upheld in *Yoshida v. United States*.[181]

While historically section 232 (see above) has been the preferred pathway for economic sanctions, IEEPA offers a far less rigid procedural avenue for the

[176] Section 232 of the Trade Expansion Act of 1962 (19 U.S.C. §1862).
[177] Ana Swanson, 'Trump to Impose Sweeping Steel and Aluminium Tariffs', *The New York Times* (online, 1 March 2018) <https://www.nytimes.com/2018/03/01/business/trump-tariffs.html>. Subsequent to the enactment of these measures, separate agreements were reached with a range of trading partners, including Argentina, Australia, Brazil, Canada, the European Union, Japan, Mexico, South Korea and the United Kingdom.
[178] Panel Report, *United States – Certain Measures on Steel and Aluminium and Products*, WTO Doc WT/DS544/R (9 December 2022) [7.59]-[7.61]. https://www.wto.org/english/news_e/news22_e/544_552_556_564r_e.htm
[179] International Emergency Economic Powers Act, 50 USC ch 35.
[180] Christopher A Casey, Jennifer K Elsea and Liana W Rosen, *The International Emergency Economic Powers Act: Origins, Evolution, and Use* (*Congressional Research Service* Report No R45618, 1 September 2025) <https://crsreports.congress.gov/product/pdf/r/r45618>.
[181] *United States v Yoshida International Inc*, 526 F 2d 560, 579 (CCPA 1975).

executive branch in the US.[182] In late May 2019, then-President Trump threatened to impose an initial 5% tariff with stepped increases on a monthly basis to 25% on all Mexican goods in response to "the illegal migration crisis" which he alleged was occasioned by Mexico's inaction.[183] These tariffs were never implemented in face of opposition stemming from US businesses and the US Senate[184] and after reaching an agreement with Mexico.[185]

On February 20, 2026, the U.S. Supreme Court ruled 6-3 in *Learning Resources, Inc. v. Trump*[186] that IEEPA does not authorize the President to impose tariffs, rejecting the Administration's use of emergency powers to tax imports. The Court emphasized that Article I, Section 8 of the Constitution vests taxing power exclusively in Congress, holding that IEEPA's authority to "regulate" importation does not extend to levying duties, as such action constitutes a "transformative expansion" of executive power not authorized in the statute's 50-year history.[187] Invalidating up $175 billion in IEEPA-based tariffs (comprising the so-called "Liberation Day" and "fentanyl" tariffs and various country-specific tariffs and including accrued interest and ongoing collections at the time of the decision), the ruling forced the immediate termination of these measures.[188] The refund process through the Court of International Trade for affected importers is an ongoing process as of mid-2026.[189]

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[182] Ibid, 175 at 26. See also No author, "The International Emergency Economic Powers Act: A Congressional Attempt to Control Presidential Emergency Power," Harvard Law Review 96, no. 5 (March 1983), p. 1120.
[183] The White House, 'Statement from the President Regarding Emergency Measures to Address the Border Crisis' (Statement, 30 May 2019) <https://trumpwhitehouse.archives.gov/briefings-statements/statement-president-regarding-emergency-measures-address-border-crisis/>.
[184] Catie Edmondson and Maggie Haberman 'Senate Republicans Warn White House Against Mexico Tariffs' *The New York Times* (online, 4 June 2019) <https://www.nytimes.com/2019/06/04/us/politics/republicans-mexico-tariffs.html>.
[185] Michael Shear, Ana Swanson and Azam Ahmed, 'Trump Calls Off Plan to Impose Tariffs on Mexico' *The New York Times* (online, 7 June 2019) <https://www.nytimes.com/2019/06/07/us/politics/trump-tariffs-mexico.html>.
[186] *Learning Resources, Inc v Trump,* 607 US ___, (2026).
[187] *Learning Resources, Inc v Trump,* 607 US ___, 44 (2026) (Gorsuch J, concurring).
[188] Thomson Reuters Tax and Accounting, 'Supreme Court Tariff Ruling in *Learning Resources, Inc v Trump:* What Corporate Tax and Trade Teams Need to Know' (Blog Post, 20 February 2026) <https://tax.thomsonreuters.com/blog/supreme-court-tariff-ruling-in-learning-resources-inc-v-trump-what-corporate-tax-and-trade-teams-need-to-know>.
[189] Scott Lincicome, Alfredo Obregon and Chad Smitson, 'IEEPA Tariff Refunds are far from ideal – and could get farther', *Cato Institute* (Blog Post, 21 April 2026) <https://www.cato.org/blog/ieepa-tariff-refunds-are-far-ideal-could-get-farther>.

Section 122

Section 122 of the Trade Act of 1974 provides the U.S. President with emergency authority to address "fundamental international payments problems". It allows for the temporary imposition of import surcharges (capped at 15% ad valorem) or other import restrictions for a maximum of 150 days. This lever is specifically designed to correct significant balance-of-payments deficits or to prevent a serious decline in the value of the dollar, requiring that such measures be applied broadly and non-discriminatorily across almost all imported goods.

While intended as a short-term crisis tool, the section has recently become a focal point of legal and economic debate, after its invocation by President Trump invoked in in February 2026.[190] Because it expires after five months unless extended by an Act of Congress, the US administration sees it as serving as a limited-duration alternative to broader executive powers like the IEEPA. This is especially true after the Trump administration's reliance on IEEPA failed muster before the US Supreme Court.[191] Critics argue its use for general protectionism is an anachronism, as the statute was written for an era of fixed-exchange-rate.[192]

As of May 2026, the Court of International Trade (CIT) ruled in *Burlap and Barrel, Inc. v. Trump*[193] that the 10% universal tariffs imposed under Section 122 of the Trade Act of 1974, via Proclamation No. 11012, were unlawful. The court found the tariffs exceeded presidential authority but restricted the remedy to named plaintiffs only (the State of Washington, Burlap and Barrel, Inc., and Basic Fun, Inc.) rather than issue a nationwide injunction, allowing collections to continue for others.[194] The U.S. Court of Appeals for the Federal

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[190] Proclamation No. 11012 of 20 February 2026, 'Imposing a temporary import surcharge to address fundamental international payment problems', 91 Fed Reg 9339 (25 February 2026). https://www.federalregister.gov/documents/2026/02/25/2026-03824/imposing-a-temporary-import-surcharge-to-address-fundamental-international-payments-problems

[191] See above.

[192] Kyle Handley, 'Section 122 is an anachronism, not a license for new tariffs', *Cato Institute* (Blog Post, 14 April 2026) <https://www.cato.org/blog/section-122-anachronism-not-license-new-tariffs>. See generally on the end of this era, Jeffrey E Garten, *Three Days at Camp David: How a Secret Meeting in 1971 Transformed the Global Economy* (HarperCollins, 2021).

[193] *Burlap and Barrel, Inc v Trump* (Ct Int'l Trade, Slip Op 26-46, 7 May 2026) <https://www.cit.uscourts.gov/sites/cit/files/26-47.pdf>.

[194] *Burlap and Barrel, Inc v Trump* (n 188). On the post-CASA limits on nationwide injunctions, see *Trump v CASA, Inc,* 606 US 831 (2025).

Circuit temporarily stayed this decision on 12 May 2026, meaning the duties remain in effect.[195]

3.5 Civil Society Responses

This section of the report does not address instances in which civil society enforces Weaponised Trade measures. Rather, it analyses the responses of civil society actors, such as consumer groups, community organisations or high-profile individuals. This usually takes the form of support of industry in the target country. These campaigns may be promoted through mainstream media and social media. They encourage consumers to boycott products from a country that has instigated Weaponised Trade measures, or encourage domestic consumers in a target country to buy more of a domestic product affected by Weaponised Trade measures. Civil society responses are typically reactive, in the sense that they are responding to Weaponised Trade measures rather than anticipating such measures.

Disentangling official actions from consumer actions is often difficult. In many cases action is encouraged, actively supported, or tolerated by government. A study by Bohman and Pårup closely examined consumer boycotts in China between 2008 and 2021, categorising 1/3 of all consumer boycotts as being either initiated or actively supported by "party- or state-affiliated organisations".[196] At other times, government officials may be vocally supportive of boycotts, or expressly or tacitly disapprove of such actions. In some of our case studies boycott activity has been coordinated or encouraged through industry associations, which may act independently or in alignment with government preferences. India's response to Malaysian criticism in 2019 illustrates this dynamic: while officials publicly distanced themselves from an industry boycott of Malaysian palm oil, reporting suggested that industry cooperation was encouraged prior to formal trade restrictions.[197]

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[195] *Burlap and Barrel, Inc v Trump,* Order of the United States Court of Appeals for the Federal Circuit (12 May 2026) (granting administrative stay of CIT judgement pending appeal).

[196] Viking Bohman and Hillevi Pårup, 'Purchasing with the Party: Chinese consumer boycotts of foreign Companies, 2008–2021' (Report No. 2/2022, Swedish National China Centre, 11 July 2022) <https://kinacentrum.se/en/publications/chinese-consumer-boycotts-of-foreign-companies/>.

[197] 'Palm Oil: Malaysia-India', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2019/10/31/palm-oil-malaysia-india/>.

Commentators have observed increased examples of consumer-generated Weaponised Trade instances, frequently citing China as an example.[198] Strictly speaking, purely private action does not fall under the definition of Weaponised Trade measures. Any attribution to governments requires positive evidence of government involvement in line with the rules of attribution under the rules of state responsibility.[199] In line with these requirements, in the absence of concrete evidence that governmental actors have either directed or are in control of such private action, we do not classify these instances as Weaponised Trade measures.

We have found no instances of proactive measures taken by civil society to counter impending Weaponised Trade measures. This is not surprising given the – as a general matter – more dispersed interests of civil society compared to the more focused interests of the business community.

3.5.1 Encouraging Consumer Support

Where Weaponised Trade measures affect export focussed industries, one common civil society response has consisted of campaigns encouraging domestic consumers or consumers in third countries to buy more of the affected product originating in the target country. These campaigns often use social media to spread their message and may be supported or even initiated by industry figures and government.[200]

In 2013, Russian authorities banned the importation of Lithuanian dairy products. This measure was ostensibly taken for reasons of public health but appears to have been motivated by Lithuania's association agreement with the EU.[201] In response to this ban, Lithuania's foreign minister coined the

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[198] Audrye Wong, Leif-Eric Easley and Hsin-Wei Tang, 'Mobilizing Patriotic Consumers: China's New Strategy of Economic Coercion' (2023) 46 (6-7) *Journal of Strategic Studies* 1287 <https://doi.org/10.1080/01402390.2023.2205262>.

[199] International Law Commission, *Draft Articles on Responsibility of States for Internationally Wrongful Acts, with Commentaries,* UN GAOR, 53rd sess, Supp 10, UN Doc A/56/10 (2001) ch IV(E) <https://legal.un.org/ilc/texts/instruments/english/commentaries/9_6_2001.pdf>. See generally James Crawford, *The International Law Commission's Articles on State Responsibility: Introduction, Text and Commentaries* (Cambridge University Press, 2002).

[200] In the case of the latter, this could entail the international responsibility of the target state: see *Articles on Responsibility of States for Internationally Wrongful Acts* arts 4-11, esp. art 8; International Law Commission (n 200).

[201] WTO Committee on Sanitary and Phytosanitary Measures, 'Concerns Raised over Trade Restrictions on Dairy Products, Biofuels, Cars and Seafood' (News Item, 18 October 2013)

hashtag "#freedomcheese", which was used on Twitter and other social media platforms to encourage consumers to buy more Lithuanian dairy products.[202]

More recently, producers affected by China's imposition of trade restrictions have launched similar social media campaigns. This includes the #freedomwine campaign to promote Australian wine, which was reportedly started by the Inter-parliamentary Alliance on China, with Taiwan's MOFA tweeting in support the following day;[203] as well as a campaign using the hashtag #freedompineapples to support Taiwanese pineapple producers which was launched by Taiwan's then Foreign Minister, Joseph Wu.[204]

3.5.2 Consumer Boycotts

Where a country is perceived to have been an instigator of Weaponised Trade measures, consumers in other countries may take action against products from that country through boycotting relevant goods and services. Following Japanese trade measures imposed on goods and services from South Korea in mid-2019, including restrictions on the export of high-tech materials, a popular movement began in South Korea to boycott Japanese products and companies. The boycott included popular Japanese stores and brands such as Uniqlo and Muji, among others, as well as a reduction in South Korean

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<https://www.wto.org/english/news_e/news13_e/good_18oct13_e.htm>. See also 'Russia Halts Lithuania Dairy Imports in Trade Row', *BBC News* (online, 7 October 2013) <https://www.bbc.com/news/world-europe-24433418>.

[202] Max Seddon, 'Meet #FreedomCheese, Courtesy of Lithuania', *Buzzfeed News* (online, 14 October 2013) <https://www.buzzfeednews.com/article/maxseddon/meet-freedomcheese-courtesy-of-lithuania>. For further discussion on Foreign Minister Linas Linkeviçius's coinage of the freedom cheese hashtag, see Annabelle Chapman, 'The Politics of cheese and chocolate', *openDemocracy* (Web Page, 16 January 2014) <https://www.opendemocracy.net/en/politics-of-cheese-and-chocolate/>.

[203] @MOFA_Taiwan (外交部 Ministry of Foreign Affairs, ROC (Taiwan)), 'We stand in solidarity with #Australia by serving #FreedomWine at @MOFA_Taiwan #StrongerTogether' (Twitter, 2 December 2020, 1:10pm AEDT) <https://x.com/MOFA_Taiwan/status/1333956598880821248>. On IPAC's launch of the campaign the day prior, see

[204] @MOFA_Taiwan (外交部 Ministry of Foreign Affairs, ROC (Taiwan)), 'Here we go again! Our Pineapples are now banned by #China to punish farmers in the South. Remember #Australia's #FreedomWine? I urge like-minded friends around the globe to stand with #Taiwan and rally behind the #FreedomPineapple. JW' (Twitter, 26 February 2021, 10:25pm AEDT) <https://x.com/MOFA_Taiwan/status/1365261810044080130>.

tourists visiting Japan.[205] Civil society groups in South Korea also launched an online petition to encourage government "retaliation" against Japan.[206]

The Korean government filed a complaint to the WTO against Japanese licensing policies and procedures, alleging they restricted exports of fluorinated polyimide, resist polymers and hydrogen fluoride, and their related technologies destined for Korea.[207] Korea contended that the export control procedures should be withdrawn, given they were politically motivated measures lacking sufficient justification.[208] Korea further removed Japan as a preferential trade partner as a form of unilateral retaliation.[209] The measure meant the previously amicable bilateral trade relationship quickly became tumultuous. Korea suspended the dispute before the WTO in March 2023.[210]

3.5.3 Protests in Support of Domestic Industry

Civil society can also respond to Weaponised Trade measures by protesting in support of domestic industry. In these cases, the protests are not intended to influence the instigator of the Weaponised Trade measures, but rather are designed to pressure the target government to provide support to local

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[205] See Kim Da-sol 'Uniqlo Records 40 Percent Drop in Sales, Closes its Jongno 3-ga Store', *The Korea Herald* (online, 2 August 2019) <https://www.koreaherald.com/view.php?ud=20190802000462>; Kristin Mariano 'South Koreans are Cancelling their Japan Trip Amid Trade War' *Travel Daily Media* (online, 23 July 2019) <https://www.traveldailymedia.com/south-koreans-are-cancelling-their-japan-trip-amid-trade-war/>.

