Ear to Asia Podcast

Title: How middle powers navigate economic pressure from the world's giants

Description: Earlier this year, Canadian Prime Minister Mark Carney drew international attention with a speech at the World Economic Forum in Davos, in which he warned that middle powers face an increasingly difficult international environment as great powers become more willing to use economic pressure to pursue their strategic interests. He called for closer cooperation among countries committed to an open, rules-based order, arguing that solidarity may be middle powers' best defence against coercion from far more powerful states. His warning reflects a real dilemma: nations like Australia and South Korea have already faced trade restrictions aimed at shaping their political choices, and this as the rules underpinning global trade grow shakier. So can middle powers really band together to resist coercion, or are they better off cutting bilateral deals with the world's dominant players? And what becomes of the rules-based order if the global economy grows evermore transactional? International relations researchers Dr Alexander Hynd of Asia Institute and Max Broad of Lowy Institute join host Sami Shah in examining how middle powers respond to economic coercion in an increasingly contested world. An Asia Institute podcast. Produced and edited by profactual.com. Music by audionautix.com

Voiceover:
The *Ear to Asia* podcast is made available on the *Jakarta Post* platform under agreement between *The Jakarta Post* and the University of Melbourne.

Sami Shah:
Hello, I'm Sami Shah. This is *Ear to Asia*.

Max Broad:
So for middle powers, if you trade with another country, you benefit greatly from the complementarities of your economy, but at the same time if that state wants to weaponize those interdependencies then that's a source of vulnerability. Especially over the last decade, when we've seen a rise in great power competition between the United States and China, we're seeing that those economic interdependencies are being weaponized more frequently. So at a time when there's a fracturing economic order, that means there are downsides as well.

Alexander Hynd:
You know, I think on the idea of a grand kind of middle-power-only coalition, empirically this just isn't how we've seen middle powers respond to recent great power economic coercion. You know, what we've seen is middle powers around the region trying to, in

essence, kind of out-compete each other and secure the best deal possible for themselves rather than trying to act in coalitions.

Sami Shah:
In this episode, how middle powers navigate economic pressure from the world's giants. *Ear to Asia* is the podcast from Asia Institute, the Asia research specialists at the University of Melbourne.

Earlier this year, Canadian Prime Minister Mark Carney drew international attention with a speech at the World Economic Forum in Davos. He warned that middle powers face an increasingly difficult international environment, as great powers become more willing to use economic pressure to pursue their strategic interests. Carney called for closer cooperation among countries committed to an open rules-based international order, and he argued that acting together may offer middle powers their best chance of resisting economic coercion from states far larger and more powerful than themselves. His remarks spoke to a challenge confronting many governments today. Middle powers such as South Korea and Australia have found themselves on the receiving end of trade restrictions and other coercive measures designed not simply to achieve economic outcomes but to influence political decisions. At the same time, long standing assumptions about free trade and the rules governing the global economy are coming under increasing strain.

So what options do middle-tier nations really have when economic relationships become instruments of geopolitical leverage? Can they work together to push back against coercion or are they ultimately better served by cutting bilateral deals with the world's dominant powers? And if the international trading system is becoming more transactional, what does that mean for the future of the rules-based order that has underpinned the prosperity of so many middle sized economies?

Joining me to discuss are international relations researchers Dr Alexander Hynd of Asia Institute and Max Broad of Lowy Institute, who have recently focused their interest on understanding how middle powers respond to economic coercion in an increasingly contested world.

Welcome to *Ear to Asia*, Alexander and Max.

Max Broad:
Thank you for having us.

Alexander Hynd:
It's great to be here.

Sami Shah:
Alexander, let's kick things off with you then. Why did Mark Carney make the Davos speech this year, and why did it get the attention it did?

Alexander Hynd:
Right, thanks, Sami. So it's clear to me that we're entering a really tumultuous time in world politics. You know, Mark Carney made his intervention about a year into the second

Trump administration, and definitely the context that was going on there, you know, particularly at the time the Trump administration was talking in a fairly strong terms about taking over Greenland, which really shocked European nations, many of which were in the audience at Davos. So clearly from Canada's perspective a lot of the rhetoric and actions of the Trump administration are really concerning even around a smaller kind of rhetorical tactics such as referring to the Canadian leaders as the kind of governor of Canada, right, and referring to Canada as the 51st state of the U.S. So clearly Canada was feeling the pressure from the U.S. and feeling disgruntled about that, and at the same time, you know, in recent years Canada has also faced coercive pressure and particularly around economic issues with China, so really the context for Canada and other middle power nations has been this kind of increased pressure both from China but also more recently from the U.S., you know. I think Mark Carney in particular, you know, the reason why it gained headlines this speech and has triggered a lot of debate is that he was willing to go further than some other leaders in terms of publicly calling out the recent great power actions, really kind of stuck his neck out on this effectively, you know, almost going as far as to declare the end of the international order while at the same time suggesting that middle powers like Canada could work together to preserve elements of that rules-based trade and economic system. So his speech certainly popular with a lot of liberals in Western nations and beyond that are kind of despairing of some of the bad behaviours that we've seen the great powers exhibiting in recent years. But, I guess for Max and I, not entirely clear how realistic his proposed solution and rhetoric is.

Sami Shah:
Max, would you like to add anything there?

