



## WEAPONIZATION OF TRADE - ECONOMY

**NEWS:** The minister of external affairs has emphasised how trade has become more weaponized as a result of globalisation, forcing nations to see all economic dealings through the prism of national security.

### WHAT'S IN THE NEWS?

#### What is meant by the Weaponization of Trade ?

The term "Weaponization of Trade" describes the **employment of trade regulations as a means of influencing and imposing political will.**

This strategy seeks to accomplish political goals devoid of the use of force.

#### Evolution of weaponization of trade:

Trade restrictions have traditionally been used by nations to put pressure on their enemies or rivals. Examples include the **U.S. oil embargo on Japan in the 1930s, which as per some historians contributed to the attack on Pearl Harbor, and economic sanctions on South Africa might have led to the end of the white regime in Africa.**

In recent years, there has been a rise in both the **sophistication and frequency of trade weaponization.**

Over the course of the last 25 years, the **United States has evolved its approach to sanctions, becoming more sophisticated and successful.** It has done this by moving from broad sanctions (such as the embargo on Cuba) to targeted financial penalties that are directed at particular people or organisations.

#### Trade Weaponization Mechanisms

##### Trade as a Tool of Coercion:

**In response to the repercussions of armed conflict, politicians have turned to trade sanctions as a middle ground between diplomacy and war, giving a mechanism to impose pressure without direct bloodshed.** Ex: After the violence in Galwan, Chinese goods are banned in India.

##### Tariffs and Quotas:

In order to defend home industries and exact revenge on rivals, governments levy fees on imports or place restrictions on certain items.

##### Sanctions:

Targeted sanctions are aimed at specific individuals or sectors to restrict their economic capabilities without impacting the entire nation. **Examples of Sanctioned Individuals include Kim Jong-un, the North Korean Supreme Leader. The United Nations (UN) imposed these sanctions due to the country's weapons proliferation and human rights abuses. Then there is Vladimir Putin, President of Russia. Putin has been under EU sanctions due to the 2014 annexation of Crimea.**



## Embargoes:

Total restrictions on conducting business with particular nations are implemented as a form of punishment or market isolation. **As a result of American tariffs on Chinese commodities during the U.S.-China Trade War, China retaliated, further intensifying trade tensions.**

## Market Access:

Governments use their access to sizable markets to sway the political decisions made by smaller states. Western nations imposed severe sanctions on Russian banks and companies after their invasion of Ukraine, which had an impact on Russia's international presence.

## Energy Weaponization:

By turning off gas to Poland and Bulgaria, for example, Russia has utilized its control over Europe's gas supplies as a political tool.

## As a retaliatory measure:

China has used it to justify the retaliation it is doing. Ex. It reduced trade with Norway after the Nobel Peace Prize was awarded to Liu Xiaobo in 2010 and limited trade with Australia after it called for an investigation into COVID-19's origins.

## Consequences of Trade Weaponization

### Economic Fragmentation:



Protectionist policies cause havoc with international supply chains and impede national economies from growing. **As countries prioritize security over economic cooperation, the growing politics of trade is expected to result in a more fragmented global economy, impeding economic growth and job creation.**

## **Protectionism:**

A rise in nationalism can result from trade disputes, which can sway public opinion away from globalization and toward protectionism.

## **Global Uncertainty:**

Ongoing trade disputes contribute to market instability, which severely impacts global investment and economic planning.

## **Encourages self-centrism:**

It's clear that China's activities are linked to a nationalist narrative at home, where it presents itself as resisting past injustices, a sentiment that the Chinese people find appealing. **A similar issue resonated in Trump's America First policy leading to the decline of visa approval for Indian people in the US.**

## **The Way Ahead**

### **Need for Diplomacy**

Countries should hold bilateral talks to address trade issues, as seen in recent U.S.-China negotiations aimed at reducing tariffs and fostering cooperation on trade practices.

### **International Collaboration**

Successful discussions in previous trade crises among member nations have proved the value of strengthening organizations like the World Trade Organization (WTO) as a venue for dispute resolution.

### **Emphasize Resilience**

Countries can **diversify their supply chains by making investments in alternate material sources. For example, the United States might lessen its reliance on China by strengthening its semiconductor manufacturing agreements with nations like Vietnam and India.**

### **Achieving a Balance Between Security and Commerce:**

Regulators can impose specific laws, like the U.S. Export Control Reform Act, which limits technology exports to nations that pose threats to national security but permits advantageous commerce in other areas.

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