[206] Park Chan-Kyong and Julian Ryall 'South Koreans call for Boycott of Japanese Cars Beers and Cosmetics as Trade War Intensifies' *South China Morning Post* (online, 4 July 2019) https://www.scmp.com/week-asia/economics/article/3017263/south-koreans-call-boycott-japanese-cars-beer-and-cosmetics

[207] *Japan – Measures Related to the Exportation of Products and Technology to Korea*, WTO Doc DS590 (23 March 2023) (Request for Termination by the Republic of Korea) <https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds590_e.htm>. See further Kristy Hsu, 'The Trade Frictions Between Japan and South Korea and their Implications for Taiwan: An Economic Perspective' (2019) 4(12) *Taiwan Strategists* 39.

[208] Noh Ji-Won and Choi Ha-yan 'S. Korea Requests Withdrawal of Japan's Export Controls to WTO' *Hankyoreh* (online, 10 July 2019) <https://english.hani.co.kr/arti/english_edition/e_international/901273.html>.

[209] Sangho Shin & Edward J Balistreri, 'The other Trade War: Quantifying the Korea-Japan Trade Dispute' (2022) 79 *Journal of Asian Economics* 1.

[210] Joyce Lee and Heekyong Yang, 'South Korea to Halt WTO dispute process while discussing Japan's export curbs' *Reuters* (online, 6 March 2023) <https://www.reuters.com/markets/asia/skorea-halt-wto-dispute-process-while-discussing-japans-export-curbs-2023-03-06/>.

industry, or to make political concessions that may appease the instigator. Industry groups may be involved in organising these protests.

For example, in 2016 China imposed informal restrictions on tourists travelling to Taiwan. In September 2016 Taiwan's tourism industry staged protests of around 10,000 attendees against their own government, calling for the Tsai government to recognise the "one China" principle, and to offer more support for the tourism industry.[211] A spokesperson for one of the organisers of this protest, the Travel Agent Association, told stated that "[w]e don't want to get into the political issues, but we're suffering and we'll suffer even more in the next three to six months", and added that "[t]he government has to help us through this tough time".[212]

3.5.4 Consumers Bypassing the Measure

We are unaware of instances in which such behaviour has been reported specifically in relation to Weaponised Trade measures. However, previous reports of circumvention by consumers took place in Australia during limits on the export of infant formula. These mechanisms, known as the *daigou* ("buying on behalf of") channel could in theory be used as a way to circumvent Weaponised Trade measures.[213]

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[211] Editorial, 'Tourism Protest just what China wants' *Taipei Times* (13 September 2016).
[212] 'Taiwan Tour Operators Demand Help after Business Hit by Worsening China Ties' *Reuters,* (online, 12 September 2016) <https://www.reuters.com/article/world/taiwan-tour-operators-demand-help-over-business-hit-by-worsening-china-ties-idUSKCN11I113/>.
[213] See generally Charmaine Glavas, Gary Mortimer, Han Ding, Louise Grimmer, Oscar Vorobjovas-Pinta and Martin Grimmer, 'How entrepreneurial behaviours manifest in non-traditional heterodox contexts: Exploration of the Daigou phenomenon' (2023) (19) *Journal of Business Venturing Insights* e00385 <*https://doi.org/10.1016/j.jbvi.2023.e00385*>*;* Han Ding, 'Cross-Border Shipping: A Study of the Daigou Business Model' (PHD Thesis, The University of Tasmania, 2024) <https://doi.org/10.25959/25697661>.

CHAPTER 4

WEAPONISED TRADE AND THE RULES-BASED INTERNATIONAL ORDER





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Chapter 4: Weaponised Trade and the Rules-Based International Order

Weaponised Trade has global impacts, with economic, political and social ramifications felt beyond the target and instigator countries. Especially when through the involvement of great powers, instances of Weaponised Trade often escalate in a 'tit-for-tat' with significant impacts on global political and economic stability – the 'Trade War' between China and the US being a case in point. Beyond the direct effects of a specific instance of Weaponised Trade, the general rise in Weaponised Trade measures both reflects and contributes to the unsettling of prevailing norms around the role of the state in the economy, the relationship between national security to economic policy, and perceptions of the value and importance of the rules-based international order.

In this chapter, we reflect on the impact of Weaponised Trade on the rules-based international order, with a particular focus on the World Trade Organization (WTO) as an institution that aimed to legalise and depoliticise international trade relations and to separate national security and economic policy. However, events in the 21st century have undermined the strength of international (economic) law as a restraint on the exercise of coercive power. Alongside a wider trend of securitisation, this has led to the current situation where national security and economic policy are deeply intertwined, as reflected in the rise of autonomous sanctions and the growth of Weaponised Trade.

Despite these challenges, Weaponised Trade creates potential opportunities as well as challenges for international institutions and rulemaking. Weaponised Trade can help strengthen international institutions like the WTO or its regional/preferential counterparts when governments strive to resolve disputes, be that by way of diplomatic or legal avenues. The increased incidence of Weaponised Trade may also provide impetus for some WTO Members to 'stay the course' with the WTO as an institution, despite its challenges.

Alternatively, Weaponised Trade can weaken these institutions where governments are reluctant to refer instances of Weaponised Trade to dispute settlement processes, potentially emboldening the aggressor to continue to act outside the bounds of legality. Growing instances of Weaponised Trade can also lead to a reconfiguration of global trade networks as governments

look to re-shore or friend-shore strategically significant industries and/or supply chains to mitigate the risks of future trade disruption and reduce vulnerability. The current proliferation of preferential trade agreements (PTAs) offers an opportunity to reduce the potential threat and harm of Weaponised Trade, while also strengthening the rules-based international order through agreements with like-minded governments.

4.1 The Development of the Rules-Based International Order

The post-war international order was developed with a deliberate effort to prevent the catastrophic failures of the interwar period: the breakdown of trade, the absence of collective security, and the vacuum of international law.[1] The 1945 United Nations (UN) Charter established the foundational legal architecture: it affirmed state sovereignty and the prohibition on the use of force, but installed the Security Council as the apex body for collective security. This security structure was deliberately insulated from the parallel economic order being constructed at Bretton Woods in 1944, with the International Monetary Fund and World Bank established to stabilise currencies and fund reconstruction, and international trade being addressed through the Havana Charter of the still-born International Trade Organization (ITO), and the subsequent decades-long provisional application of and *de facto* creation of the organisation known as the General Agreement on Tariffs and Trade (GATT).[2]

4.1.1 International Institutions, Economics and Security

Starting with the GATT in 1947, and accelerated through the creation of the WTO in 1995, international trade rules became increasingly formalised. The so-called 'diplomat's legal order' of the GATT years, characterised by commitments to limit the use of trade restrictions but without a binding

[1] John H Jackson, *The World Trading System: Law and Policy of International Economic Relations* (MIT Press, 2nd ed, 1997), 13; Ernst-Ulrich Petersmann, 'The Dispute Settlement System of the World Trade Organization and the Evolution of the GATT Dispute Settlement System Since 1948' (1994) 31(6) *Common Market Law Review 1157*, 1159.
[2] World Trade Organization, 'Provisional Application of the General Agreement' in *Analytical Index: Guide to GATT Law and Practice* (WTO, 2012) <https://www.wto.org/english/res_e/booksp_e/gatt_ai_e/prov_appl_gen_agree_e.pdf>.

dispute settlement mechanism, was replaced by a legalized international trade order with the WTO as its focal point.[3]

4.1.2 From the GATT to the World Trade Organization (WTO)

Following the economic anarchy of the 1930s, viewed as a primary catalyst for World War II, post-war international law and institutions were designed to prevent trade conflict from evolving into military hostility.[4] While the 1944 Bretton Woods Conference intended to establish the International Trade Organization ('ITO') as a third pillar alongside the IMF and World Bank, the ITO was ultimately rejected by the United States Congress over concerns that a powerful international body would infringe upon national sovereignty.[5] Into this institutional vacuum came the GATT, originally a provisional framework for reciprocal tariff reductions that operated without a formal administrative umbrella.[6]

In its early years, the GATT was governed by a diplomatic and pragmatic ethos, functioning as a 'club' of like-minded nations.[7] During this era, trade was treated as a technical or 'low politics' issue of economic management, conceptually separated from the 'high politics' of national security to ensure that commercial disputes did not spill over into wider international relations.[8] Between the 1950s and the 1980s, the global trading system underwent a gradual 'juridicization', shifting from a power-oriented diplomatic model toward a rules-oriented legal regime.[9] A critical milestone in this process of depoliticisation was the 1955 transition from 'working parties', composed of government representatives acting on instructions, to panels of independent experts tasked with objectively interpreting the facts and law of a GATT dispute.[10] The professionalization of the GATT, including the 1983 establishment of a dedicated Office of Legal Affairs (which later became the

[3] See, generally, Robert E Hudec, 'The GATT Legal System: A Diplomat's Jurisprudence' (1970) 4(5) *Journal of World Trade Law* 615.
[4] See sources above (n 4).
[5] Ibid 38; Arie Reich, 'From Diplomacy to Law: The Juridicization of International Trade Relations' (1996) 17(1) *Northwestern Journal of International Law & Business* 775, 784-785.
[6] Hudec (n 3) 632-633.
[7] Joseph H Weiler, 'The Rule of Lawyers and the Ethos of Diplomats Reflections on the Internal and External Legitimacy of WTO Dispute Settlement' (2001) 35 *Journal of World Trade* 191, 194-195.
[8] Richard N Cooper, 'Trade Policy Is Foreign Policy' [1972–1973] (9) *Foreign Policy* 18.
[9] Reich (n 5).
[10] Jackson (n 4) 115–116.

Legal Affairs Division),[11] further sought to ensure that trade rules were applied impartially and that commercial relationships were somewhat insulated from the shifting political and security interests of national governments.[12] But despite the progress made in the GATT era in developing a rules-based international trade regime, the separation of economic policy from security and political issues during this period was far from absolute. As noted by the UN Secretary General in 1993: 'there is no clear consensus in international law as to when coercive measures are improper, despite relevant treaties, declarations, and resolutions adopted in international organizations which try to develop norms limiting the use of such measures'.[13]

4.1.3 The WTO Era: Legalisation and Depoliticisation

This evolution culminated in 1995 with the creation of the WTO which transformed the GATT from a series of provisional agreements into a formal, permanent international organization.[14] The WTO introduced the 'single undertaking' approach, ensuring that all 124 original members were bound by a comprehensive, unified set of rules covering not just goods, but also services and intellectual property, and far more detailed rules on non-tariff barries to trade such as sanitary and phytosanitary measures as well as trade remedies.[15] The WTO Agreements also contain extensive notification requirements, as well as requirements for states to be transparent about proposed changes to a domestic trade regime.

The creation of the Dispute Settlement Body and the Appellate Body established a compulsory system of adjudication, which requires a consensus among WTO Members to block the adoption of a report.[16] This

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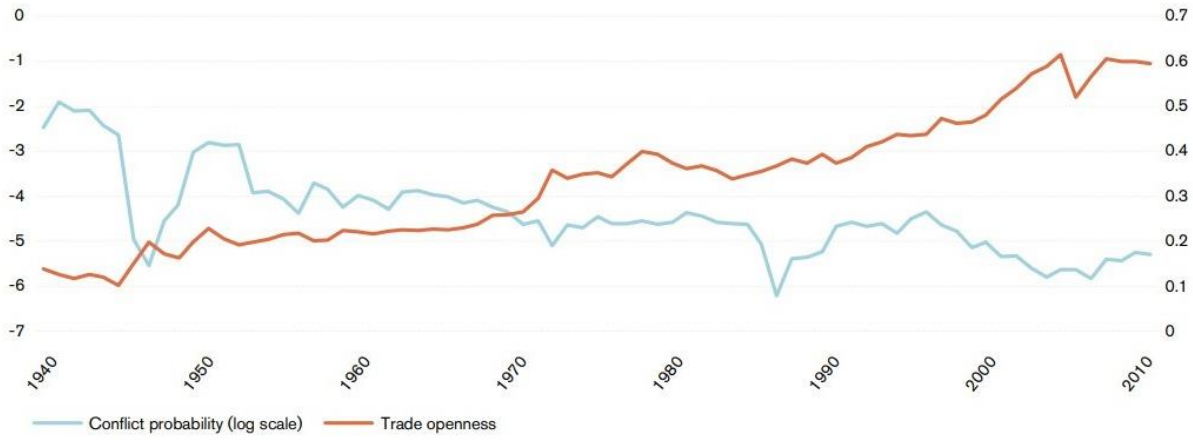
[11] Frieder Roessler, 'The Role of Law in International Trade Relations and the Establishment of the Legal Affairs Division of the GATT' in Gabrielle Marceau (ed), *A History of Law and Lawyers in the GATT/WTO* (Cambridge University Press, 1st ed, 2015) 161, 166.
[12] Petersmann (n 4) 1187-1189.
[13] UNGA 'Economic Measures as a Means of Political and Economic Coercion against Developing Countries: Note by the Secretary-General' [25 October 1993] UN Doc A/48/535, Agenda Item 91(a), at 1).
[14] *Marrakesh Agreement Establishing the Worls Trade Organization,* opened for signature 15 April 1994, 1867 UNTS 154 (entered into force 1 January 1995).
[15] Petersmann (n 4) 1160-1161. See also, Robert Wolfe, 'The WTO Single Undertaking as Negotiating Technique and Constitutive Metaphor' (2009) 12(4) *Journal of International Economic Law,* 835 <https://academic.oup.com/jiel/article-abstract/12/4/835/2193545?redirectedFrom=fulltext&login=true>.
[16] *Understanding on Rules and Procedures Governing* Settlement of Disputes, art 16.4.

reverse consensus requirement, or 'automaticity' of adoption of reports, furthered the judicialization of international trade law by removing the political filter that had allowed losing parties to block adverse rulings under the GATT system.[17] By entrenching these judicial procedures, the WTO dispute settlement system was intended to serve as a 'constitutional constraint' on the improper use of trade measures, ensuring that the global economy remained governed by the rule of law rather than politics.[18]

The creation of the WTO provided a platform for peaceful dialogue and 'judicial' resolution of disputes, offering a rules-based (or at least rules-oriented) alternative to power-based international trade governance. The WTO's role in fostering interdependence and cooperation is often underestimated, but international trade and supporting institutions like the WTO are key to reducing the likelihood of conflict. The chart below from the WTO's World Trade Report 2023 demonstrates a strong correlation between trade openness and a lower probability of conflict.

Figure C.8: There is a strong correlation between trade openness and lower conflict probability



Notes: Trade openness is defined as the sum of world imports and exports divided by world GDP. Conflict probability is defined as the occurrence of dyadic militarized interstate disputes, excluding threats to use force and lower levels of hostility, divided by the number of countries.
Source: Feenstra, Inklaar and Timmer (2015) and Klasing and Milionis (2014) for trade openness, and Maoz et al. (2019) and the Correlates of War Project (2017) for conflict probability.

Source: WTO World Trade Report 2023, 55.

[17] Robert L. Howse, 'The House That Jackson Built: Restructuring the GATT System' (1999) 20 *Michigan Journal of International Law* 107.
[18] John H Barton et al, *The Evolution of the Trade Regime: Politics, Law, and Economics of the GATT and the WTO* (Princeton University Press, 2008), 101-102,109, 116-119.