Max Broad:
Yeah just adding to that I'd note that not only did Mark Carney get a standing ovation at Davos, which was unusual, but middle power leaders really responded quite positively to his speech. So we saw the leader of Finland, Alexander Stubb, writing in *Foreign Affairs* about his idea of middle power cooperation, and the Deputy Prime Minister and Defence Minister of Australia, Richard Marles, sort of made a comment to the effect that Mark Carney speech was read widely within the Australian government. So, you know, this idea of the great powers using economic integration as coercion, to use Mark Carney's words, really did have an effect both in media circles but also policy circles in many middle power countries.

Sami Shah:
Let's define that then – middle powers. It's a phrase that was used by Carney and has been referenced quite a great deal in conversations recently. Who decides what is a middle power? What are the criteria? Is it a self-described label? Alexander?

Alexander Hynd:
Thanks, Sami. So in general terms when we talk about world politics, you know, we might think of the great powers as being the most powerful, having the greatest capabilities, the greatest influence and usually in the contemporary era we're primarily talking about the United States and increasingly also China, Perhaps in some cases, you know, potentially talking about Russia and the EU also. Middle powers, you know, in general I would say this is a kind of second tier of fairly high status states with less power than, you know,

countries like the U.S. and China but still really significant status and influence and capabilities. Particularly at the regional level, right? So when we're thinking in terms of Asia often countries like South Korea, Japan and Australia are referred to as the middle powers as well as Canada. Sometimes countries like India, Indonesia and others are also kind of included in this. You know, over the last few decades there's been a lot of kind of academic and policy debates about how exactly we define middle powers but I think one of the most popular of these definitions has been thinking about this second tier of countries that allegedly kind of act and behave in quite similar ways, deploy similar strategies around things like multilateralism, acting in coalitions, leading in kind of small niche areas, building bridges, and acting as, you know, so-called good international citizens both in terms of following and promoting international law and norms. But more recently there have been big question marks both in terms of academic and policy debates and broader kind of discussions about whether middle power countries necessarily continue to behave like this. And I think what Max and I have been working on recently is kind of rethinking those ideas about how middle powers allegedly behave, particularly in response to this kind of recent great power economic pressure, right? So we don't think that it's necessarily right, for example, to say that countries like Canada, Australia, South Korea are necessarily seeking to work primarily in coalitions or to seek multilateral solutions to recent great power economic pressure and coercion.

Sami Shah:
Max, what's the relationship of these middle powers to the global economy? Are there advantages or vulnerabilities that they're exposed to?

Max Broad:
Yeah, look, I mean, in general most middle powers have really thrived in the post-Second World War international system. You know, they've become rich and prosperous through international trade. They've benefited from multilateral institutions such as the United Nations, the World Trade Organization that have set up the systems for international cooperation. And the sort of post Second World War period of globalisation where world economies have become much more enmeshed together has really been quite favourable for middle powers compared to an old sort of world in which might makes right and, you know, international institutions led by the United States for a long time have really been helpful for middle powers in helping them prosper. At the same time that process of globalisation has necessarily meant that middle powers have more economic interdependencies between themselves, you know. If you trade with a another country you benefit greatly from the complementarities of your economy but at the same time if that state wants to weaponize those interdependencies then that's a source of vulnerability. And so especially over the last decade when we've seen a rise in great power competition between the United States and China, we're seeing that those economic interdependencies are being weaponized more frequently. So, you know, this system has been great for middle powers but at a time when there's a fracturing economic order that means there are downsides as well.

Sami Shah:
Alexander, while describing middle powers and their relationship to the great powers, one of the things you mentioned was economic coercion. What types or forms of coercion are there and how are they inflicted?

Alexander Hynd:
Well, look, so I think economic coercion, trade wars, economic war has been around for as long as world politics itself arguably. You know, one of the foundational definitions of economic war was that put forward by one of the founders of kind of strategic studies, right, Thomas Schelling, who talks about economic war as being the economic means by which damage is imposed on other countries or the threat of damage used to bring pressure on them. As I say, this goes back, you know, at least as far as kind of ancient Greece in terms of kind of behaviour by states that have this kind of economic leverage. But more recently, you know, in the contemporary era this appears to have taken on new importance and a number of new forms, right? And I think for both the kind of largest contemporary great powers, the U.S. and China, they're both deeply embedded in the world economy, you know, with China as this kind of exporting powerhouse and the U.S. as this fantastically large market and also an investor. So this kind of outsized economic heft does give them a lot of formal and informal influence that's increasingly being deployed, being used in pursuit of their political objectives. You know, I think the ways that China and the U.S. are using these kind of economic pressure tactics are very different, right? Primarily we can see China using more informal sanctions and the U.S. more kind of publicly declared U.S. kind of economic tariffs, right, particularly more recently. And the U.S. of course has used historically kind of sanctions on so-called rogue states. But definitely this is something which is really important for middle powers in the region to grapple with and to think about how they can respond to.

Sami Shah:
Max, this does portray the middle powers as being fairly powerless in the influence and face of the great powers. However, is there not a case also of them being able to play off or leverage the great powers against each other? Can they use these rivalries between U.S. and China to benefit themselves?

