



YOUNG AUSTRALIANS in  
INTERNATIONAL AFFAIRS

# COUNTERING TRADE COERCION IN THE INDO-PACIFIC

The need for AUS-UK Joint Engagement



POLICY BRIEF - MOIRA NEGLINE, PATRICK MCMASTER, AND SULITHI  
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# EXECUTIVE SUMMARY

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Amidst the flurry of transnational disputes that have occurred in the Indo-Pacific in recent years, trade coercion has been employed to the detriment of states that believe in the need for free and transparent norms in this region. The use of coercive trade tactics is of concern to Australia, and any state that wishes to engage in trade in the Indo-Pacific. Combatting trade coercion will necessitate a unified approach from like-minded states. With the newly signed Free Trade Agreement (FTA), Australia and the United Kingdom (UK) are ideally placed to construct pillars of resilience against trade coercion.

This policy brief makes three recommendations:

1. Add an appendix to the UK-Australia FTA that establishes a shared understanding by both parties against trade coercion.
2. Create a UK-Australia Trade Taskforce that is charged with bolstering resilience in the face of trade coercion.
3. Develop a shared resource hub, such as a website, which provides stakeholders with information and tools that can be used to counteract trade coercion.

## BACKGROUND

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Trade coercion is defined as the use of practices such as quotas, anti-dumping measures and phytosanitary barriers to apply political pressure on a trade partner as part of a broader diplomatic dispute [1]. This practice has become increasingly common in the Indo-Pacific in recent years. The goals of trade coercion may be to try to obtain a certain policy direction by restricting trade or investment, or threatening to do so.

There has been an uptick in such activity since 2018, in most cases there is no official acknowledgement of the motivations behind such measures making them especially arbitrary and harmful [2]. This is exacerbated by the reluctance of perpetrating governments to admit to rule-breaking behaviour, as well as the ambiguous definition on what constitutes trade coercion. Furthermore, a lack of transparent reporting on trade coercion has not only allowed it to proliferate but also permitted offending states to escape condemnation and consequences [3].

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# BACKGROUND CONT.

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Australia has suffered from numerous incidences of trade coercion, ranging from state-issued threats to trade and tourism restrictions [4]. Notable examples include the anti-dumping investigation into Australian wine in August 2020, which was escalated by Australia to a World Trade Organisation (WTO) panel for examination [5]. The UK has also been susceptible to coercive behaviour due to its proximity with the European Union (EU) [6], as well as in retaliation to issues such as the British national (overseas) (BNO) visa scheme for Hong Kong Citizens.

## THE PROBLEM

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Trade coercion is a grievous threat to the economies of the Indo-Pacific. It breaches the core trade principle of non-discrimination [7]. Confidence in rules-based trade is also undermined when perpetrators apply trade coercion with impunity.

Noting the prominence of Australia and the United Kingdom in the Indo-Pacific, this brief highlights a unique opportunity to use bilateral partnership to alleviate trade coercion more broadly.

Trade coercion subjects states to exposed markets, and leaves businesses vulnerable. It also produces asymmetric power, impeding the prospect of a truly free Indo-Pacific as proposed in the Association of Southeast Asian Nations (ASEAN), Regional Comprehensive Economic Partnership (RCEP) and Asia-Pacific Economic Cooperation (APEC), among other regional agreements. This region comprises of 58% of the world's population, 63% of the world's gross domestic product [8], and 46% of the world's merchandise trade [9], making the need to eliminate trade coercion of paramount importance.

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# THE PROBLEM CONT.

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The dispute resolution mechanisms presently available to states in the face of trade coercion are limited. The World Trade Organization (WTO) dispute settlement process is critiqued for excessive delays in dispute resolution. A lack of alternatives leaves countries vulnerable to further onslaught, particularly those that attempt to respond unilaterally to such activity as seen in Australia's case. The recommendations in this brief aim to create a binding obligation to denounce trade coercion without relying on good faith and comity principles.

The proposal contained in this pitch also aims to remedy a legislative gap to address the evolving issue of trade coercion, noting the absence thereof in any existing legislative framework.

## **POLICY RECOMMENDATIONS**

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**1**

**Add an appendix to the UK-Australia FTA that enshrines a shared understanding held by both parties against trade coercion**

The UK-Australia FTA, which was virtually signed last December, presents a unique opportunity for both parties to deepen strategic cooperation. Hailed as a “gold standard” agreement [10], there is potential to construct within its framework new pillars of resilience against trade coercion. The addition of an appendix to the FTA that commits both states to shared understanding and cooperation in the face of trade coercion would bolster industry confidence.

It would also provide a further layer of protection for both Australian and British stakeholders. In presenting a united stance against trade coercion, Australia and the UK will set a standard for fair and open trade in the Indo-Pacific, encouraging other countries to follow suit.

## **2 Create a UK-Australia trade taskforce that is charged with bolstering resilience in the face of trade coercion**

In the framework of the FTA, there is scope for establishing a joint trade taskforce between the UK and Australia with the main purpose of countering trade coercion through the promotion of bilateral cooperation. The task force would be charged with responding to trade coercion through the three-pronged “Call out, Diversify and Respond” mechanism outlined below.



- Call out: Creating a public forum in which trade coercion is called out by both Australia and the UK.
- Diversify: Promoting trade diversification when there is a need to do so.
- Respond: Plan punitive diplomatic or economic responses to trade coercion that can be carried out in cooperation with like-minded states.

A similar initiative is being pursued by the European Union [11]. Former Australian Prime Minister Scott Morrison has also called for a dialogue with the United States to resist economic intimidation [12]. Clearly, such a taskforce is not without precedent, nor does it have to be limited to the UK and Australia; other like-minded states should be encouraged to join.

# 3

## **Develop a shared resource hub that provides stakeholders with information and tools that can be used to counteract trade coercion.**

Following the creation of a joint trade taskforce, Australia and the UK should pool resources to coordinate the overarching aim of “joint resilience”. In practice, this means having a shared office to oversee relevant activities. It should also establish a website similar to that of Austrade or the UK’s Department for International Trade that gives advice to industry stakeholders and allows for information sharing between relevant UK and Australian trade bodies [13]. In combining resources, both Australia and the UK would benefit from increased leverage against perpetrators of trade coercion. Such a framework could also be extended to other Indo-Pacific states that share common values with Australia and the UK.

## CONCLUSION

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The weaponization of trade as a means to achieve political goals is of great concern to Indo-Pacific states and requires urgent attention to mitigate its consequences. Concrete action should be taken by Australia and the UK to protect related industries that engage in trade within the region. The signing of the FTA provides an opportunity to foster new economic ties that are resilient to trade coercion. Indeed, it is imperative that the FTA itself gives explicit mention to a unified stance against trade coercion. A joint trade task force between the UK and Australia should also be established, creating shared resources aimed at assisting relevant stakeholders. Such steps may appear limited in scope; however, the potential of a unified response presents real benefits to local industry in Australia and the UK whilst also being of high symbolic value in the region. Broadly, these proposed measures will foster more open and just trading practices in the Indo-Pacific.

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The views in this Policy Brief do not represent the views of any organisations.



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