4.1.4 Undermining of the Rules-Based International Order

While the late 1990s and the turn of the 21st century constituted the peak of the rules-based international order, this regime has been under mounting pressure in the last two decades. Various events both contributed to and reflected the gradual undermining of the rules-based international order. While a full survey of these developments is outside the scope of this report, we mention some examples as important context for understanding the current erosion of the normative foundations of the rules-based international order. Many academics and governments questioned the legal justifications given for the commencement of the Iraq War in 2003, and argued that this military action dealt a severe blow to the strength of norms limiting the legitimate use of force and the compliance pull of international rules.[19] Russia's annexation of Crimea in 2014, and its subsequent full-scale invasion of Ukraine in 2022, were a direct assault on the UN Charter's prohibition on the use of force and territorial conquest.[20] China's construction of artificial islands in the South China Sea and its rejection of the 2016 Permanent Court of Arbitration ruling against its maritime claims are another example of a major power disregarding legal constraints on their exercise of power.[21]

Within the WTO regime, the crippling of the Appellate Body has seriously undermined the functioning of the WTO dispute settlement system, with one commentator going so far as to say that 'the legal order that previously underpinned global trade is now beginning to crumble'.[22] The US opposed the re-appointment of a sitting Appellate Body member, Seung Wha Chang in 2016 (it had previously opposed the reappointment of its own national, Jennifer Hillman, in 2011).[23] The blocking of reappointments resulted in the WTO Appellate Body becoming defunct in late 2019 as the number of WTO Appellate Body members dropped below three, the number of members to

[19] See generally Jane E Stromseth, 'Law and Force After Iraq: A Transitional Moment' (2003) 97 *American Journal of International Law* 628–642.
[20] See UN General Assembly resolutions A/ES/11-1 of 2 March 2022 and A/ES/11-2 of 24 March 2022.
[21] See generally Isaac B Kardon, 'China Can Say "No": Analyzing China's Rejection of the South China Sea Arbitration: Toward a New Era of International Law with Chinese Characteristics' (2018) 13(2) *University of Pennsylvania Asian Law Review* 1.
[22] Kristen Hopewell, 'Unravelling of the Trade Legal Order: Enforcement, Defection and the Crisis of the WTO Dispute Settlement System' (2025) 101(3) *International Affairs* 1103.
[23] Markus Wagner, 'The impending demise of the WTO Appellate Body: from centrepiece to historical relic?' in C Lo, J Nakagawa and T Chen (eds), *The Appellate Body of the WTO and its reform* (Springer Nature, 2019) 67, 80-81.

decide a dispute.[24] The US argued that the Appellate Body had exceeded its mandate and contravened rules laid down in the WTO Dispute Settlement Understanding,[25] and that in so doing, the Appellate Body had become too powerful, acting 'to increase its own authority while decreasing the authority of the [US] and other WTO Members'.[26] The Appellate Body has been in part replaced by the so-called Multi-Party Interim Appeal Arbitration Arrangement (MPIA), but unlike the previous system, WTO members are free to opt into the system on an ad hoc or permanent basis.[27] As of May 2026, there were 35 parties to the MPIA (counting the EU as a single entity).[28]

4.2 The Blending of National Security and Economic Policy

Despite the efforts of the rules-based international order to insulate economic policy from national security issues, since 1945 international law has recognised that trade has an important security dimension and in limited circumstances can be legitimately deployed for strategic purposes. For example, the UN Charter recognises that economic pressure can play an important security role. Article 41 gives the Security Council power to authorise 'measures not involving the use of armed force' which are economic in nature. This includes the 'complete or partial interruption of economic relations and of rail, sea, air, postal, telegraphic, radio and other means of communication, and the severance of diplomatic relations'. Similarly, WTO rules recognise that countries have the right to restrict or manage trade where it compromises national security objectives,[29] while also allowing other WTO Members to challenge measures that are political or protectionist in nature and that could not be reasonably justified on national security grounds. For this reason, the WTO era is best viewed as a time when there was an effort to

[24] Ibid.
[25] Ibid. See also Office of the United States Trade Representative, *Report on the Appellate Body of the World Trade Organization* (Report, February 2020) <https://ustr.gov/sites/default/files/Report_on_the_Appellate_Body_of_the_World_Trade_Organization.pdf>.
[26] Office of the United States Trade Representative, *Report on the Appellate Body of the World Trade Organization* (Report, February 2020) <https://ustr.gov/sites/default/files/Report_on_the_Appellate_Body_of_the_World_Trade_Organization.pdf> *'Introduction'*.
[27] 'Statement on a Mechanism for Developing, Documenting and Sharing Practices and Procedures in the Conduct of WTO Disputes', WTO Doc JOB/DSB/1/Add.12 (30 April 2020).
[28] World Trade Organization , *Alternative Dispute Resolution Procedures* (Web Page) <https://www.wto.org/english/tratop_e/dispu_e/altds_e.htm>.
[29] GATT art XXI, GATS art XIV*bis*, TRIPS art 73.

control the extent to which political and security tensions impacted upon trade policy, through rules and norms that made the use of economic policies for security purposes exceptional, but that the separation of trade and security policies is "more theoretical than real".[30]

In recent years, however, national security and economic policy have become increasingly intermingled. While this reflects the wider undermining of the rules-based international order described above, it has also been driven by "grey zone" activities. There is no singular definition of "grey-zone warfare", but is generally viewed as an ambiguous category of actions that are part of a continuum or spectrum of aggressive or coercive conduct:

> 'the gray zone is characterized by intense political, economic, informational, and military competition more fervent in nature than normal steady-state diplomacy, yet short of conventional war'.[31]

As explained in Chapter 1, the Australian Defence Strategic Update 2020 defines grey zone activities as "[...] activities designed to coerce countries in ways that seek to avoid military conflict".[32] Grey zone activities have emerged as an increasingly significant feature of the contemporary security landscape, enabling states to pursue geostrategic objectives without escalating to open armed conflict.

The Australian Defence Strategic Update 2020 also noted that the "coercive use of trade and economic levers" as one kind of grey zone activity, as well as cyber warfare and other examples.[33] The US Department of Defense's 2022 National Defense Strategy refers to "gray zone methods" as "coercive approaches that may fall below perceived thresholds for U.S. military action and across areas of responsibility of different parts of the U.S. Government",[34]

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[30] Mona Pinchis-Paulsen, 'Let's Agree to Disagree: A Strategy for Trade-Security' (2022) 25(4) *Journal of International Economic Law* 527, 527.

[31] General Joseph L Votel, statement before the House Armed Services Committee Subcommittee on Emerging Threats and Capabilities, March 18 2015. Captain Philip Kapusta, U.S. Special Operations Command (USSOCOM) White Paper, 'Defining Gray Zone Challenges,' April 2015, as discussed in Frank G Hoffman, 'Examining Complex Forms of Conflict: Gray Zone and Hybrid Challenges' (2018) 7(4) *PRISM* 30, 35-36. See also Thomas Dobbs et al, Grey-Zone Activities and the ADF (Perry Group Report, 2021) 2-3 <https://theforge.defence.gov.au/sites/default/files/2020-10/Grey%20Zone_0.pdf> (defining 'grey zone warfare' as 'coercive statecraft actions short of war').

[32] Department of Defence (Cth), *2020 Defence Strategic Update* (Report, 2020) at 12.

[33] *2020 Defence Strategic Update* (n 32) 5.

[34] United States Department of Defense, *2022 National Defense Strategy of the United States of America* (Report, October 2022) 6

and notes that these "gray zone operations" are usually "at odds with international norms and below the threshold of a credible military response".[35]

This era of increasing grey zone activity and conflict is reflected in three trends that we examine in the following sections: (1) securitisation; (2) the rise of autonomous sanctions; and, (3) the increasing use of Weaponised Trade measures.

4.2.1 Securitisation

Observers of the trade law system can be forgiven for the impression that, in the past few years, "everything is security", a phenomenon described as "securitisation" in international relations theory.[36] In part, this is driven by increasing recognition that conflict and security are impacted by things well outside the traditional concepts of military strength and territorial integrity. As Farrell and Newman argue, greater economic interdependence and globalisation has meant that "networks such as financial communications, supply chains, and the internet [...] are at the heart of a compelling new understanding of globalization and power".[37]

According to securitisation theory, issues can be moved along a spectrum from being non-politicised, to politicised, to securitised:

> 'Security is the move that takes politics beyond the established rules of the game and frames the issue either as a special kind of politics or as above politics. In theory, any public issue can be located on the spectrum ranging from nonpoliticized (meaning the state does not deal with it and it is not in any other way made an issue of public debate and decision) through politicized (meaning the issue is part of public policy, requiring government decision and resource allocations or, more rarely, some other form of command governance) to securitized (meaning the issue is presented as an existential threat, requiring emergency measures

<https://media.defense.gov/2022/3Oct/27/2003103845/-1/-1/1/2022-NATIONAL-DEFENSE-STRATEGY-NPR-MDR.pdf>.

[35] Ibid, page 12.

[36] See generally Ole Wæver, 'Securitization and Desecuritization' in Ronnie D. Lipschutz (ed), *On Security* (Columbia University Press, New York, USA 1995) 46.

[37] Henry Farrell and Abraham L. Newman, 'Weaponized Interdependence: How Global Economic Networks Shape State Coercion' (2019) 44 *International Security* 42, 44.

> and justifying actions outside the normal bounds of political procedure.'[38]

Throughout our interviews and Delphi rounds, several speakers discussed a shift in mindset and a growing trend and indeed comfort with "securitizing" trade and generally framing economic issues as national security concerns to justify what are oftentimes protectionist measures. One of the main observations is that there appears to be what one participant called a "widespread comfort with the idea of securitizing various aspects of society".[39] This development has now come to include trade, an area of international relations that was previously somewhat isolated from this trend. Multiple participants highlight the significance of the US in driving this trend, particularly under the Trump administration. One participant raised the question of whether Western countries would be as receptive to a trade securitization agenda if it originated from China, implying a degree of acceptance due to the US's leadership role.[40]

The securitisation of international trade is reflected in the rapid increase in the use of security rhetoric to attempt to justify trade restrictive measures, including though the invocation of the security exceptions such as Article XXI of the GATT within the WTO. Hoekman, Mavroidis and Nelson emphasise that it is precisely because of the utility of trade as a policy instrument that the security exceptions exist, stating "[t]he potential to use trade as an instrument of policy to defend national interests, curry favour with, or punish other states explains why trade agreements, including the GATT/ WTO, explicitly recognise that states may use trade restrictions to defend national security or pursue other non-economic objectives".[41] Article XXI of the GATT languished in obscurity for the longest time. During the GATT era and the early WTO years there were sporadic cases that made reference to Article XXI GATT, but this provision was largely seen as a final safety valve given its self-judging language.[42] Since 2016 there have been a number of cases that have invoked Article XXI GATT and the wider notion of national security in dispute

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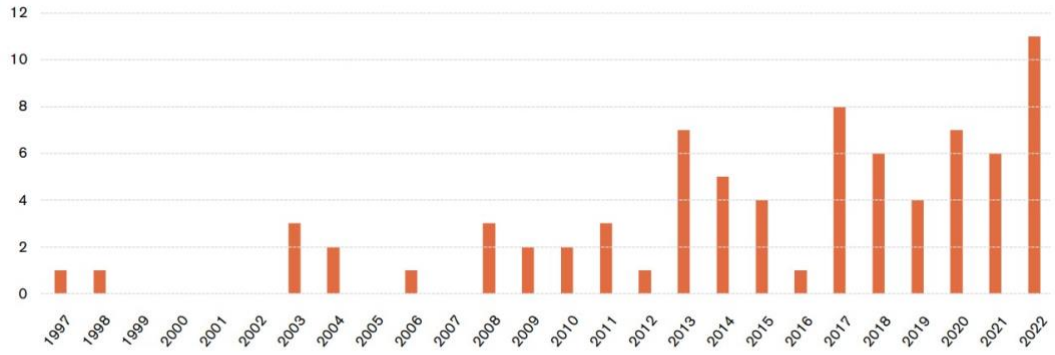
[38] Barry Buzan, Ole Wæver, Jaap de Wilde, *Security: A New Framework for Analysis* (Boulder, Colorado: Lynne Rienner Publishers, 2018), 23-24.
[39] Delphi Roundtable (online, 8 November 2023) 00:55:37.
[40] Ibid.
[41] Bernard Hoekman, Petros C. Mavroidis, and Douglas R Nelson, *Non-economic Objectives, Globalisation and Multilateral trade Cooperation* (Centre for Economic and Policy Research, 11 September 2023) at 7. <https://cepr.org/publications/books-and-reports/non-economic-objectives-globalisation-and-multilateral-trade>.
[42] Harlan Grant Cohen, 'Toward Best Practices for Trade-Security Measures' (2024) 27(1) *Journal of International Economic Law* 93, 95.

settlement.[43] But the provision has also found increased usage in international trade governance more broadly, including in measures notified to WTO committees. The WTO's 2023 World Trade Report noted growing concern over a sharp increase in quantitative restrictions notified under Article XXI GATT, suggesting that security concerns are increasingly influencing trade policy (see figure C.2 from that Report, reproduced below).[44] The increasing number of national security related trade concerns raised in WTO committees, combined with the growing use of trade sanctions,[45] risks undermining the benefits of trade and the stability of the multilateral trading system.

Figure C.2: National security-related trade concerns raised in WTO committees are rising



Notes: Figure C.2 depicts the number of specific trade concerns (STC) relating to national security between 1997 and 2022 raised in the Market Access and Import Licensing Committees and in the Committees on Sanitary and Phytosanitary (SPS) Measures and on Technical Barriers to Trade (TBT). Trade concerns raised before the Council for Trade in Goods (CTG) are not reported in the STC Database.
Source: WTO STC Database. https://tradeconcerns.wto.org/en

[43] Panel Report, *Russia — Measures Concerning Traffic in Transit*, WTO Doc WT/DS512/R (5 April 2019); Panel Report, *Saudi Arabia — Measures Concerning the Protection of Intellectual Property Rights,* WTO Doc WT/DS567/R (16 June 2020); Panel Report, *United States — Certain Measures on Steel and Aluminium Products,* WTO Doc WT/DS544/R (9 December 2022. For an overview of all invocations of GATT XXI in GATT and WTO disputes, see Stephen Kho, Yujin McNamara, Sarah Kirwin and Brooke Davies, 'The Conundrum of the Essential Security Exception Can the WTO Resolve the GATT Article XXI Crisis and Save the Dispute Settlement Mechanism?' (Working Paper, Geneva Graduate Institute Centre for Trade and Economic Integration, November 2023) <https://www.akingump.com/a/web/u7b8rLt4iz3pTJ59MsWB2E/8q4V7v/the-conundrum-of-the-essential-security-exception.pdf>.

[44] *World Trade Report 2023: Reglobalization for a Secure, Inclusive and Sustainable Future* (World Trade Organization, 2023) 49.

[45] Constantinos Syropoulos et al, 'The Global Sanctions Data Base–Release 3: COVID-19, Russia, and Multilateral Sanctions' (2024) 32(1) *Review of International Economics* 12.