Max Broad:
Yeah, for sure. Alexander and I definitely aren't trying to paint a picture of middle powers as powerless or without any influence. You know, particularly in the Indo-Pacific, most middle powers as you say have deep connections with both the U.S. and China that they are able to leverage while those two countries are competing against each other. You know, often that means that countries are reliant on China economically but they're able to balance against that by thickening their ties with the United States from a security aspect. You know, so they're not completely over-reliant on one power or another. You know, if we were to give one example countries such as Vietnam have a long history of managing their relationships with their great power neighbours so we certainly aren't trying to paint a picture of these states as powerless. In fact Alexander and I, you know, we believe that too much of the commentary is focused on how the great powers are deploying their economic coercion and not enough about how the middle powers are behaving tactically and strategically to sort of duck and weave like a leaner boxer might against a more powerful or formidable opponent to evade these tactics. So and, you know, to add one more note in the context of a changing economy with, you know, climate change and artificial intelligence and all these new dynamics, we're seeing that middle powers are certainly alive to the opportunities to take advantage of those changes.

Sami Shah:
So Max, can the middle powers then act together to fend off bullying? How realistic is something like that?

Max Broad:
Look, Alexander and I certainly we're supportive of the idea for more cooperation between middle powers but we generally take a view that it's more realistic that we'll see more frequent bilateral middle power cooperation rather than these sort of grand coalitions such as Mark Carney was prescribing in his speech. You know, to give an example during Japanese Prime Minister Takaichi's recent visit to Australia, I believe in May, her and Prime Minister Anthony Albanese agreed the sort of declaration on economic security cooperation where they agreed to work together in contingencies related to economic coercion or other geopolitical tensions, So there are sort of these bilateral initiatives that we have some confidence in being able to work at a time when the two middle powers' interests do actually align. And to give another example. I mean it's not an example of coercion but during the current Iran war-driven fuel shortages we've seen Australian leaders such as Anthony Albanese, the foreign minister Penny Wong, travelling around Asia to Singapore, South Korea, Malaysia and other countries working to shore up their fuel supply. Really, you know, using these interesting bilateral deals rather than these multilateral coalition-based forums. And, you know, in fact we're also seeing Australia, we've also seen Australia work with China to secure fuel supplies. So, you know, while we think that middle power cooperation is great, we're not overly optimistic about the opportunity for middle powers to generate complete independence from the great powers via these coalition forums. Alexander, I'm not sure if you'd like to add to that.

Alexander Hynd:
Yeah, I think that's right. I think what we've seen, you know, as Max says, is kind of bilateral interest in kind of responding to this kind of economic pressure. You know, at the same time there have been this kind of almost Mark Carney-inspired calls for essentially two types of broader middle power coalitions. The first being ones that purposefully exclude both the United States and China from membership. And the second being, you know, this idea of a grand coalition of middle powers led by the United States that's specifically intended to push back against Chinese economic coercion or the threat of that in the future. And we've identified, we think there's a number of problems with those kind of proposals, you know. I think one that stands out to me is the idea that middle powers necessarily at all times kind of share the same interests in responding to economic coercion, and I think that's not quite right because, you know, if we look at recent history in the region we can identify instances where middle powers have engaged in economic coercion against other middle powers, right? They're not always on the same team. So in 2019 there was a kind of trade spat between South Korea and Japan where a South Korea Supreme Court ruling relating to historical issues led Japan to institute export controls on critical chemicals used in South Korea's semiconductor and other industries and kind of removed South Korea from a so-called kind of white list of preferred export partners for dual use technologies, right? So how can, you know, a lot of these proposals, particularly ones focused on Asia, see South Korea and Japan as being members of this kind of grand middle power coalition but can they necessarily do that when they also face the threat of economic coercion potentially from each other, right? A few of the other issues identified I guess, you know, if there was just a middle power-only club then there's a big risk of

defection here, you know, particularly if these clubs are seen as kind of hostile by either of the great powers, you know, and face potentially even kind of escalation. And I think actually we've seen a recent intervention by the U.S. Under Secretary of War for Policy, Elbridge Colby, who basically, you know, views this idea of a Carney-esque middle power coalition as quite hostile to U.S. interests. I think the U.S. has a lot of leverage that it could use to try and break up that kind of club or prevent it from ever forming in the in the first place. And I think finally, you know, I think on the idea of a grand kind of middle power-only coalition empirically this just isn't how we've seen middle powers respond to recent great power economic coercion, whether it's being response to China's informal measures or more recently the Trump administration's so-called Liberation Day tariffs. You know, what we've seen is middle powers around the region trying to in essence kind of out-compete each other and secure the best deal possible for themselves rather than trying to act in coalitions. So we're not saying it can't happen, you know, theoretically but it seems unlikely to us. And final thing I'll say, Sami, is just if we have a kind of anti-Chinese economic coercion club led by the U.S., to us that doesn't seem necessarily to be in the middle powers' interest. You know, if we start to have these kind of large blocks of economically aligned countries in the international system then that can only hurt the trade profiles of middle powers in the region. And ultimately if the U.S. is in charge of a club of economically and politically aligned states then that would, you know, risk increasing the U.S.'s leverage over its own allies and partners that could be then used for future U.S. economic coercion against that bloc in the future.

Sami Shah:
Would it be fair to say then that the smart middle powers are the ones using a sort of game theory, if you will, that benefits them the most in making these judgement calls?

Max Broad:
Look, it's an interesting point. I think it definitely is right to say that we shouldn't get ahead of ourselves in assuming that middle powers will always work together. I think really, you know, if Australia's interests are aligned with South Korea's at a particular time for a particular issue then we should expect cooperation between them but we shouldn't get ahead of ourselves and expect that those interests will always overlap, right? And so certainly it makes sense for middle powers to be open to cooperation when it's available but I'm not as optimistic as perhaps Mark Carney is about the interests of these middle powers overlapping all the time.