4.2.2 Rise of Autonomous Sanctions

Sanctions can take a variety of forms, spanning from military sanctions, through economic sanctions to diplomatic sanctions. Economic sanctions are often seen as occupying a middle ground between more robust military actions and diplomatic measures that may voice disapproval.[46]

Sanctions are usually decided upon and undertaken by the decision of a duly authorised decision-maker, such as the UN Security Council under Article 24 of the UN Charter. The practice of sanctions in the late 20th and early 21st century was that they are '[c]oercive measures taken in execution of a decision [...] of an organ legally empowered to act in the name of the society or community that is governed by the legal system'.[47] On this understanding, sanctions are characterised by three traits: they (1) are based on a collective decision, (2) are coercive in nature and designed to constrain, and (3) effect a toll on the targeted government.[48]

Thus, actions taken by individual governments do not fall under the rubric of sanctions, nor do actions taken by international organisations in response to a breach of obligations owed to them. Any such measures fall under Article 22 of the Articles on State Responsibility for Internationally Wrongful Acts, i.e. under the notion of countermeasures. The Commentaries by the ILC state that:

> 'The term "sanctions" has been used for measures taken in accordance with the constituent instrument of some international organization, in particular under Chapter VII of the Charter of the

[46] Simon Chesterman and Béatrice Pouligny, 'Are Sanctions Meant to Work? The Politics of Creating and Implementing Sanctions Through the United Nations' (2003) 9 *Global Governance: A Review of Multilateralism and International Organizations* 503, 503.
[47] George Abi-Saab, 'De La Sanction En Droit International', in Jerzy Makarcyk (ed), *Theory of International Law at the Threshold of the 21st Century: Essays in Honour of Krzysztof Skubiszewski* (Kluwer Law International, 1996) 61.
[48] Oxford University Press, *Max Planck Encyclopedia of Public International Law* (online at 30 May 2026) Sanctions, 'B. Criteria for the Identification of Sanctions' [8] <https://opil.ouplaw.com/view/10.1093/law:epil/9780199231690/law-9780199231690-e984?prd=OPIL>. Other elements that are sometimes mentioned are efforts to contain a conflict or to express outrage without pursuing a clear political goal. See above Chesterman and Pouligny (n 46) 505–506.

> United Nations—despite the fact that the Charter uses the term "measures", not "sanctions".'[49]

Some authors extend the concept of sanctions to measures taken by governments on a unilateral or plurilateral basis.[50] While such an understanding is conceivable due to the lack of a central enforcement mechanism in public international law, it creates considerable ambiguity. The use of measures by an individual government or a group of governments outside of designated processes has thus rightly been termed 'autonomous sanctions'.[51]

Whether autonomous sanctions are legal under international law is a contentious issue.[52] The legality of autonomous sanctions is questionable, and Hovell argues may depend in part on whether the sanctions are corrective (a countermeasures in response to an internationally wrongful act) or coercive (seeking to influence a state to do something that is not actually required under international law).[53] As discussed in Chapter 2, some autonomous sanctions have been framed, particularly by target countries, as Weaponised Trade measures.

Regardless of whether autonomous sanctions are viewed as legal or illegal, or whether they are seen as a form of Weaponised Trade, it is clear that individual states and international organisations have increasingly resorted to adopting autonomous sanctions in recent years.[54] These include measures taken by the EU, the US, Australia, Canada and others against Russia in response to its intervention in Ukraine,[55] and the use of unilateral sanctions by the US against Venezuela and Iran in 2025, in what became a predecessor to military actions

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[49] International Law Commission, *Draft Articles on Responsibility of States for Internationally Wrongful Acts, with Commentaries* (2001) 75 <https://legal.un.org/ilc/texts/instruments/english/commentaries/9_6_2001.pdf>.
[50] Jean Salmon (ed), *Dictionnaire de droit international public* (Bruylant, 2001) 1017.
[51] Clara Portela, *European Union Sanctions and Foreign Policy: When and Why Do They Work?* (Routledge, 2010) 48–49. See generally, *Autonomous Sanctions Act 2011 (Cth)*, <https://www. legislation.gov.au/Series/C2011A00038>.
[52] See generally Devika Hovell, 'Unfinished Business of International Law: The Questionable Legality of Autonomous Sanctions' (2019) 113 *AJIL Unbound* 140
[53] Ibid.
[54] Tom Ruys, 'Sanctions, Retortions and Countermeasures: Concepts and International Legal Framework' in Larissa van den Herik (ed), *Research Handbook on UN Sanctions and International Law* (Edward Elgar Publishing, 2017) 19, 47.
[55] Ibid; Alexandra Hofer, 'Third-Party Countermeasures: Making Custom Out of Ambiguous Practice?' (2025) 74(2) *International and Comparative Law Quarterly* 287.

taken in 2026.[56] The expanded use of autonomous sanctions reflects the increasing depth with which security issues are being linked with economic policy.

4.2.3 Weaponised Trade

The increasing use of Weaponised Trade measures is, in itself, an indicator of the breakdown of the norms that previously limited the use of trade restrictions for overtly political or security related reasons. Harding and Harding note that part of what is 'new' about Weaponised Trade is a rhetorical shift, whereby 'statements about trade are [now] steeped in the rhetoric of war'.[57] Although a change in rhetoric may not signal a substantive change in actual policy or action, several commentators also note an increase in how trade is 'integrated into the military strategies of great powers such as the United States, China, and Russia'.[58]

In addition to the local impacts discussed in Chapter 2, Weaponised Trade measures can have wide-reaching economic impacts. Where Weaponised Trade measures target a specific sector or industry, this will impact that industry outside of the target and instigator. Even where Weaponised Trade measures appear, on their face, to be economy wide, if the target has a particularly significant export industry or industries, there may be global flow on effects in that industry. These impacts can be felt even where the Weaponised Trade measure is merely threatened but not actually implemented. For example, in May 2019 President Trump threatened to impose tariffs on all imports from Mexico unless sufficient action was taken to address the 'illegal migration crisis'.[59] The threatened tariffs were to begin at 5% in June 2019, and ratchet up by 5% each month unless action was taken

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[56] See Gibson Dunn, 'International Trade 2025 Year-End Update', *Gibson Dunn* (Web Page, 6 February 2026) [1] <https://www.gibsondunn.com/international-trade-2025-year-end-update/#_Toc220675472>

[57] Rebecca Harding and Jack Harding, *The Weaponization of Trade: The Great Unbalancing of Politics and Economics* (London Publishing Partnership, 2017) 1.

[58] Bryce Hoffman, 'The Weaponization of Trade is Making You a Foot Solider in the Geopolitical Chess Game', *Forbes* (online, 3 September 2022) <https://www.forbes.com/sites/brycehoffman/2022/09/03/the-weaponization-of-trade-is-making-you-a-foot-soldier-in-the-geopolitical-chess-game/>.

[59] The White House, 'Statement from the President Regarding Emergency Measures to Address the Border Crisis' (Web Page, 30 May 2019) <https://trumpwhitehouse.archives.gov/briefings-statements/statement-president-regarding-emergency-measures-address-border-crisis/>.

by Mexico, until they reached an ongoing rate of 25% by October 2019.[60] Although these specific tariffs were not ever imposed by the US, the threat caused a significant impact on the global automotive industry. The threatened tariffs were estimated to cost that sector up to US$23 billion, and President Trump's statement threatening the tariffs caused an immediate loss for share prices in automotive manufacturers globally, including for companies based in Japan, such as Mazda Motor Corporation, or in Europe, such as Volkswagen AG.[61]

Weaponised Trade frequently has a snowball effect, whereby a perception of weaponisation by one country leads to escalation and 'tit-for-tat' retaliation. For example, in July 2024 the Canadian government imposed a 100% surtax on imported Chinese electric vehicles. The justification from Canada was that China 'has an intentional state-directed policy of overcapacity and oversupply designed to cripple our [Canadian] industry',[62] but also cited Chinese vehicles being vulnerable to data breaches. China criticising the move as motivated by politics and not justifiable under WTO rules.[63] Soon after, China commenced anti-dumping investigations into Canadian canola and pork imports, which were considered retaliation for the EV surtax.[64]

The impact of increasing use of trade as a political tool can be seen in the World Uncertainty Index (WUI), which captures uncertainty related to economic and political events, regarding both near-term and long-term concerns.[65] The WUI provides a clear indication of the extent to which trade tensions and Weaponised Trade can impact global uncertainty, even relative

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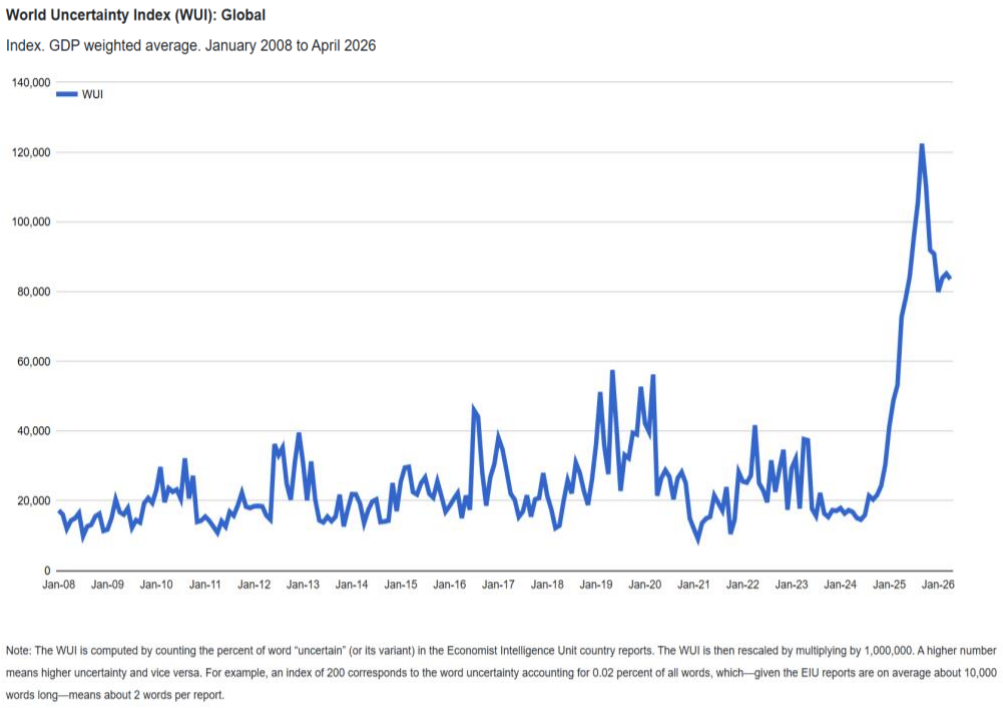
[60] Ibid.
[61] Naomi Tajitsu and Georgina Prodhan, 'Trump's Mexican tariffs threaten to disrupt auto sector', *Reuters* (online, 1 June 2019) <https://www.reuters.com/article/business/trumps-mexican-tariffs-threaten-to-disrupt-auto-sector-idUSKCN1T11TW>.
[62] Rob Gillies, 'Canada imposes a 100% tariff on imports of Chinese-made electric vehicles, matching the US', *AP News* (online, 27 August 2024) <https://apnews.com/article/canada-china-evs-tariffs-0cd68ba7533bc6e7111cdd5811c8889c>.
[63] 'Electric Vehicles: China–Canada', *Weaponised Trade and Economic Coercion Case Studies Database* <https://economiccoercion.com/2024/07/31/electric-vehicles-china-canada/>.
[64] Rob Drinkwater, 'Canada's tariffs on Chinese EVs created '2- front trade war' hurting prairie canola, pork producers: Kinew' *CBC News,* (online, 12 October 2025) <https://www.cbc.ca/news/canada/manitoba/kinew-carney-canola-tariffs-prairie-pork-9.6936340>.
[65] Hites Ahir, Nicholas Bloom and Davide Furceri, '60 Years of Uncertainty', *Finance & Development* 59 <https://www.imf.org/external/pubs/ft/fandd/2020/03/pdf/imf-launches-world-uncertainty-index-wui-furceri.pdf>.

to other major political or social shocks. The graph below which shows WUI data from January 2008 to April 2026.[66]



The highest point the WUI reached since 2008 is a very high level of uncertainty in mid-2025, which reflected the trade policies and widespread use of tariffs by the Second Trump Administration. The next highest level of uncertainty was in mid-2019, during the US-China Trade War, and it is notable that that peak was (narrowly) higher than the level of uncertainty reached in 2020 during the early months of the COVID-19 pandemic. The negative impacts of this increased global uncertainty are particularly felt by least developed and vulnerable countries.[67]

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[66] Hites Ahir, Nicholas Bloom and Davide Furceri, *World Uncertainty Index* (Web Page) <https://worlduncertaintyindex.com/>. Data available at <https://worlduncertaintyindex.com/wp-content/uploads/2026/04/WUI_Data.xlsx>. On methodology, see Hites Ahir, Nicholas Bloom and Davide Furceri, 'The World Uncertainty Index' (Working Paper 29763, National Bureau of Economic Research, February 2022) <https://www.nber.org/papers/w29763>.

[67] Ahir, Bloom and Furceri, '60 Years of Uncertainty' (n 65) 60 <https://www.imf.org/external/pubs/ft/fandd/2020/03/pdf/imf-launches-world-uncertainty-index-wui-furceri.pdf>.

4.3 The Capacity of the WTO Rules to Respond

The increasing use of trade restrictions as a tool of foreign policy is undermining the rules-based international economic order and particularly the multilateral WTO regime. Weaponised Trade has the potential to undermine the existing systems of economic and security governance. By bypassing established rules and norms of behaviour, it has significant national security implications. As explained above in Section 4.1.3, at its height the WTO regime offered a highly legalised framework for the governance of international trade, purporting to foster 'a degree of separation between international trade and political struggles'.[68] A 'core principle of the WTO is that trade should be governed by the rule of law, rather than the raw use of power'.[69] Some scholars go so far as to suggest that the weaponisation of trade and recent trade wars are part of a shift from a 'rules-based international order to a power-based one',[70] and that the increasing number of politicised trade disputes means that the WTO regime may struggle 'to remain standing in the face of so many rapid-fire blows'.[71]

However, Weaponised Trade can potentially create some opportunities within the WTO regime, as well as creating challenges for it. We begin in this section by considering the instances of Weaponised Trade where the WTO rules were used to challenge the relevant measures, before then going on to consider the limits of the multilateral trade regime in addressing Weaponised Trade.

4.3.1 WTO Disputes Challenging Weaponised Trade Measures

As discussed in Chapter 3, there have been a number of instances of Weaponised Trade where the target has referred the relevant measure/s to the Dispute Settlement Body of the WTO. In at least some of these cases the WTO rules have been able to respond to the Weaponised Trade measures and

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[68] Yong-Shik Lee, 'Weaponizing International Trade in Political Disputes: Issues Under International Economic Law and Systemic Risks' (2022) 56(3) *Journal of World Trade* 405, 406.
[69] Kristen Hopewell, 'Beyond US-China Rivalry: Rule Breaking, Economic Coercion, and the Weaponization of Trade' (2022) 116 *AJIL Unbound* 58, 61.
[70] Tom Ruys and Felipe Rodríguez Silvestre, 'Economic Statecraft: A Closer Look Inside the European Union's Expanding Toolbox' (2023) 51 *Georgia Journal of International and Comparative Law*, 647. See also Hopewell (n 69) 61.
[71] Harlan Grant Cohen, 'Nations and Markets' (2020) 23(4) *Journal of International Economic Law* 793, 798.

offered an avenue for the target to challenge those measures. In the following table, we summarise some of the WTO disputes arising from case studies of Weaponised Trade, highlighting the measure that was challenged, the relevant WTO rule/s and the outcome.

WTO Dispute Settlement Cases Related to Weaponised Trade Measures

DISPUTE	MEASURE/S	AGREEMENT/S	OUTCOME
China – Rare Earths (DS431, DS432 and DS433)	Published and unpublished measures that restricted export of rare earths, tungsten and molybdenum to Japan, EU and US.	GATT, China's Protocol of Accession	China's export restrictions were found to be inconsistent by the Panel and Appellate Body in 2014; China claims to have fully implemented recommendations by May 2015.
Korea – Radionuclides (Japan) (DS495)	Bans and additional testing / certification requirements on Japanese seafood in the wake of the Fukushima nuclear accident.	SPS; GATT	Panel report issued in February 2018 found inconsistency with several substantive provisions of the SPS Agreement, but all of these findings were overturned by the Appellate Body, leaving only a finding of inconsistency with notification / transparency obligations under SPS Article 7 and Annex B(1).
Saudi Arabia – IP Rights (DS567)	Failure by Saudi Arabia to enforce intellectual property rights of Qataris.	TRIPS	Panel report was issued in June 2020. While finding that Saudi Arabia's measures were inconsistent with Articles 41.1, 42 and 61 of the TRIPS Agreement, but that the violations of Articles 41.1 and 42 could be justified under the security exception in Article 73(b)(iii). Saudi Arabia notified its intention to appeal, but the dispute was suspended in 2021 and then terminated in 2022, after the parties had reached a wider settlement of their conflict.
Japan – Products and Technology (Korea) (DS590)	Measures including licensing enfores and procedures restricting exports of fluorinated polyimide, resist polymers and hydrogen fluoride, and their related technologies.	GATT, TFA, TRIMS, TRIPS	A Panel was established on 29 July 2020, but Korea decided to terminate the composition process and overall dispute in March 2023, once the Japanese measures had been removed as part of a wider recovery of relations between the parties.
China – Canola Seed (Canada) (DS598)	Suspension of the importation of canola seed from two Canadian companies; and enhanced inspections on all imports of Canadian canola seed.	GATT, SPS, TFA	The Panel was composed in November 2021, but Canada requested suspension of the Panel's work in August 2022. It was reported that by May 2022 both Canadian companies had regained their export permits. Authority for the panel lapsed in August 2023.
EU – Palm Oil (Indonesia) (DS593)	EU, French and Lithuanian measures concerning biofuels and criteria to limit inputs produced on deforested land.	GATT, SCM, TBT	Panel report found EU and French measures inconsistent; Indonesian request for retaliation pending at 19 March 2026.
EU – Palm Oil (Malaysia) (DS600)		GATT, SCM, TBT	Panel report found EU and French measures inconsistent; measures amended on 10 April 2026 to implement Panel recommendations.
China – AD/CVD on Barley (Australia) (DS598)	China's imposition of anti-dumping and countervailing duties on Australian barley.	ADA, SCM, GATT	Panel was composed and circulated its report to the disputing parties in early 2023; before Panel report was circulated to all Members and the public the parties jointly requested on 11 April 2023 that the panel suspend its work. A mutually agreed solution, which included China removing the duties, was notified on 11 August 2023.
China – AD/CVD on Wine (Australia) (DS602)	China's imposition of anti-dumping and countervailing duties on Australian wine.	ADA, SCM, GATT	Panel was composed and circulated its report to the disputing parties in mid-2023; Panel report was scheduled to be circulated to all Members on 10 November 2023, but parties agreed to suspend the proceedings on 30 October 2023. A mutually agreed solution, which included China removing the duties, was notified on 29 March 2024.
China – Goods (EU) (DS610)	Restrictions on and technical issues with customs clearance for Lithuanian products.	GATT, TFA, SPS, GATS	Panel composed to hear the dispute in January 2023; dispute suspended in 2024 and later terminated by request of EU, after the parties the measures had been resolved and relevant trade resumed.
Canada – Certain Products (China) (DS627)	Surtax of 100% imposed by Chinese-made electric vehicles and other products including steel, aluminium and batteries.	GATT	Panel established on 23 June 2025 but not yet composed as of 30 May 2026.
China – Provisional AD Duties on Brandy (EU) (DS631)	Provisional application of anti-dumping duties on brandy.	ADA	Request for consultations made on 25 November 2024; formal dispute has not progressed. In July 2025 China's Ministry of Commerce issued its final ruling in the anti-dumping investigation, imposding duties of 34.9% on the imports for five years, but with an exception for some major French cognac producers.

Many of these disputes demonstrate that the existing WTO rules and dispute settlement system can be used to effectively discipline at least some Weaponised Trade measures. In addition to the potential for retaliation that can arise from a WTO dispute, in many of these cases the (potential) finding of inconsistency with international trade rules seems to strengthen the position of a target country in diplomatic efforts towards a resolution. In the words of one Delphi participant, bringing a WTO dispute can be part of wider 'negotiating tactics'.[72] This is clearly seen in the two disputes identified above that were initiated by Australia to challenge antidumping and countervailing duties imposed by China on barley and wine.[73] In each of these cases a settlement to the dispute, which included review and then removal of the duties by China, was reached after the Panel had concluded its substantive work, but before the Panel report was released to the wider WTO membership and public.[74] It was widely reported that the settlement reached by China and Australia was driven in part by China's desire to avoid to the publication of a Panel report which found it's measures to be inconsistent with WTO obligations, which may undermine China's 'credibility' at the WTO.[75]

While the reputational and practical consequences of a finding of breach by the WTO may be effective as tools to discipline some instances of Weaponised Trade, it should be noted that in many of these cases the WTO dispute was just one element of wider diplomatic efforts to resolve the underlying political conflict. For example, in March 2019 China imposed restrictions on Canadian canola seed exports. Canada sought to resolve the issue diplomatically with China without success, and it then initiated a WTO dispute June 2021. The dispute was resolved by early-2022, when the relevant

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[72] Delphi Roundtable (Sydney, 20 November 2023) 1:13:05.

[73] See Panel Report, *China — Anti-Dumping and Countervailing Duty Measures on Barley from Australia*, WTO Doc WT/DS598/R (24 August 2023); *China — Anti-Dumping and Countervailing Duty Measures on Wine from Australia*, (DS602) (settled before panel report circulated).

[74] See Senator the Hon Penny Wong, 'Resolution of the Barely Dispute with China' (Joint Media Release, 4 August 2023) <https://www.foreignminister.gov.au/minister/penny-wong/media-release/resolution-barley-dispute-china#:~:text=In%20April%20this%20year%2C%20Australia,legal%20proceedings%20at%20the%20WTO>. See also Senator the Hon Penny Wong, 'Resolution of Wine Dispute with China' (Joint Media Release, 28 March 2024) <https://www.foreignminister.gov.au/minister/penny-wong/media-release/resolution-wine-dispute-china>.

[75] Weihuan Zhou and James Laurenceson, 'China has finally removed crushing tariffs on Australian wine. But re-establishing ourselves in the market won't be easy' *The Conversation* (online, 11 April 2026) <https://www.cibel.unsw.edu.au/news/china-has-finally-removed-crushing-tariffs-australian-wine-re-establishing-ourselves-market-wont-be-easy>.

Canadian companies had been reissued with export permits.[76] While the looming WTO panel proceeding may have been one factor in China's decision to re-allow Canadian canola imports, the change of heart also reflected other improvements in the relationship between China and Canada, including a high profile prisoner swap in September 2021.[77]

In several of the case studies we examined the target of Weaponised Trade measures did not decide to request consultations and initiate a formal dispute but instead raised the measure as a Specific Trade Concern within the relevant WTO committee. This is unsurprising given that a WTO dispute settlement panel can take years to complete its work, and that when political tensions between two WTO Members are already high, the target may not want to risk further antagonisation of the instigator by initiating a formal dispute. In 2010 China imposed additional inspection and quarantine procedures on salmon from Norway, delaying shipments and causing many fish to rot before delivery, apparently as 'retribution' for the 2010 Nobel Peace Prize being awarded to Chinese dissident and human rights activist Liu Xiaobo.[78] The Norwegian Government appeared reticent to further inflame tensions by speculating as why China had imposed the restrictions,[79] and did not request consultations under the Dispute Settlement Understanding. However, Norway did raise the issue in the WTO Sanitary and Phytosanitary (SPS) Committee, and it was discussed in eight meetings of the Committee between 2011 and 2013, calling for consultation 'on a technical level' to resolve the safety issues which China had cited as the justification for the increased quarantine measures.[80] Through these committee dialogues the institutional framework and rules of the WTO provide a less hostile forum of targets of Weaponised Trade measures to raise concerns and seek cooperation towards a resolution.

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[76] Global Affairs Canada, 'Statement by Minister Ng and Minister Bibeau on China's Removal of Restrictions on Canadian Canola Exports' (Media Release, 18 May 2022) <https://www.canada.ca/en/global-affairs/news/2022/05/statement-by-minister-ng-and-minister-bibeau-on-chinas-removal-of-restrictions-on-canadian-canola-exports.html>.

[77] See 'Huawei Executive Meng Wanzhou Freed by Canada Arrives Home in China', *BBC News* (online, 26 September 2021) <https://www.bbc.com/news/world-us-canada-58690974>.

[78] Mark Lewis, 'Norway's Salmon Rot as China Takes Revenge for Dissident's Nobel Prize', *The Independent* (online, 6 October 2011) <https://www.independent.co.uk/news/world/europe/norway-s-salmon-rot-as-china-takes-revenge-for-dissident-s-nobel-prize-2366167.html>.

[79] Ibid.

[80] World Trade Organization, *Specific Trade Concern No 319* (Trade Concerns Database, Web Page, 5 November 2020) <https://tradeconcerns.wto.org/en/stcs/details?imsId=319&domainId=SPS>.

4.3.2 The Limits of the WTO Rules and Institutions

Despite the avenues for challenging Weaponised Trade measures described above, the capacity of the WTO rules and institutional framework to respond to Weaponised Trade is limited in many respects. As noted above, in some instances of Weaponised Trade the target was unwilling to bring a formal WTO dispute, even where they believed the measures to be inconsistent with WTO rules and raised the issues as a Specific Trade Concern in a WTO committee. But in addition to potential reluctance by the target of Weaponised Trade measures to initiate a formal WTO dispute, throughout the expert consultations undertaken for our research two limits of the WTO were identified: (1) the nature of the WTO rules; and (2) the dysfunctionality of the dispute settlement system.

Old Rules for a New World

Many of our Delphi participants and interviewees characterize the WTO as a product of its time, i.e. one in which international institutions and international legal frameworks proliferated and had buy-in from governments. As one participant put it, there was always a limit to what the WTO framework was able to accomplish, but the agreement was 'made for a different logic' than now; a 'context for which [the WTO] was not made'.[81] Some of these criticisms are rooted in the rules themselves, although the pitfalls of those rules have only emerged in a world that is no longer characterized by a good faith application of these rules.[82] While the diminished significance of the WTO as an institution and its legal framework might have been perceived as a temporary disruption after Donald Trump assumed the US presidency in 2017, the backsliding on the multilateral rules has become the new baseline from which WTO members are now operating from.[83]

In addition and as discussed in Chapter 2, many of our Weaponised Trade case studies involved informal measures, which are not found in written, verifiable documents, and are instead based on verbal instructions, failures to act or actions take by non-government actors or non-official institutions. In

[81] Delphi Roundtable (online, 10 November 2023) 56:37 and 56:50. This sentiment was shared in sometimes similar, sometimes different language by other participants in the same round. See Delphi Roundtable (online, 10 November 2023) at 53:40 and Delphi Roundtable (online, 10 November 2023) at 1:01:36.
[82] Interview with Delphi Interview Participant (online, 5 September 2023) 00:06:11.
[83] Ibid.

these kinds of situations, bringing a claim to a formal WTO dispute is difficult, as a such as dispute requires, as a threshold issue, that a specific measure can be identified.[84] Where trade is restricted through informal means, such as the reported instructions given by China to its state-owned enterprises not to purchase Australian coal, identifying a measure as the basis for a WTO complaint may be challenging.[85] This difficulty appears to have also been faced by Taiwan, in relation to China's suspension of imports of mangoes and other fruit imports in 2023 on the basis of alleged bio-safety concerns. Taiwan did not bring a formal WTO dispute but did raise the issue as a Specific Trade Concern within the SPS Committee on fourteen occasions, most recently in March 2026.[86] Throughout these discussions in the SPS Committee, Taiwan has called on China to comply with its SPS obligations, including by seeking publication of clear regulations that are the basis for the increased quarantine requirements, and 'scientific identification and risk assessment reports' in line with notification and transparency obligations of the SPS Agreement.[87] In the absence of documentation explaining the nature of and justification for customs restrictions, it can be difficult to formulate a claim for inconsistency with WTO rules.

Dysfunctionality of the WTO Dispute Settlement System

The WTO dispute settlement system had been described as the crown jewel within the WTO,[88] but it began to show cracks when the US blocked reappointments to the Appellate Body, effectively making the body defunct.[89] This marked the beginning of the institutional decline of the appellate mechanism within the WTO, one of the major innovations and the driver of a coherent international trade jurisprudence from what were at times fractious panel decisions. The systemic importance of the Appellate Body within the WTO dispute settlement system is hard to overstate. Yet ironically it was this

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[84] James Laurenceson and Weihuan Zhou, 'Demystifying Australia-China Trade Tensions' (2022) 56(1) *Journal of World Trade* 51-86, 72-73.
[85] Ibid.
[86] World Trade Organization, 'Specific Trade Concern No 532', Trade Concerns Database (Webpage) <https://tradeconcerns.wto.org/en/stcs/details?imsId=532&domainId=SPS>.
[87] See, eg, Committee on Sanitary and Phytosanitary Measures, Summary of the Meeting of 5-7 November 2023: Note by the Secretariat, WTO Doc G/SPS/R/118 (19 December 2025) <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=Q:/G/SPS/R118.pdf&Open=True>.
[88] See, eg, William J Davey, 'WTO Dispute Settlement: Crown Jewel or Costume Jewellery?' (2022) 21(3) *World Trade Review* 291.
[89] Wagner (n 23) 80-81.

elevation of the apex institution of WTO dispute settlement compared to the GATT dispute settlement institutions that caused debate between almost exclusively the US on one side and the overwhelming number of remaining WTO members. The current debate about the future of the AB goes, in the words of former AB member Ramírez-Hernández, to 'the core and the nature of what the AB is or should not be'.[90]

The ineffectiveness of the WTO's dispute resolution mechanisms is a recurring theme in our Delphi conversations and interviews. One speaker noted that *China – Rare Earths* is an example of where a functioning Appellate Body was beneficial in enabling the WTO dispute settlement system to address Weaponised Trade measures.[91] One participant noted that 'there are things that the WTO rules can discipline. It's just that it's very difficult to actually use them effectively' at this point, given the Appellate Body crisis.[92] The 'world of appeals into the void' may result in disputing parties being compelled to go back to the diplomat's legal order of the GATT to 'find compromises, give something to the losing side' and strike a deal to achieve any resolution.[93]

Several participants stressed that the lack of a functioning Appellate Body and the undermining of the dispute settlement system of the WTO comes at considerable cost for the less powerful players. The US-induced breakdown of the Appellate Body which limits the ability of the WTO to adjudicate and enforce its own rules and was characterised by one participant as an 'emasculation of the dispute settlement system by the US' which acts as a 'deterrent' because it prevents challenges to US actions.[94] This points to the perceived power imbalance within the WTO and the limitations of its dispute resolution mechanisms in effectively addressing challenges from powerful actors. One participant emphasized the 'elevated importance of asymmetry in bargaining solutions to disputes' due to the weakened dispute settlement system.[95] This undermines the WTO's original goal of leveling the playing field