Alexander Hynd:
Yeah, I think that's right and I would say, you know, it's not that I'm necessarily hostile to the kind of vision that Mark Carney has for middle powers working together. It's more just that this isn't necessarily the entirety of how middle powers can respond, right? So not only are there kind of limitations to that but really what we see as kind of missing as part of, you know, discussions around middle power strategies are those that are used kind of in the here and now. Not kind of grand visions about a future order or a future rules-based trade system that will be in the interests of middle powers no doubt, but a kind of, as Max kind of alluded to earlier, a kind of boxing, you know, unilateral ducking and weaving strategies that middle powers have been using when they're responding to specific instances.

Sami Shah:

Alexander, it sounds like the criteria being used by middle powers here could fall into two categories: security and economic. Is there a disconnect between the two? Can one great power provide security and one great power provide economic opportunity, and can the rivalry between those great powers be compromised in some way to benefit the middle power?

Alexander Hynd:

Yeah well I think, you know, for the last two or three decades a lot of middle powers in the region, particularly those who are most closely aligned in terms of their security relationships with the United States, they have tried to kind of have this separation. You know, in Korea they call it 안미경중 (Anmi-gyeongjung), which means kind of “security with America, economics with China”, right, to acknowledge the way that they have this kind of imbalance in their key security and economic partnerships, you know? But I would say particularly at the moment where we are entering this more fractured and unstable order, despite the recent U.S. behaviours, you know, middle powers in the region that have historically been aligned to the U.S. there's no sense that they're losing interest in those security relationships. Definitely there's a recognition rather that U.S. security guarantees remain, you know, super important for a number of U.S. allies in the region. At the same time we should acknowledge middle powers, you know, I think is implicit in this question, they're really trying to maneuver in very difficult circumstances where they have this kind of foundational security partner in Washington that increasingly views them with suspicion, you know, publicly accusing them of exploiting the benevolence of U.S. military power in the region, right? And so how they're trying to respond to that I think it's, as you say, it's really difficult set of trade offs between these security and trade relations. But definitely, you know, there's I think interest among U.S. allies who are middle powers in the region in pursuing a more transactional approach with the U.S. in particular where they say okay we can have a win-win renegotiation of the terms that have underpinned our alliances since they began, right? So in South Korea's case, you know, this is agreement to increase investment in the U.S. industrial base but in return trying to pursue things that for a long time were kind of red lines from Washington's perspectives, most notably the recent agreement that the U.S. would allow South Korea to build nuclear powered submarines.

Sami Shah:

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I'm Sami Shah, and I'm joined by international relations researchers Max Broad of Lowy Institute and Dr Alexander Hynd of Asia Institute. We're talking about how middle powers navigate economic coercion in an era of great power competition.

Alexander, let's take a closer look at the experiences of two Asia-Pacific middle powers, South Korea and Australia, and their experiences with coercive measures from the Great Powers, China and the U.S.. I'll start with you by asking you about China's economic coercion towards South Korea, beginning in, I believe, it was 2016.

Alexander Hynd:
Right. So at the time actually in 2016 I was living in Seoul and working in international affairs industry, and so I remember this stuff very vividly. You know, the essential trigger for this case of economic coercion was the South Korean government at the time announcing that it had agreed to host a U.S. anti-ballistic missile defence system, known as THAAD, on its territory which was intended from Seoul's perspective primarily to really help it defend from North Korean security threats which were kind of spiking at the time. However, China essentially objected to this move, which it saw as harmful to its own security interests. And this led China to impose a number of informal economic coercion instruments, among which were things like heavily restricting the number of Chinese tourists which were visiting South Korea, restrictions on Korean entertainment products being sold in the Chinese market, and particularly the activities of a number of large Korean businesses, the conglomerates such as Hyundai Motor Group and Lotte Group. Notably Lotte Group, the South Korean conglomerate, faced the real brunt of China's economic punishment because it had agreed to provide the land on which this anti-ballistic missile defence system was to be based. So China did a number of things to try and curtail their business practices on Chinese territory, including things like claiming fire code violations, right, which allowed it to shut down a number of Lotte stores which ultimately led Lotte to withdraw entirely from the Chinese market a few years later. So, you know, the estimates vary in terms of the amount of damage that was caused by these economic instruments, but one estimate just for 2017 alone said that around 7.5 billion USD was the was the effective damage caused by these measures. You know, in terms of South Korea's response, which is what Max and I am particularly interested in, in kind of thinking about and mapping, you know, I think to begin with there was a certain degree of shock that South Korea was facing this kind of response and shock that South Korea's initial kind of calls for U.S. support in response to this weren't really met with any kind of substantial help from Washington, right? But then, you know, South Korea had a transition to a new government in 2017 under the president Moon Jae-in which, you know, didn't commit to reversing the decision to host this anti-ballistic missile defence system on its territory but what it did do is attempt to reassure Beijing, including through a kind of almost compromise suggestion of what they called these, you know, “the 3 noes” policy constraint commitments, right? So these were, you know, reassuring China, number one, that there would be no additional THAAD batteries deployed on South Korean territory, no participation in the broader U.S. missile defence networks in the region, and finally that there would be no new kind of trilateral military alliance with Japan and the U.S.. In addition to this kind of attempt to reassure China and Chinese interests, there was also some market diversification and attempts to reduce kind of trade reliance on China, including by things like shifting business activities back to Korea or else to new markets, particularly kind of South East Asia.