[90] Ricardo Ramírez-Hernández, *Farewell Speech of Appellate Body Member Ricardo Ramírez-Hernández* (World Trade Organization, Web Page, 28 May 2018) <https://www.wto.org/english/tratop_e/dispu_e/ricardoramirezfarwellspeech_e.htm >.
[91] Delphi Roundtable (online, 10 November 2023) 1:01:36.
[92] Ibid.
[93] Delphi Roundtable (online, 8 November 2023), 1:11:11.
[94] Delphi Roundtable (Canberra) 39:24.
[95] Delphi Roundtable (online, 8 November 2023) 1:15:13.

and allows more powerful states to exert undue influence in trade negotiations.[96]

4.3.3 Negotiation of New Rules

At the current juncture, it appears unachievable for the WTO to negotiate new rules that could target Weaponised Trade, for both political and technical reasons. On the political side, in the current geopolitical climate there is unlikely to be the widespread support necessary to negotiate new WTO rules, particularly from the major economies, who are the states currently employing Weaponised Trade measures most frequently.[97] As one participant noted, 'I can't think of anything that would incentivize the US and China to amend existing institutions or work with existing institutions in in ways that would discipline the use of Weaponized Trade'.[98]

On the technical side, even if the political will could be found for such negotiations, developing rules that could effectively discipline all forms of Weaponised Trade would likely prove impossible. While there may be criteria that can be used to normatively distinguish legitimate measures from economic coercion or weaponry,[99] these would be difficult to frame and implement as binding rules in a multilateral agreement. Increasingly, the tools of economic coercion are informal, difficult to precisely identify, and designed to exploit loopholes or gaps in existing frameworks – negotiating new rules will not address any of these challenges. More fundamentally, one Delphi participant noted that if part of the reasons for the undermining of the WTO framework has been backlash against the rules-based nature of the regime, as opposed to a more power-based system, then new rules simply won't be able to address that issue: 'if the legalisation is part of the problem, then negotiating a new bit of legalese is not [a] solution to that problem'.[100]

Despite participants' view that new rules are unlikely to be possible or effective, this is not to say that the rules-based international economic order and specifically the WTO as an institution does not retain its utility as one tool to combat economic coercion and Weaponised Trade. As noted above, there

[96] Ibid.
[97] Delphi Roundtable, (Participant Survey 13 September 2023).
[98] Delphi Roundtable, (Participant Survey 13 September 2023).
[99] See generally Elena Chachko and Abraham Newman, 'Building Norms of Economic Coercion' (2025) 28(3) *Journal of International Economic Law* 542.
[100] Delphi Roundtable, (online, Canberra PM Session) part 2, 28:20.

have been several instances where legal disputes before the DSB or raising concerns through WTO committees has contributed to addressing alleged instances of Weaponised Trade. Our analysis highlights three ways in which the capacity of the WTO to respond to Weaponised Trade could be enhanced, without major reform to the institution or rules: (1) the use and scope of security exceptions; (2) restoring the dispute settlement system; and (3) amending the WTO rule book.

Reigning in the use and scope of security exceptions

Many of our Delphi participants identified the increased invocation of the security exceptions, and 'self-judging' nature of those exceptions, as a powerful tool for instigators of Weaponised Trade to seek to justify or defend their measures. In theory there is nothing wrong with invoking Article XXI GATT in a situation where national security is genuinely at stake. But, as was pointed out by a US delegate in the negotiation towards what would eventually become Article XXI GATT, such a provision requires good faith in its application to avoid potential abuse of the exception.[101] The self-judging nature of Article XXI GATT is seen as being too permissive and allows for countries to either rely on it in situations in which such an invocation is unwarranted. What has been missing is definitional clarity not only with respect to the requirements of national security, but also with respect to the 'distinction between the Article XX [GATT] general exceptions and the Article XXI [GATT] security exceptions'.[102]

The negotiation of major changes to these exceptions to make them narrower or subject to greater scrutiny is highly unlikely in the current geopolitical climate. However, there is the potential for an interpretive statement to be adopted by the Ministerial Conference and General Council under Article IX:2 WTO Agreement. The decision to adopt an interpretation requires only a three-fourths majority, so could be achieved even without consensus among all WTO Members. While such an interpretation could not be so significant as to amount to an amendment, it could clarify the preferred interpretation of security exceptions such as Article XXI GATT, and the scope of key terms within those exceptions to help safeguard against abuse. An alternative

[101] Quoted in Mona Pinchis-Paulsen, 'Trade Multilateralism and US National Security: The Making of the GATT Security Exceptions' (2020) 41 *Michigan Journal of International Law* 109, 149.

[102] Delphi Roundtable, (online, 10 November 2023) 52:53. On the relationship of Article XX and XXI of the GATT, see Cohen (n 42), 105-106.

approach would be the creation of a new WTO committee that could act as a forum for the discussion of trade restrictions that have ostensibly been adopted on national security grounds. Although a committee would not have the mandate to determine whether any given measure was inconsistent with the WTO rules, such a forum could create greater transparency and scrutiny of measures, in a similar way to the use of the SPS Committee and other bodies to raise Specific Trade Concerns.

Restoring the efficacy of the dispute settlement system

The current state of dysfunction in the Appellate Body is generally deterring Members from initiating WTO disputes, and creates uncertainty where a Member that loses at the Panel stage 'appeals into the void' in order to avoid adoption and enforcement of any Panel rulings.[103] In the words of one Delphi participant: '[W]hat's it going to cost you if you break this new bit of law and what have we got in the system?',[104] implying that without a robust enforcement mechanism, any rules (whether new or old) will lack deterrent value.

Amendments to WTO rules

While large scale changes to the WTO rules or new rules specifically targeting Weaponised Trade and Economic Coercion seem unlikely to be adopted in the current context, there are smaller changes that could be made to rules that could have significant impact in efforts to discipline Weaponised Trade. These could include changes to evidence requirements and the burden of proof. For example, reversing the onus of proof in relation to issues or glitches with customs procedures would mean that a WTO Member who was suddenly not granting customs clearances would have to justify the rejection at the border. This would create greater transparency and assist target WTO Members seeking to challenge informal customs restrictions.

Given the imposition of anti-dumping or countervailing duties have been used for political reasons in many of out case studies, another reform to WTO rules that would be valuable is to reduce the broad evidentiary and methodology discretion given to domestic authorities undertaking investigations that may lead to the imposition of duties. As noted in Chapter 2, Article 6.8 of the Antidumping Agreement and Article 12.7 of the Subsidies and Countervailing

[103] See generally Hopewell (n 22).
[104] Delphi Roundtable, (Canberra PM Session) part 2, 28:57 – 29:05.

Measures Agreement allow authorities to rely on 'available facts' and to disregard information if it not provided in a specific way or timeline.

4.4 Future Directions in the International Economic Order

4.4.1 Consequences of a Failing World Trading System

As the WTO's effectiveness wanes, the international trade environment has seen a marked shift towards a system dominated by power-based bargaining. This is evident as much in the US efforts at seeking bilateral solutions under President Trump as it is in China's efforts through the Belt and Road Initiative. One participant emphasized the 'elevated importance of asymmetry in bargaining solutions' when the playing field is no longer level.[105] Powerful states like the US are favoured in such a scenario, as they can leverage their economic and political might to secure advantageous deals outside the multilateral framework. This power imbalance could exacerbate existing bargaining inequalities and create a system where smaller or less powerful states struggle to protect their interests.

One of the consequences of the decline of traditional trade agreements, according to some experts, is a rise in 'administered trade', characterized by direct government intervention and arrangements at either the margins or outside the established WTO legal framework. This has led to one expert to argue that 'we have to also expand a bit our mindsets to think of trade disciplines in a completely different way' with direct government intervention.[106] Useful examples for this development are US agreements with the Netherlands and Japan, which they describe as 'the kind of trade relation that doesn't fit in the framework of an FTA'.[107] In a similar vein, one could think of the now defunct US-sponsored Indo-Pacific Economic Framework in a similar fashion.

One of the biggest risks is the potential for fragmentation into trading blocs towards an international mosaic order.[108] This is a development that the WTO

[105] Delphi Roundtable, (online, 8 November 2023) 1:15:13.
[106] Delphi Roundtable, (online, 10 November 2023)1:08:19.
[107] Congressional Research Service, *US-Japan Critical Minerals Agreement: Background and Issues for Congress* (Report No R48676, 3 September 2025) <https://www.congress.gov/crs-product/R48676>.
[108] Shekhar Aiyar et al, *Geo-Economic Fragmentation and the Future of Multilateralism* (Staff Discussion Note No SDN/2023/001, International Monetary Fund, January 2023) 12-13 <https://doi.org/10.5089/9798400229046.996>.

flagged in its 2023 World Trade Report with negative economic consequences.[109] One of the main concerns raised in the Report is the risk of economic fragmentation, which in turn increases the likelihood of conflict. These are both attributed to heightened economic policy uncertainty and declining global peacefulness.[110] Importantly, the report stresses that the consequences of such fragmentation are reduced global income, limited resources for investments, and disproportionate harm to low-income countries.

The fragmentation of the global trading system into distinct blocs, driven by a combination of security concerns, ideological differences, and the pursuit of strategic advantage brings with it not only economic, but also political consequences. One expert identified a future 'five eyes trading arrangement' in which trade is increasingly restricted to 'trusted partners'.[111] While potentially offering some benefits to those within the bloc, this fragmentation would likely lead to reduced efficiency, higher costs, and limited access to diverse markets. This was marked as a particular concern for Australia, reliant as it is on diversified trade relations.

The most pessimistic outlook presented is a 'balkanization' of the global system, with distinct blocs forming around the US and China, leading to a bifurcation of trade and investment flows.[112] This scenario evokes comparisons to the pre-World War II era, where trade was inherently strategic and often intertwined with geopolitical rivalries. The experts warn that this could result in a 'dark future' characterized by a lack of rules, increased protectionism, and a higher risk of trade-related conflicts.[113] This would be a departure from a system that can be characterised as a backstop against protectionism and one in which governments could separate out trade and

[109] World Trade Organization, *World Trade Report 2023*: Re-globalization for a Secure, Inclusive and Sustainable Future (Report, 2023) <https://www.wto.org/english/res_e/publications_e/wtr23_e.htm. >. For a counterpoint, see Stewart Paterson, *Is geopolitics now the overriding determinant in global trade?* (White paper, *Hinrich Foundation,* July 2024) <https://www.hinrichfoundation.com/research/wp/trade-geopolitics/does-geopolitics-now-determine-global-trade>.
[110] WTR (n 109) 50-51
[111] Delphi Interview 5, online, 5 September 2023) 19:34.
[112] Delphi Interview 4, online, 23 May 2023) 56:37.
[113] Delphi Roundtable, (online, Canberra, 8 November 2023) 14:06. See also, Delphi Roundtable, (online, Canberra, 25 October 2023) 4:22.

trade policy from geopolitics. In other words, a shift from the rules-based regime back to a power-based regime.[114]

One participant suggests that the current 'free for all' environment allows for governments to exploit the ambiguity in provisions such as GATT Article XXI for their benefit. This creates a climate where securitizing trade seems permissible and even advantageous: 'Why is everyone comfortable with securitizing things now? Because everyone's securitizing things everywhere else. [...] If it's convenient for you to do it because it allows you to get away with things'.[115] This general sentiment was summed up by one participant succinctly as follows:

> 'The problem is that when we enlarge security to encompass everything, we break the very basic of the rules.'[116]

These developments erode trust and increase the potential for conflict. The breakdown of the WTO dispute settlement system and the increasing use of unilateral actions contribute to this decline in trust. This creates an environment of uncertainty, where actors are less willing to rely on established rules and mechanisms, leading to unpredictable outcomes and potentially discouraging trade and investment. The experts warned that weaponizing trade and the breakdown of the rules-based system make future cooperation difficult. This carries negative consequences for innovation and cooperation through hindering the flow of goods, services, ideas, and technology across borders.

4.4.2 Role of Preferential Trade Agreements

A common response to the increasing fragmentation of international trade has been reshoring or friend-shoring in order to reduce vulnerability to foreign shocks (as discussed in Chapter 3 [124]). In lieu of the widespread support for multilateralism that international trade governance has enjoyed after the creation of the WTO in 1995, there has been a marked shift towards an increasing number of bilateral and plurilateral agreements or arrangements, often referred to simply as PTAs. This is often done by the more powerful players in the system who have come to realise that they may be better off

[114] Sergio Puig, 'The United States-Mexico-Canada Agreement: A Glimpse into the Geoeconomic World Order' (2019) 113 *AJIL Unbound* 56.
[115] Delphi Roundtable, (online, 8 November 2024) 1:00:56.
[116] Delphi Roundtable, (online, 8 November 2024) 48:32.

pursuing bilateral agreements.[117] This highlights a growing sentiment that bilateral or plurilateral agreements offer greater control and potentially better outcomes for participating jurisdictions, especially in a world where the multilateral system is seen as failing. The idea of building trade frameworks with countries with greater common interests to start with is seen as attractive and 'might be a better, more productive place to start than trying to do it with' the multiplicity of voices inside the WTO framework.[118] This turn towards 'trusted trade' within particular blocs of countries with shared values has emerged as a potential alternative to the multilateral system. However, one participant cautions against the potential drawbacks of such arrangements, arguing that they could 'trap a lot of inefficiencies and inequities' and limit diversification.[119]

The move towards bilateralism is particularly evident in the approach of the first and second Trump administrations, which both exhibited a preference for bilateral approaches to bypass a multilateral framework that was considered too restrictive for the administration's shifting policy preferences, especially with respect to China and state-owned enterprises. With respect to the latter, one participant remarked that

> 'my … understanding in terms of the way that the US government has thought about this is that the WTO rules just fundamentally got it wrong when it came to how to deal with, with Chinese state connected companies. And that because of that, the US government just decided that they needed to do lots of things to kind of compensate for that because the WTO wasn't going to be there to help them with that problem'.[120]

Another participant described the shift in the US as follows: 'the US got a little upset and decided to rattle the cage. And while we thought that was a bit of a hiccup in US trade policy has now become the new baseline of US trade policies'.[121]

Against the backdrop of an increasingly fragmented and power-driven global trading environment, new PTAs offer a meaningful avenue for like-minded states to rebuild and reinforce a rules-based international economic order

[117] Delphi Interview 3, online, 5 October 2023, 38:53.
[118] Delphi Roundtable, (online, 10 November 2023) 1:05:27.
[119] Delphi Interview 5, online, 5 September 2023, 19:34.
[120] Delphi Roundtable, (online, 10 November 10 2023) 1:03:35.
[121] Delphi Interview 5, online, 5 September 2023) 6:11.

among themselves. Rather than waiting for consensus within multilateral forums that have become increasingly gridlocked, willing states can use PTAs to develop new norms and binding rules that reflect a shared commitment to law over power. In doing so, these agreements create islands of stability and predictability within a broader system under stress, demonstrating that cooperative, law-governed trade relationships remain both achievable and desirable.

PTAs create the capacity for differentiated trade regimes, where robust rules can be applied in sectors where liberalisation remains mutually beneficial and politically achievable, while carving out more sensitive or strategically contested sectors from those rules altogether. As one expert observed, given that the global economy remains deeply interdependent across many areas, a pragmatic compromise may lie in accepting that a future trade regime need not be universal in its coverage: certain sectors could be excluded from any formal trade regime entirely, left to a 'free for all' environment, while the majority of the economy continues to be governed by WTO-like rules and disciplines.[122] This is not an ideal outcome, but it may help to preserve the gains from trade liberalisation where political conditions allow, rather than allowing sensitivities to drag down the entire edifice of rules-based trade governance.

PTAs are particularly well suited to advancing this kind of differentiated, sector-specific approach, precisely because they allow a smaller group of like-minded states to construct rules tailored to their shared interests and threat perceptions, without needing to secure consensus across the full WTO membership. As another expert noted, building legal trade regimes with fewer parties and more aligned interests may, in many cases, produce a more effective and functional outcome than attempting to negotiate with nearly 190 voices at the table.[123] The resulting system would:

> 'lead probably to a siloed legal trade system, but that might, in many cases, be better than what we have and be more effective [...] So it might be at least worst kind of approach'.[124]

A network of well-functioning bilateral and regional agreements with meaningful dispute settlement mechanisms could represent a more

[122] Delphi Roundtable, (online, 10 November 2023) 58:26.
[123] Delphi Roundtable, (online, 10 November 2023)1:05:27.
[124] Ibid.

productive foundation than the current gridlock of the multilateral system. In this sense, the proliferation of PTAs, rather than being merely symptomatic of multilateral fragmentation, can be understood and deliberately pursued as a constructive response. PTAs that embed a rule-based, rather than power-based, approach to regulating international trade, with the parties committing to rules disciplining the use of trade restrictions, transparency and independent dispute settlement obligations, are one of the most immediately available tools for states seeking to support and reinforce a rules-based international order.

One particular contributions that PTAs can make in this context is helping to slow the expansion of securitisation in international trade. The growing tendency of states to invoke national security justifications to restrict trade has, until now, functioned as something of a one-way ratchet or as one of our discussants said as a 'spiral dynamic'.[125] PTAs between like-minded states can help to reverse this spiral by negotiating agreed limits on the scope of security exceptions, providing the reassurance that trading partners need about each other's intentions, and establishing a new equilibrium that protects genuine security interests without sacrificing the mutual gains from trade liberalisation.

A promising model for how this balance can be struck in practice is found in Article 28.2 of the recently concluded UK-India FTA. Rather than adopting a single, broadly worded security exception of the kind found in agreements such as the CPTPP, the UK-India FTA disaggregates security concerns into two distinct categories. Article 28.2.1 preserves a traditional GATT Article XXI-style carve-out for measures relating to core essential security interests, such as those arising in the context of armed conflict or other emergencies in international relations. Article 28.2.2, however, addresses the wider and less defined contested category of security concerns such as threats to critical public infrastructure, and subjects the invocation of that exception to a qualification that the measure 'must not constitute a disguised restriction on trade'. This two-tier architecture represents a meaningful attempt to draw a principled line between national security and protectionism, and offers a potential template for how future PTAs can clarify norms, and pull-back from the downward spiral of securitisation and the further erosion of rules-based trade governance.

[125] Delphi Roundtable, (online, 8 November 2023) 1:02:37.

CHAPTER 5

FACING WEAPONISED TRADE: RECOMMENDATIONS AND CONCLUSIONS



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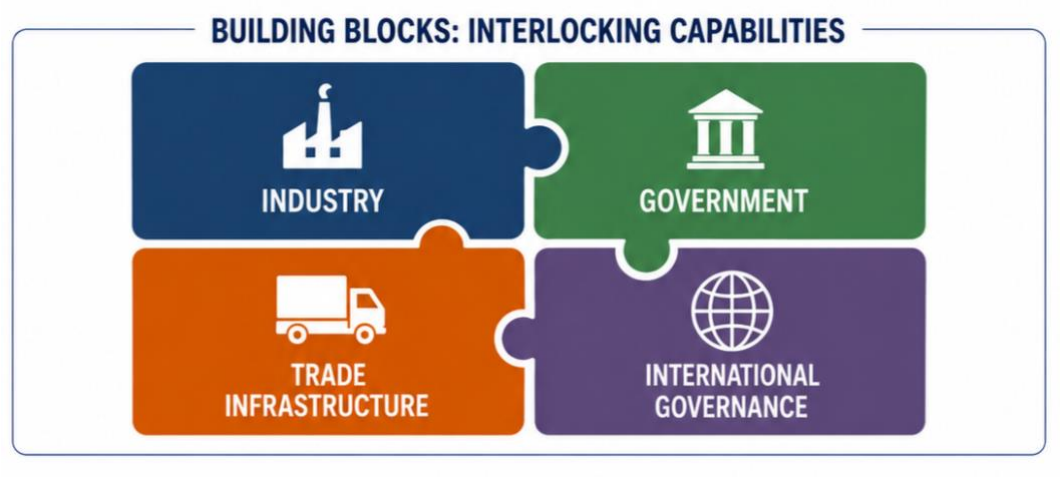
Chapter 5: Facing Weaponised Trade: Recommendations and Conclusions

5.1 Weaponised Trade as a Structural Condition

This report has documented the nature, incidence, and impact of Weaponised Trade on Australia and other jurisdictions as well as the international community as a whole, along with analysis of the ways in which industry, governments and civil society has responded. Weaponised Trade is no longer an aberration within the international trading system. It has become a structural feature rather than a periodically-recurring exception to an otherwise stable order. Understanding Weaponised Trade as such is an essential precondition for the recommendations that follow.

No single policy instrument, no single institutional reform, or a single legal mechanism is capable of generating the resilience that Australia requires. Instead, the era of Weaponised Trade requires a layered architecture in which industry-level risk management, government policy, an expanded and shock-resilient trade infrastructure, and international governance arrangements are designed to mutually support and reinforce one another. Therefore, our recommendations are best viewed as a set of interlocking capabilities or 'building blocks'.



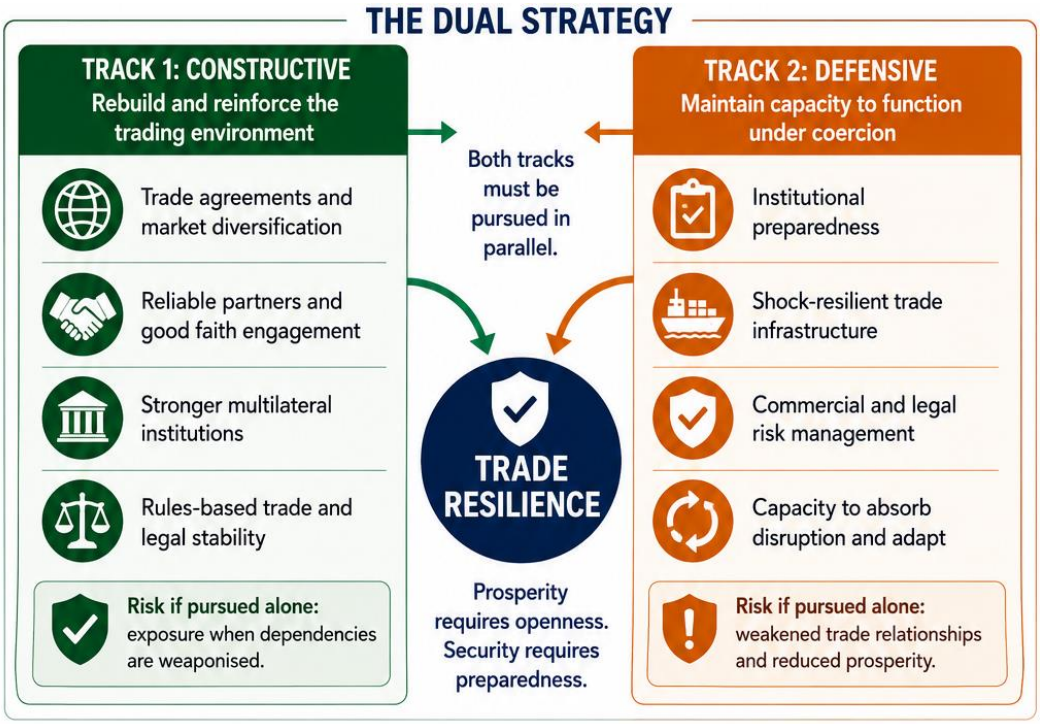
The recommendations that follow are deliberately cross-referenced. An industry-level gap in risk information is also a government information-provision problem. Similarly, a supply chain vulnerability identified at the firm level can also suggest the need for a national economic resilience strategy at

the government level, taking into account elements such a re-shorting and building domestic manufacturing capability. Treating the recommendations as interconnected and mutually reinforcing is a condition of an effective national response.

Our recommendations are shaped by an overarching concept of a dual strategy. Australia's response to Weaponised Trade must operate simultaneously on two tracks: (re)constructing and reinforcing a trading environment grounded in the rule of law and good faith engagement with reliable partners, while also building and maintaining the trade-supportive infrastructure, as well as the institutional, commercial, and legal capacity to function when that environment fractures or partners defect from it.

These tracks are not alternatives. A government that invests only in the constructive track, i.e. by creating and deepening trade agreements and expanding existing market relationships, as well as strengthening multilateral institutions, will be exposed when a trading partner weaponises those very dependencies. A government that invests only in the defensive track risks hollowing out the trading relationships that generate the prosperity it is trying to protect, relationships that are required for Australia to prosper. Both tracks must be pursued in parallel.

Restraint is also required. Not all unwelcome trade restrictions, sanctions, or regulatory measures amount to economic coercion. As the previous chapters have stressed, intent and collateral objectives are important, and there are often questions of attribution, proportionality, and other areas of ambiguity. The risk of over-claiming economic coercion is that it can intensify conflict and lead to even larger-scale relationship breakdowns between trading partners. At the same time, there are systemic harms that are exacerbated where a rules-based order is supplanted with power politics, so there is a systemic interest in escalation being prevented.

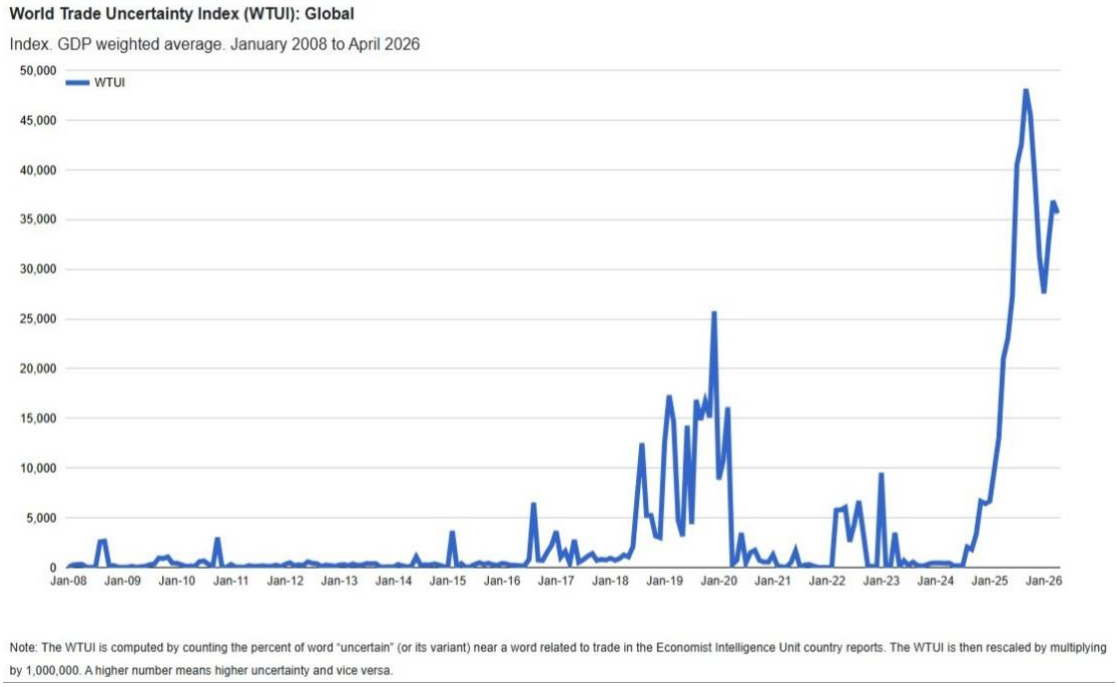


The environment in which these recommendations operate is one of elevated and likely persistent uncertainty. The WTO's most recent trade outlook identifies geopolitical fragmentation and policy unpredictability as primary drivers of trade risk in 2025 and beyond, with uncertainty indices running higher than at any point in recent decades.[1] The World Trade Uncertainty Index paints a similar picture.[2]

That uncertainty is not symmetrically distributed: some products, some export destinations, and some supply chain configurations are materially more exposed than others. Critically, not all disruptions within that environment are due to unexpected exogenous factors such as pandemics. What distinguishes Weaponised Trade measures is that the disruption is intentional, politically motivated, and is often designed to be difficult to legally attribute or challenge. This means that analytical frameworks built for

[1] World Trade Organization, *Global Trade Outlook and Statistics: April 2025* (Report, April 2025) 20-29 <https://www.wto.org/english/res_e/booksp_e/trade_outlook25_e.pdf>.
[2] Hites Ahir, Nicholas Bloom and Davide Furceri, *World Uncertainty Index* (Web Page) https://worlduncertaintyindex.com/. Data used available at https://worlduncertaintyindex.com/wp-content/uploads/2026/04/WUI_Data.xlsx. On methodology, see Hites Ahir, Nicholas Bloom and Davide Furceri, 'The World Uncertainty Index' (Working Paper No 29763, National Bureau of Economic Research, February 2022) <https://www.nber.org/papers/w29763>.

managing market volatility or logistical shocks are insufficient. Risk forecasting, intelligence sharing, and institutional memory of prior coercive episodes will have to become operational necessities.



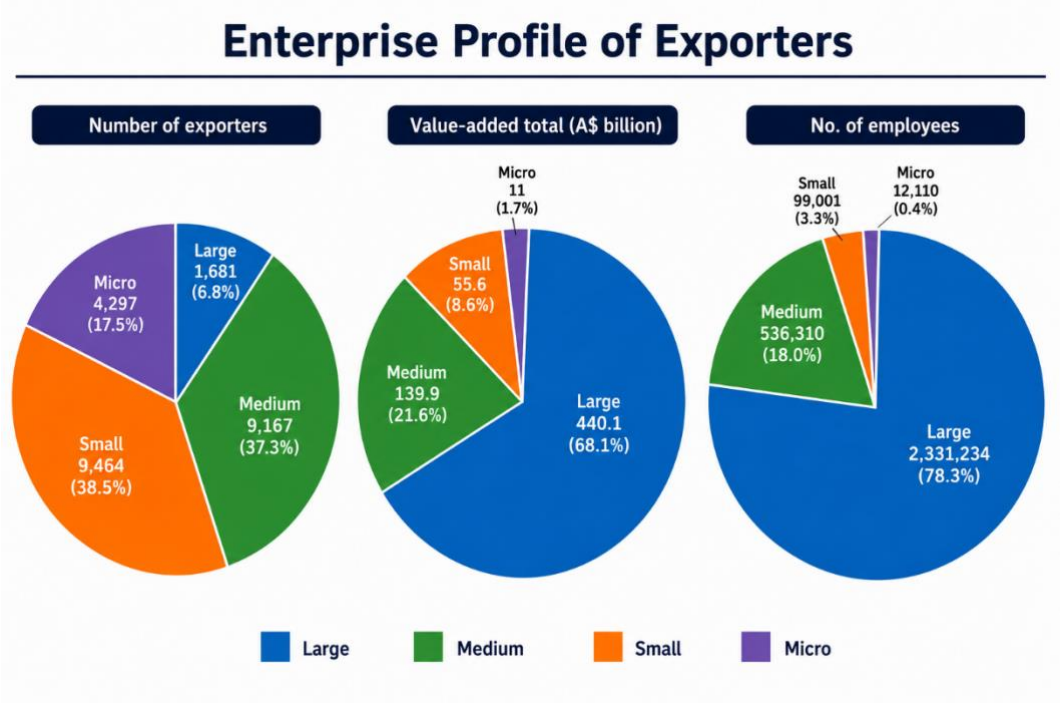
5.2 Recommendations for Industry

The findings of this research project, including interview data, have shown that enterprise size impacts capacity to anticipate, plan for, and respond to Weaponised Trade. Small and medium enterprises (SMEs) represent over 70% of Australian exporters by number, and around 10% of value-added exports, as illustrated in the diagram below. [3]

While the recommendations in this section are relevant to all businesses, they have particular regard to the needs of SMEs, which may often lack the resources, networks and capacity to face Weaponised Trade. As shown in the diagram below, while large businesses have a significant proportion of employees and provide more than two thirds of the value-added total, small

[3] The diagram is based by data asauced from the Australian Trade and Investment Commission, *Australian State of Exporters Report 2022* (Report, 31 January 2023) <https://www.austrade.gov.au/en/news-and-analysis/publications-and-reports/australian-state-of-exporters-report-2022>. Percentages may not add up to 100% due to rounding.

and medium businesses constitute a significant proportion of the exporters and contribute significantly to the value-added total and the number of employees in the Australian economy.