Sami Shah:
And from South Korea, then, to Australia, which was also targeted by China in 2020. Max, what were the justifications there and what actions were taken?

Max Broad:
Yeah, well in the Australian instance, quite interestingly, China, the Chinese Embassy in Australia actually distributed a list of 14 grievances to journalists. So while the sanctions

were still informal, China largely denied that they were specifically punishing Australia. There was this list of grievances was distributed which sort of publicly complained about various Australian policies. The most high profile was Prime Minister Scott Morrison, who was prime minister at the time, his call for an inquiry into the Covid 19 pandemic. China took great offence to that. But the coercion had followed a sort of range of decisions that Australia took related to foreign interference and, you know, introducing new foreign interference and espionage legislation for example. And so the nature of this coercive action was that trade blockages were instituted against a range of Australian exports to China. These included wine, barley, beef and coal, lobster, various Australian exports for which China was a large purchaser. And so they were effectively cut off for a number of years or reduced to a very small amounts. And so that lasted from, as you mentioned, the early 2020 until around the middle of 2022 they started to be scaled back. And that seemed to be caused by the election of a new government, a Labor government in Australia in the middle of 2022. And so that seemed to provide an off ramp for the Chinese government to roll back these restrictions. And then to follow up on how Alexander described the South Korean response, Australia's response was quite different. It really, Prime Minister Morrison described it as one of strategic patience, was what he called it, by which Australia sort of refused to concede to China's demands, but also didn't try to escalate the situation any further. You know, really, Australia relied on its exports being diverted to new markets by the natural forces of the free market. The government did engage in some new sort of trade negotiations to try and sort of encourage businesses to diversify but largely there was minimal intervention. At the same time Australia made complaints to the World Trade Organisation and, you know, in general called out Chinese actions as coercive and tried to rally support among other great powers, but really the coercion ended after about two and a half years with relatively minimal damage to the Australian economy and the Chinese government basically unilaterally rolling back its trade blockages.

Sami Shah:
So is there a difference in approach, then, to China by Australia and South Korea and how they've handled these coercions?

Max Broad:
Yeah, definitely. I mean the South Korean government did seem to take a more active role in South Korea's response to Chinese coercion. Largely that seems to have been due to the different, the nature of the relationship between Seoul and Beijing compared to that between Canberra and Beijing. You know, while both South Korea and Australia are U.S. allies, South Korea is much more proximate to China. You know, China is much more of a looming presence and it's a neighbour and so there really was this view that China, that the South Koreans had to live with China. Therefore a more conciliatory response made sense, whereas Australia was very happy to stick with its, with calling out the coercion and refusing to capitulate. But yeah so in terms of those responses there were definitely differences.

Sami Shah:
Alex, can you contrast this with the coercive tactics of the U.S. towards Australia and South Korea, or under the second Trump presidency most recently?

Alexander Hynd:
Yeah, so I think, you know, it's important to say that the way that China has sought to impose economic pressure and coercion is very different to how the U.S. has gone about this, you know. Particularly in the second Trump administration, you know, just to remind audiences beginning in April 2025 we saw the launch of these so-called kind of Liberation Day tariffs on essentially, you know, almost every economy around the globe which was, you know, in essence fulfilling an election commitment of the Trump administration. Since then, these tariff rates have really kind of ebbed and flowed. You know, initially, you know, South Korea, it looked like they were going to peak at around 26%, 10% on Australia, you know. But I think whereas, you know, the U.S. and Washington sees these tariffs as an attempt to re-balance economic flows that they view as having, you know, previously exploited America's benevolence, you know, within middle powers themselves these measures are increasingly seen as coercive instruments that are forcing them into concessions and into changing policy, right? At the same time, you know, we've seen essentially a lot of the building blocks of the U.S.'s economic partnerships with middle powers, you know, almost kind of thrown out the window, particularly when it comes to things like the established free trade agreements. The Trump administration has shown that even those that it's negotiated itself like the USMCA with the North American bloc, you know, if they're not happy with the terms of these agreements then they're quite willing to seek to rewrite them, right? And at the same time particularly, you know, with my interest in South Korea and South Korea's experience of U.S. economic pressure, it's hard to completely disassociate what's happened with the tariffs with kind of broader challenges within that relationship, you know. Particularly there was an infamous episode in September 2025 where the immigration authorities in the U.S. there was an ICE raid on a Korean factory in Georgia which led to the detention of around 300 Korean workers for alleged visa violations. And I think that really shocked and angered many if not all South Korean audiences. And this is something that's really causing, you know, middle power publics I guess in the region to reevaluate how they see those kind of relationships with the U.S.. You know, I think just finally, previously we can say that the U.S. was more interested in using economic sanctions and kind of coercion against so-called rogue states like North Korea or Iran, Cuba maybe, Venezuela, and there was a limited amount of interest in what they used to call kind of secondary sanctions, right, which was like, you know, maybe middle power banks that were engaged in some kind of relations with those rogue states were getting targeted. But now I think there's this been the shift from the U.S. kind of acting really carefully in how it treats allies and partners, particularly middle powers in the region, to now being much more focused on using the stick rather than the carrot.

Sami Shah:
Max, the same applicable to Australia with the emergency tariffs that were announced?