Recommendation 1: Businesses of all sizes must plan strategically for Weaponised Trade rather than responding operationally when it occurs. Geopolitical risk information is core to business planning, development and resilience. Industry associations have a specific and underutilised role to play in aggregating and distributing market intelligence that individual firms, particularly smaller ones, cannot efficiently generate alone. The distinction between accidental disruption and intentional coercion must be embedded in how firms assess, design, and stress-test their supply chain architecture, and in how they plan for supply chain resilience.

Recommendation 2: Businesses should conduct a systematic review of their trade arrangements to identify and appropriately allocate exposure to weaponised trade risk, for both imports and exports. This review should encompass understanding the political vulnerabilities of their trading partners, and the architecture of their supply chains. It should also encompass matters such as contractual risk allocation and the pricing and procurement of political risk insurance.

5.3 Recommendations for Government

Recommendation 3: Whole-of-government coordination should be institutionalised as a core element of Australia's response to Weaponised Trade. Effective identification, prevention and response require structured collaboration within and across relevant government departments, including DFAT, Defence, PM&C, Treasury, Agriculture, Industry, the Attorney-General's Department and other relevant agencies, with clear shared objectives, regular information sharing, and mechanisms for timely engagement with affected industries. Government should embed ongoing data collection, research synthesis, and stakeholder consultation into its response architecture, rather than relying on ad hoc crisis responses.

Recommendation 4: The Australian government should enhance mechanisms for sharing geopolitical trade risk intelligence with the private sector for both imports and exports. This should be a structured mechanism to provide front-line support for business to communicate intelligence to government as well as for government to communicate insights to business. It is especially important that this mechanism has capacity to reach businesses that lack the scale or industry associations to independently access such intelligence. Smaller businesses represent both the greatest information gap and an increasing point of systemic vulnerability as the geopolitical risk environment intensifies. This is a two-way street, as it provides government and industry with information-sharing opportunities that are not currently available.

Recommendation 5: Focus should also extend externally, to allow domestic responses to aligned with those international partners. This includes coordination with like-minded partners, especially middle powers and trade-intensive states. The Australian government should also explore successful legal and policy initiatives adopted by other states, with a view to assessing the suitability for Australian conditions of other approaches to constructive and reactive trade resilience. This could, for example include an assessment of jurisdictions such as Japan, which has different models for trade compared with Australia, and specific approaches to trade infrastructure and supply chain resilience. Germany should also be studied in relation to Recommendation 6 below, and the United States and European Union for legislative protections such as anti-coercion instruments. Examination of

diverse state practices will offer valuable insights into what makes a resilient trade infrastructure.

Recommendation 6: The Australian government should undertake a comprehensive review of the scope and accessibility of state-backed export finance and political risk insurance instruments, with reference to comparable mechanisms among peer economies, and should consider targeted expansion of coverage to address the specific risk profile of Weaponised Trade.

Recommendation 7: The Trade Resilience Service (TRS) is an initiative set up through Austrade to support trade exposed businesses to navigate increased supply chain volatility driven by ongoing conflict in the Middle East. The TRS began operating in April 2026 and will continue to operate for 12 months. Measures like the TRS should be retained, adequately resourced, and developed beyond its current information-provision function. The TRS addresses a real need but is not scaled or designed to meet the full extent of demonstrated private sector demand for support in navigating the risk stemming from Weaponised Trade. Institutional strengthening in this area should be treated as an ongoing commitment rather than a discrete program.

5.4 Recommendations for International Governance

Recommendation 8: The rules-based international trading order retains significant value and should be actively engaged with and defended, notwithstanding its limitations in responding to deliberate economic coercion. Restoring the efficacy of WTO dispute settlement should remain policy priority. New legal rules specifically targeting Weaponised Trade are neither achievable in the current negotiating environment at the WTO nor, in isolation, capable of disciplining Weaponised Trade. However, there are minor but significant reforms that could be made to some WTO rules to improve their capacity to address certain kinds of formal Weaponised Trade measures, such as antidumping or countervailing duties.

Recommendation 9: Preferential trade agreements (PTAs) should be designed and actively deployed as building blocks of a reconfigured rules-based order, not merely as market-access instruments. Australia should actively seek to concluding such treaties among amongst jurisdictions committed to a level playing field, good faith engagement, and the

foundational principle of *pacta sunt servanda*.[4] In an environment of elevated and persistent geopolitical uncertainty, PTAs that embed strong rule-of-law commitments, transparency obligations, and carefully considered security exceptions represent the most immediately available tool for constructing the trading environment that the dual strategy's constructive track requires.

Recommendation 10: Maintaining structured channels of dialogue with all significant trading partners, including those whose conduct has been coercive, is an essential component of any response to Weaponised Trade. The historical record of international trade relations demonstrates that even severe episodes of trade conflict have proven amenable to de-escalation where dialogue mechanisms have been preserved. Track II diplomacy has a specific, underutilised, and institutionally important role to play in the current environment.

[4] This principle, meaning 'agreements are to be kept', is a fundamental principle of international law that is embodied in Article 26 of the *Vienna Convention on the Law of Treaties*, done Vienna on 23 May 1969. Entered into force on 27 January 1980.

FACING WEAPONISED TRADE: 10 RECOMMENDATIONS

A dual strategy: (1) strengthen a rules-based trading environment with reliable partners; (2) build resilience to operate when the environment fractures.

RECOMMENDATIONS FOR INDUSTRY

Build awareness, capability and resilience at the enterprise level

1. Understand and assess risks

- Build internal understanding of Weaponised Trade risks across markets, sectors and products.
- Conduct regular risk assessments covering political, regulatory and supply chain vulnerabilities.

2. Diversify markets and supply chains

- Reduce over-dependence on any single market, customer or supplier.
- Build alternative market pathways and multiple supply chain options where possible.

3. Strengthen internal capabilities

- Develop in-house expertise in trade compliance, customs, sanctions and export controls.
- Invest in scenario planning and stress testing for potential trade disruptions.

4. Collaborate and share information

- Engage in industry networks and information-sharing platforms.
- Share experiences of coercive measures to build collective awareness and mitigation strategies.

5. Build resilience and preparedness

- Develop response plans for potential trade disruptions and coercive actions.
- Maintain financial and operational buffers to withstand prolonged disruptions.

RECOMMENDATIONS FOR GOVERNMENT

Enhance policy, capabilities and support for a whole-of-government response

6. Provide timely information and guidance

- Improve government intelligence and analysis of Weaponised Trade risks.
- Provide clear, timely guidance to businesses, industry bodies and the public.

7. Strengthen whole-of-government coordination

- Ensure effective coordination across departments and agencies.
- Establish clear roles and decision-making processes for responding to coercive measures.

8. Invest in trade infrastructure and resilience

- Support diversification of export markets and critical supply chains.
- Invest in domestic capabilities, including re-shoring and advanced manufacturing where strategically important.
- Provide financial, legal and diplomatic support to firms affected by coercive measures.

RECOMMENDATIONS FOR INTERNATTIONAL GOVERNANCE

Reinforce the rules-based order and collective responses

9. Strengthen the rules-based system

- Reform and revitalise the WTO, including a fully functioning dispute settlement system.
- Clarify the limits of national security exceptions to prevent abuse.

10. Build collective resilience and cooperation

- Deepen coordination among like-minded partners to deter and respond to economic coercion.
- Develop shared tools such as early warning systems, rapid response mechanisms and coordinated diplomacy.
- Support capacity building for affected countries, especially small and open economies.

5.5 Facing Weaponised Trade

Australia's response architecture must be responsive to both the current environment, but also to a likely future in which Weaponised Trade continues and potentially accelerates. It is plausible that coercive trade measures will become more frequent, more technically complex, and significantly more difficult to attribute or challenge. It is also likely that a subset of future Weaponised Trade incidents will be structured to be more subtle, using indirect and supply-chain-level pressure, providing instigators with plausible deniability. It is also plausible that future measures will continue to exploit evidentiary and legal gaps in global regulation – including loopholes and ambiguities in WTO rules. This means that future responses calibrated to past episodes may be progressively less adequate. Front-loading resilience, institutionalising risk forecasting, and maintaining the analytical capacity to identify new forms of coercion before they take effect are some of the defining requirements of a posture adequate to that trajectory.

Future Weaponised Trade measures are likely more difficult to detect and attribute, more challenging to confront through legal means, and harder to communicate to domestic and international audiences as rule-breaking. Technical barriers, sanitary and phytosanitary measures applied selectively and without transparent evidentiary basis, informal administrative delays, standard-setting manipulation, and indirect supply chain pressure through third-country intermediaries are all instruments that leave limited documentary trace, generate plausible alternative explanations, and resist the evidentiary thresholds that dispute settlement and domestic trade remedy mechanisms require.

Such measures are not accidental, but rather coercing governments have learned from the experience of measures that provide clear legal exposure, and the evolution of their toolkit reflects that learning. The international trade architecture (including dispute settlement mechanisms) and the domestic legal frameworks that Australia and its partners have developed for responding to Weaponised Trade measures were calibrated for a reality in which coercive measures were relatively legible. As that legibility decreases, those frameworks become progressively less effective as deterrents. This is not due to a change in their legal content, but because the measures they are designed to discipline are not the ones that are being deployed today.

The implication is not that legal and institutional responses should be abandoned. Rather, they must be supplemented by a pre-legal analytical layer, i.e. the systematic mapping of the coercion toolbox, the identification of sectors and supply chain configurations that present elevated exposure to next-generation coercive instruments, and the development of response options before Weaponised Trade measures have been taken and before the evidentiary record has been constructed.

This is the domain in which the risk forecasting function recommended throughout this report does its most important work. Retrospective analysis of incidents is important but needs to be partnered with prospective assessments of where coercive pressure is most likely to emerge, in what form, and through which channels. Maintaining expert capacity to do this work within public and private sectors is critical.

Continuing to collect and analyse instances of Weaponised Trade, including instances that fall below the threshold of formal legal characterisation, is a necessary input into that forecasting capacity. It is also a function that requires sustained institutional commitment rather than project-based resourcing.

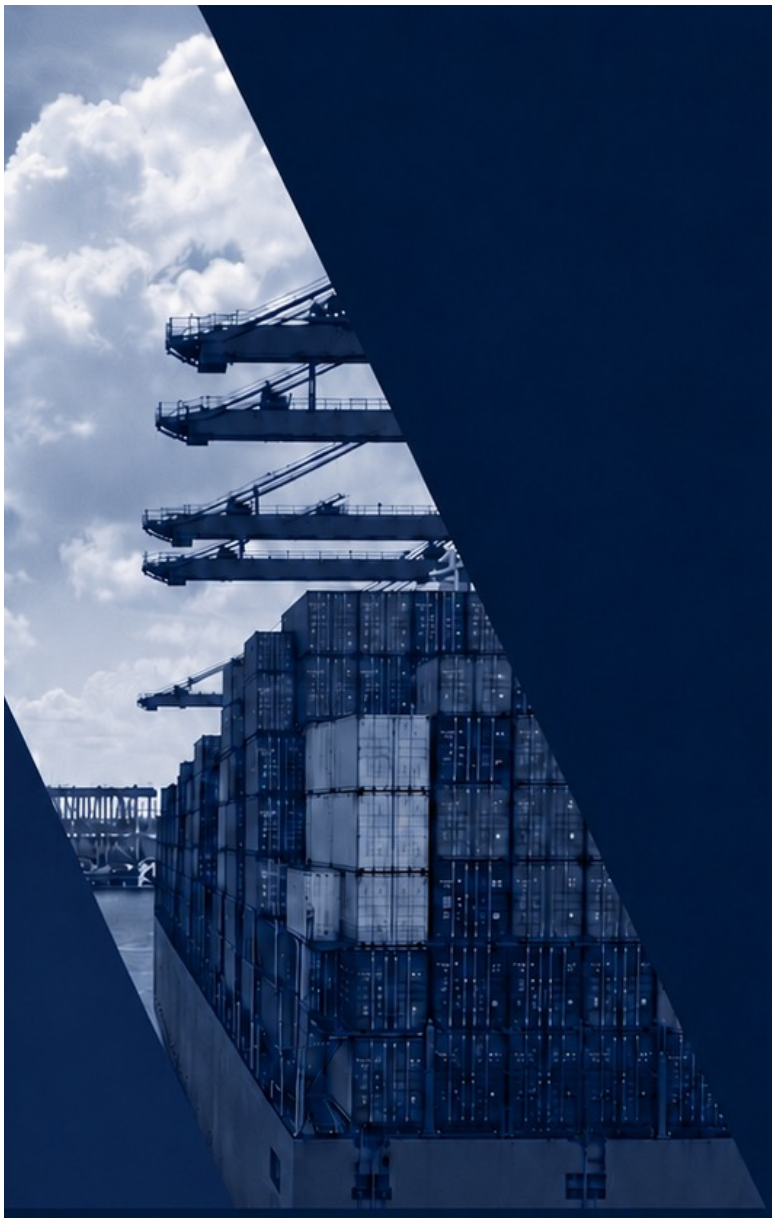
5.6 Conclusion

The recommendations assembled in this conclusion share a common premise. The era in which Weaponised Trade could be managed as an exceptional disruption to an otherwise stable system has ended. What confronts Australia and its partners is not a sequence of discrete coercive episodes to be resolved case by case, but a structural condition of the international trading environment that requires an equally structural and sustained response.

The building blocks of that response, i.e. firm-level risk management, government information and support capacity, an infrastructure that allows for high-risk trade shocks to be absorbed, a trade governance architecture grounded in the rule of law, and the maintenance of dialogue alongside, do not generate resilience in isolation. They do so only when they are designed to coordinate and strengthen one another: when intelligence generated at the government level reaches the firms that need it; when commercial risk management tools are calibrated to geopolitical realities that government

understands better than the market does; when international governance arrangements are grounded in a realistic assessment of what existing frameworks can and cannot accomplish; and when the analytical capacity to anticipate the next form of coercion is treated as an institutional imperative rather than an academic exercise.

The dual strategy consisting of constructing and deepening a trading environment grounded in the rule of law and good faith, while maintaining the demonstrated capacity to function when that environment is turned against Australian interests, is a posture the government should adopt without a view to a definitive endpoint. Building it, sustaining it, and adapting it as the environment continues to evolve is the work that this report seeks to inform.





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