Max Broad:
Yeah, exactly. Similarly to South Korea, Australia's a U.S. ally. The relationship has long been defined by cooperation, so Australian policymakers were certainly very offended when these tariffs were implemented, you know, especially as Australia runs a trade deficit with the United States. Sort of the justification for imposing these tariffs, you know, it's not clear, it remains unclear to to whom they benefit. And, you know, there's a lot of pressure in the light of these tariffs for Australian political leaders to travel to the United States and negotiate a different deal with Washington. You know, remind them of Australia's history of

fighting alongside the United States and being a partner and ally. But, you know, 18 months into the tariffs I think that prospect is we're no longer talking about that. That seems unrealistic. As Alexander mentioned, these tariffs were a election promise from President Trump. He's quite ideological about them and so now Australian policymakers have sort of settled into a different approach of how can they improve the relationship where they can while accepting that these coercive tariffs are here for the for the long run.

Sami Shah:
Alexander, let's move to the U.S. economic coercion style and try to get some specificity around that. Is it part of a defined approach or is this improvised?

Alexander Hynd:
So, I think, you know, the U.S. for a long time has had a number of and a burgeoning really kind of almost class of professionals in Washington who think about, you know, how to impose economic warfare measures, economic pressure measures, right? Sometimes we refer to them as kind of sanctions technocrats. Other times more recently even kind of sympathetic U.S. writers have started referring to them as economic warriors. So I think one of the points of mine and Max's recent work on this topic is basically saying, you know, the U.S. and China as the great powers seeking to leverage their economic capabilities to pressure and change policies among the region's middle powers, you know, it's time that countries like Australia, South Korea and others in the region kind of do the same, right, and really think about how we respond best. Try and make sure that we have engaged debates, engaged and informed debates with well trained and well-versed kind of class of of people involved in that discussion in our countries in terms of how do we best respond. I think, you know, the U.S., to answer your question, the U.S. has really focused on tariffs at the moment in terms of how it tries to deal with these relations, but I think, you know, one change that I'm seeing in U.S. behaviour is that it used to be it's economic coercion tactics were very clear in terms of the motivations and the signalling and the declarations. These were often very public announcements that were kind of made on U.S. Treasury websites for example. But now because of the challenges that the Trump administration faces domestically in terms of trying to make sure that the courts don't strike down its tariffs for example there is actually increasingly vague language, right? So even today, the day that we're recording on, there was this new announcement of U.S. tariffs of around 50% on most Canadian goods exports to the U.S. And in recent weeks President Trump has kind of, you know, pointed to the possibility of these new tariffs, talking about things like the wildfires in Canada, you know, leading to bad air being sent over the border into the U.S. as kind of justification for tariffs. But actually in the executive order announced today it doesn't mention that, right? So often now, you know, although tariffs still are very much the preferred instrument of the Trump administration I think we're seeing this kind of blurring of lines in terms of how formal, how how clear the motivations and the intentions are behind them.

Sami Shah:
Max, let's move past the Trump era and try to predict what the next stage could be like. In the post-Trump world, what geopolitical prospects would exist for middle powers then?

Max Broad:

Yeah, look I mean no one knows what the post-Trump world will look like. Even in America at the moment there are debates among potential Republican contenders about what, you know, what they would look like, what would a Marco Rubio foreign policy look like compared to a J.D. Vance foreign policy. And I do think that in part this coercive side to the U.S. that we've seen come out is unique to Donald Trump. You know, he's a particularly ideological figure when it comes to tariffs. Many people within the Trump administration and the broader Republican Party were opposed to these tariffs when they were initially being floated but have got on board under sort of the Trump mania that we've seen throughout this term. But, look, to look on a bit of a longer term about the United States more generally prior to and beyond Donald Trump, I do think that there are trends that will cause these impulses to continue, right? So partly the United States is concerned about perceptions of its own decline, particularly caused by the rise of China. You know, geopolitical competition is really front of mind for all policymakers from both sides of the aisle. You know, the Americans are concerned about expending their resources needlessly. They're worried that they're getting a bad deal from the liberal international order and the alliance system that they've set up. And, you know, to make one point during the Biden administration, President Biden maintained some of President Trump's tariffs on steel and, you know, many allies were irked by other restrictions that that Biden administration foreign policy team introduced related to cutting edge technologies such as semiconductors. So I think it's my assessment is that in future there will be continued pressure on allies, even those allies that are close to the United States, to sort of adjust their policies to suit American interests. And so I think that, you know, is a bit of a waking up, waking call for middle powers that they're entering a different world and they need to have different expectations about U.S. behaviour. And, you know, at the same time of course we shouldn't focus too much on the United States. China also is a revisionist power that wants to reshape its international relationships and the balance of power. You know, we've also seen recent attempted coercion from Beijing against Tokyo after Prime Minister Takaichi made comments about Taiwan which displeased officials in Beijing. So, you know, even if Donald Trump leaves office and a new administration comes in and even if China, you know, recognises that its previous attempts at coercion have been so successful that doesn't mean that these countries won't try again. You know, as Alexander mentioned, there are elements within both countries' governments that are thinking about how they can deploy the sort of economic statecraft better, and so I think the threat of economic warfare and coercion is here to stay.

Sami Shah:
You're both putting together a Secondary State Anti-coercion Toolkit. What does that set out and whom is it for?

Alexander Hynd:
So the Secondary State Anti-coercion Toolkit. So "secondary state" is just another word, academic word, meaning middle powers. And essentially we are trying to map and have been trying to map together with our colleague, visiting researcher from South Korea called Minsun Hong. We've been trying to map how middle powers have been responding to economic coercion pressure from both the U.S. and China over, you know, roughly the last decade, right? And one interesting way to think about these strategies, we think, is to think about those strategies that on the one hand some of them really try and maximise autonomy and build kind of independence for middle powers in the region, and others

have sought to really kind of lean into their dependence on the great powers right in terms of how they respond. So, you know, a lot of people thinking about middle power economic security right now, inspired by Mark Carney, have been focused on how states become more autonomous in response to this pressure, but we think actually if you look at middle power responses in the region, attempts to kind of change the terms of their dependence on the U.S. security guarantee, the ways that they've sought compromise with the great powers, you know some of these strategies also have sought to kind of leverage and reconfigure middle powers' kind of dependence on the great powers.

Sami Shah:
Can you talk about the the nice approach?

Alexander Hynd:
Right, so I guess you mean by that kind of the approach that seeks to, you know, double down on or leverage middle power dependencies to the great powers, right? And I think, you know, the first thing that we should say is that quite often, if not in all cases really, when middle powers face a new incident of great power economic coercion often middle powers have quite big diplomatic capabilities right and diplomatic networks and these very quickly we can see moving into gear. And sometimes, you know, this kind of heightened diplomatic activity – kind of reach out to the great powers, work out what their implicit or explicit demands are, trying to work towards a compromise – sometimes these can be can kind of, you know, ultimately end up being quite submissive, right? If you send a special delegation to the capital city of the weaponiser great power to kind of plead your case right that can appear quite submissive. If you present the leaders of the coercing great power with special gifts right, like we saw in South Korea when Donald Trump visited they gave him this kind of special golden crown obviously designed to kind of appeal to Donald Trump's kind of sense of self-importance, right? And, you know, even we've seen in the region kind of performative, you know, compliance with the alleged kind of legal complaints of the great powers, however dubious, right? So often great powers when they're doing economic coercion, particularly China has done this thing where they've said oh actually, you know, it's not that we're officially doing economic coercion on you but actually we've looked at the health and safety legislation around importing your goods and there's some problems there. So middle powers sometimes will kind of take at face value these really dubious legal claims and then send special delegations or try and prove that they're actually in compliance with these kind of legal complaints. And that's something we saw for example in the Philippines' response to limitations on China's imports of bananas I think back in around 2012.

Max Broad:
And just to add on to that, you know, in the Australian case as well when dealing with President Trump's tariffs we've often seen Australian policymakers and leaders appeal to this sort of shared history of mateship. They've travelled to Washington, they've pleaded Australia's case, they've pointed to Australian investments in the U.S. economy and the defence industrial base, and they've really pointed out that, or tried to point out that, it's a win-win relationship, and that the United States gets things as well. And so, you know, this is a, by describing it as sort of nice or submissive, we're not, we don't mean to criticise. You know, this is a creative, this is an important sort of diplomatic tactic to appease to the Trump administration, especially when for countries such as Australia and South Korea,

we rely on the United States for security. At some points it makes sense not to try and escalate the coercion but to sort of negotiate a better outcome bilaterally.

Alexander Hynd:
Yeah, I think that's right. And another one which I think is a really interesting strategy that we've seen used across the world really among middle powers, particularly when facing Chinese economic coercion, has been what Max and I call kind of non-concession concessions, right? So this has been kind of fairly submissive in terms of vibes, trying to kind of signal to the coercer that you're willing to compromise and kind of implicitly acknowledge their interests and show that you're kind of working to make them feel more reassured but at the same time not actually changing your policy, right? So we saw these kind of non-concession concessions not only in South Korea's response to the THAAD issue with China in 2016, what I mentioned, the kind of “3 noes” policy, which actually were existing policies South Korea had but they kind of reiterated them anyway, right? This wasn't actually a major change in policy. Similarly when China sought to disrupt Norwegian salmon imports in the middle of the last decade there was this kind of joint statement of rapprochement between China and Norway in which Oslo kind of reiterated its commitment to the One China policy, pledged that it wouldn't support actions that undermine China's quote unquote “core interests”, and would, you know, do its best to avoid any future damage to the relationship. But at the same time, you know, the Norwegian Prime Minister Solberg was able to publicly defend this kind of non-concession concessions by basically saying to the domestic audience that actually we haven't made any concessions and we've just been doing kind of confidence building work, right? So this is another strategy which I think, you know, as Max said, not trying to escalate, trying to kind of take the relationship, put the relationship back on track and kind of repair it but actually at the same time not necessarily giving in on any key points related to the initial coercion.

Sami Shah:
And then contrasting that is what you've described as the autonomy building or the strong approach. Max, how would that work?

Max Broad:
Yeah, exactly. So in contrast to this sort of submissive approach where you're trying to appease the coercer, you can, middle powers' also another option is to sort of do more to boost their own independence and their resilience. You know, at an extreme level this is unlikely. You know, when rogue states such as North Korea and Iran face sanctions in the past they have opted to sort of decouple themselves from the United States economy to the extent they can and, you know, that sort of extreme action is unlike, we're not likely to see that from middle powers because the risks are high, you know. The great powers typically have a greater capacity to hurt the middle powers than the inverse but, you know, we have seen an increasing prominence of these more independent resilient policy choices. So for example industrial policy directed towards autonomy, we've certainly seen a rise in that over the past decade. You know, in Australia, the Albanese government has its Future Made in Australia policy which is intended to improve Australia's capabilities in, you know, the tech sectors, green energy, critical minerals. To give another example, you know, back in 2010, the Chinese government stopped exporting rare earth minerals to Japan and at that point Japan was highly dependent on these Chinese rare earth minerals

so they ended up taking a range of actions to increase their resilience by, you know, investing heavily in stockpiling rare earth minerals so that if supply was cut off they weren't immediately exposed. They also diversified by developing mines for these rare earths in countries outside of China, you know, in Australia and elsewhere. And they also just diversified by increasing their resilience by relying on different technologies that didn't require those earth rare earth minerals which China controlled supply of, you know. Likewise in the South Korean instance, responding to U.S. tariffs, the change of government that occurred following the impeachment of President Yoon Suk Yeol sort of allowed South Korea to analyse the tactics of other first movers first and using that information to improve its own negotiations with the new Trump administration. So that was quite creative and allowed South Korea to, you know, prepare more strongly before going into negotiate with the Americans. And then equally in Australia's response to Chinese tariffs we saw Scott Morrison, the prime minister at the time, travel to the G7 summit and distribute lists – I mentioned earlier China's list of grievances that it had with Australia – and he distributed this list to the other G7 leaders and tried to rally support from them so they would come to Australia's side and helping Australia resist those tariffs. So certainly we are seeing instances where middle powers are able to act autonomously, build their own independence and resilience from the great powers.

Sami Shah:
Where does the example of governments investing in Trump's cryptocurrency schemes fall in terms of the taxonomy of middle powers responses?

Alexander Hynd:
Well, I would say, you know, one thing we're seeing is more broadly middle powers kind of, as we say, kind of having this transactional approach, recognising that the Trump administration sees things very much in kind of give-and-get, quid pro quo terms, right? So if there is this kind of investment in cryptocurrency or whatever it is, I think, you know, there's a wide-eyed kind of acknowledgement that, you know, you are, maybe rather than resisting or seeming to kind of escalate in trade conflicts with the U.S., what you want to do is appeal to the Trump administration's, you know, perhaps personal interests, right? And at the same time introduce your own demands into the relationship as well, and I think definitely in South Korea's response that's what we've seen more broadly.

Max Broad:
Yeah, and to add on to that, you know, all of these sort of transactional relationships – obviously under the Trump administration they take on a different character – but this is how diplomacy works. You know, it's true that middle powers need to contribute something to their relationships with great powers as well but that means they can get things out of it as well. So I'm not sure we've mentioned it so far but in South Korea's instance, you know, negotiating with the Trump administration on its tariffs allowed it to score a win in the security column by gaining access to U.S. nuclear submarine technology. Likewise Australia has, you know, offered up its critical mineral resources as something that can contribute to the United States' national security. And in that way it's sort of using these critical minerals as a source of defensive leverage – that if you can make yourself a reliable and vital supplier of a particular good or service to a great power then in future you're better able to respond to coercion. So certainly, you know, the Trump administration

has a very unique approach to this sort of deal making but middle powers do have things to offer and so we shouldn't be too pessimistic about that.

Sami Shah:
Alexander, let's circle back then finally to the attention around Mark Carney's speech. Will this chorus for cooperation among middle powers make a difference?

Alexander Hynd:
Look, so I think that's an important question. You know, I think I don't want the works that Max and I are doing at the moment to be misconstrued in that we're not saying necessarily that middle power coalitions are entirely a bad thing, right? We're not saying that multilateralism is bad thing. And definitely there is a kind of logic for middle powers in the kind of strength in numbers right when you're trying to compete with these kind of coercive practices by the great powers. But at the same time what we are saying is that a kind of grand middle power vision of these broad coalitions pushing back against the great powers or a grand vision of a new rules-based trading system are kind of, you know, long term visions are great but they're not necessarily going to help middle powers in the here and now. If Australia or South Korea woke up tomorrow and were facing a kind of new pressure campaign from either China or the U.S., how would they respond in those moments? We think these are the kind of interesting unilateral strategies that need to be kind of better understood and we need to kind of help inform policy makers understand what their choices are in terms of how they respond to these things, right? So, you know, we do think that rules are really important for middle powers but at the same time it's highly unlikely that the world trade system is going back to the post-Second World War kind of so-called liberal international order that a lot of middle powers benefited from and fundamentally were kind of made rich and secure by, right? What we can see, I think to finish on an optimistic note from me, is that middle powers are starting to learn from these kind of waves of great power economic pressure and I think one way we can see this kind of learning is in the way that Asian middle powers have been deploying what are now kind of veteran policymakers and officials to help respond to great power economic coercion. For example in South Korea there was, you know, in the response to the Trump trade tariffs the former second deputy director of the National Security Office, Kim Hyun Tong, was sent to Washington to kind of call for a delay to the U.S. tariffs and to try and kind of smooth that process of negotiation. And this is someone who was intimately involved in previous waves of kind of South Korea dealing with economic coercion. So I think these kind of officials policy makers and the broader kind of foreign policy communities in Asia's middle powers need to better understand these kind of strategic tools and strategies that they can use and, you know, use those to supplement maybe broader visions of kind of middle power cooperation.

Sami Shah:
Our guests have been Dr Alexander Hynd of Asia Institute and Max Broad of Lowy Institute. Thank you so much, both.

Alexander Hynd:
Thanks, Sami.

Max Broad:

Thank you.

Sami Shah:
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